



# TOPICAL RESEARCH AND HIGHLIGHTS

## ECB PUBLIC SECTOR PURCHASE PROGRAMME DETAILS

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**BULGARIAN NATIONAL BANK**

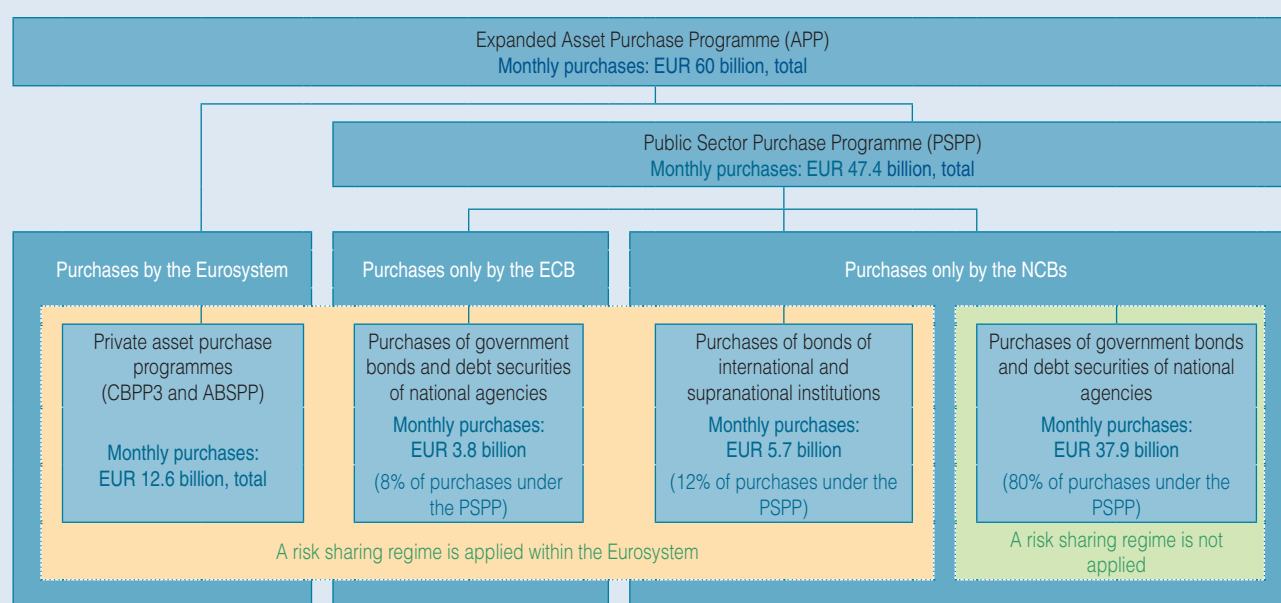
## ECB Public Sector Purchase Programme Details

### *Additional Information on the Allocation of the Securities Purchased under the PSPP*

The Public Sector Purchase Programme (PSPP) is a main element of the ECB Expanded Asset Purchase Programme. Under the PSPP, bonds issued by euro area central governments, agencies and European institutions are purchased outright (see Table 1) and together with the CBPP3 and ABSPP they will amount to EUR 60 billion monthly.<sup>1</sup>

The ECB coordinates the PSPP implementation but the purchases are made in a decentralised manner by the national central banks (NCBs). The volume of the monthly purchases made by each NCB is based on its share in the ECB capital (capital key). Purchases of bonds issued by the euro area central governments and agencies comprise 88 per cent of the total volume of the programme. A risk sharing regime is not applied to the securities purchased by the NCB and each NCB purchases securities issued by the central government and agencies only under the jurisdiction of the country in which they are based. The ECB has the right to purchase securities from the central government sector and agencies from all countries in the euro area amounting to 8 per cent of the total volume of PSPP, applying the risk sharing regime between the NCBs in the Eurosystem. The share of debt securities purchases issued by supranational institutions is 12 per cent of the total volume of the programme. A risk sharing regime is also applied to those purchases made only by the NCBs.

### Schematic Representation of the ECB Public and Private Assets Purchases Programmes



Note: The distribution of monthly purchases in the scheme is based on PSPP purchases made in March.

Source: ECB and BNB.

<sup>1</sup> See *New Decisions of ECB Governing Council on Monetary Policy of 22 January 2015*, Economic Review, issue 1/2015, p. 14.

**Table 1. List of International and Supranational Institutions and National Agencies whose Debt Securities are Eligible for Purchases under the PSPP by 15 April 2015**

International and supranational institutions within the euro area	National agencies within the euro area	
Council of Europe Development Bank	Bpifrance Financement SA	Caisse d'amortissement de la dette sociale (CADES)
European Atomic Energy Community	Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V. (FMO)	Union Nationale Interprofessionnelle pour l'Emploi dans l'Industrie et le Commerce (UNEDIC)
European Financial Stability Facility	Caisse des Dépôts et Consignations (CDC)	Instituto de Credito Oficial
European Stability Mechanism	Agence Française de Développement (AFD)	Kreditanstalt fuer Wiederaufbau
European Investment Bank	Cassa Depositi e Prestiti S.p.A.	Landeskreditbank Baden-Württemberg Foerderbank
European Union	Finnvera Oyj	Landwirtschaftliche Rentenbank
Nordic Investment Bank	Bank Nederlandse Gemeenten N.V. (BNG)	ACOSS
	Nederlandse Waterschapsbank N.V. (NWB)	SID – Slovenska izvozna in razvojna banka, d.d.
		NRW Bank

Note: This list may be amended by the ECB Governing Council.

Source: ECB

#### ***Additional Information on Restrictions in Purchasing Securities under the PSPP***

The PSPP is implemented on the secondary market, with eligible securities with a remaining maturity between two to 30 years and 364 days. NCBs and the ECB can purchase up to 33 per cent of each individual issuer's outstanding securities. The purchases restriction of not more than 25 per cent of each securities issue will be applied only in the first six months of the programme implementation, after which it will be revised by the ECB Governing Council.

In case of difficulties in the implementation of the monthly purchases quota by a central bank, the institution could compensate the shortfall with securities purchases of eligible bonds issued by national agencies and supranational institutions. Under exceptional circumstances, depleted alternatives and prior approval by the ECB Governing Council, the NCBs may carry out bond purchases issued by public non-financial corporations under the jurisdiction of the country in which they are based. These bonds should fulfil the ECB collateral eligibility requirements.

#### ***Additional Information on the Securities Purchase Price under the PSPP***

There are no restrictions in purchasing securities traded at a negative return in the secondary market as long as it is higher than the ECB deposit facility interest rate (-0.20 per cent).

#### ***Additional Information on the Accountability of Purchases under the PSPP***

On a weekly basis, information about the volume of purchased securities with settled transactions in the preceding week will be published.<sup>2</sup> Information on the purchases' geographical allocation and the average maturity of purchased securities will be published on a monthly basis. The share of purchased securities issued by supranational institutions will be disclosed separately from the other purchases.

#### ***Lending of Securities Purchased by the ECB***

In order to reduce the negative effect of the expected liquidity decline of the government securities market in the euro area, the ECB announced that as of 2 April 2015, the securities purchased under the PSPP and securities purchased under the SMP are made available for securities lending. The transactions are carried out by agents chosen by the Eurosystem central banks. Securities purchased by the ECB are available for lending:

- against provision of collateral including all holdings eligible for security purchases under the PSPP (incl. securities with a residual maturity of less than two years);

<sup>2</sup> The settlement of securities is based on t+2, i.e. data published on the ECB website on Monday cover the securities purchased until Wednesday of the preceding week.

- against fixed charge equivalent to 40 basis points;
- within a week, with possible extension by a week more, up to three times, increasing the fee charge by 10 basis points *per* extension.

The counterparties may borrow securities up to 2.5 per cent of each individual issue outstanding value but not more than EUR 200 million. In addition, the NCBs establish autonomously the conditions to lend the purchased securities, incl. the type of assets accepted as collateral, the haircuts, the transactions term *etc.*, in line with the specifications and infrastructure of the local bond market.

**Table 2. Geographical Distribution and Weighted Average Maturity of Securities Purchased under the PSPP between 9 and 31 March 2015**

Government debt securities and bonds issued by the national agencies of:	Value of securities purchased (billion EUR)	Weighted average maturity of securities purchased (years)	Share of total purchases of securities under the PSPP (per cent)
Germany	11.1	8.1	23.4
France	8.8	8.2	18.5
Italy	7.6	9.1	16.1
Spain	5.4	11.7	11.5
Netherlands	2.5	6.7	5.2
Belgium	1.5	8.8	3.2
Austria	1.2	7.8	2.6
Portugal	1.1	11.0	2.3
Finland	0.8	7.3	1.6
Ireland	0.7	9.4	1.5
Other*	1.0	8.1	2.1
<b>Government debt securities and bonds of national agencies, total</b>	<b>41.7</b>	<b>8.8</b>	<b>88.0</b>
Supranational institutions	5.7	7.3	12.0
<b>Securities purchases under the PSPP, total</b>	<b>47.4</b>	<b>8.6</b>	<b>100.0</b>

\* Lithuania, Luxembourg, Latvia, Malta, Slovenia and Slovakia.

Source: ECB, BNB calculations.

#### *Information on the Allocation of PSPP Purchases in March 2015*

Bonds amounting to EUR 47.4 billion with an average maturity of 8.6 years were purchased in the first month of the PSPP implementation between 9 and 31 March 2015. Securities purchases issued by supranational institutions accounted for EUR 5.7 billion. Securities purchased by the central banks of Spain and Portugal had the longest weighted average maturity (11.7 and 11.0 years, respectively).

THE SCULPTURAL COMPOSITION BY KIRIL SHIVAROV DEPICTING HERMES AND DEMETER ON THE SOUTHERN FAÇADE OF THE BULGARIAN NATIONAL BANK BUILDING IS USED IN COVER DESIGN.