

Press release

2 February 2023

ECB decides on detailed modalities for reducing asset purchase programme holdings

- ECB details modalities to reduce Eurosystem's holdings of securities under the asset purchase programme through partial reinvestment, broadly in line with current practice under full reinvestment
- Governing Council decided on stronger tilting of corporate bond purchases during partial reinvestment, including in primary market, towards issuers with better climate performance

As communicated in December, from the beginning of March 2023, the asset purchase programme (APP) portfolio will decline at a measured and predictable pace, as the Eurosystem will not reinvest all of the principal payments from maturing securities. The decline will amount to €15 billion per month on average until the end of June 2023 and its subsequent pace will be determined over time. The Governing Council will regularly reassess the pace of the APP portfolio reduction to ensure it remains consistent with the overall monetary policy strategy and stance, to preserve market functioning, and to maintain firm control over short-term money market conditions.

On the basis of the December decision, the Governing Council today decided on the detailed modalities for reducing the Eurosystem's holdings of securities under APP through the partial reinvestment of the principal payments from maturing securities.

During the period of partial reinvestment, the Eurosystem will retain the existing smooth reinvestment approach. The monthly redemptions under the APP between March and June 2023 will exceed the decided average run-off pace of €15 billion per month. Partial reinvestments in excess of €15 billion per month will ensure that the Eurosystem maintains a continuous market presence under the APP over this period.

The remaining reinvestment amounts will be allocated proportionally to the share of redemptions across each constituent programme of the APP, i.e. the public sector purchase programme (PSPP), the asset-backed securities purchase programme (ABSPP), the third covered bond purchase programme (CBPP3) and the corporate sector purchase programme (CSPP).

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Under the PSPP, the allocation of the reinvestments across jurisdictions and over time will continue to follow current practice. Specifically, the remaining reinvestment amounts will be allocated proportionally to the share of redemptions of each jurisdiction and across national and supranational issuers. Reinvestments will be distributed over time to allow a regular and balanced market presence.

For the private sector programmes (ABSPP, CBPP3 and CSPP), primary market purchases will be phased out by the start of the partial reinvestments in order to better steer the amount of the purchases conducted under each programme. The Eurosystem's market presence during the period of partial reinvestment will therefore be focused on secondary market purchases. However, non-bank corporate issuers with a better climate performance and green corporate bonds will continue to be purchased in the primary market.

Finally, the Governing Council decided on a stronger tilting of its corporate bond purchases towards issuers with a better climate performance during the period of partial reinvestment. Without prejudice to the ECB's price stability objective, and in keeping with the Governing Council's climate action plan, this approach will support the gradual decarbonisation of the Eurosystem's corporate bond holdings, in line with the goals of the Paris Agreement.

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