

**ASSET PURCHASE PROGRAMMES**

In March 2020 the Governing Council of the ECB decided to launch a **new pandemic emergency purchase programme (PEPP)**. This programme has specific targets and supplements the existing **asset purchase programme (APP)**, which has been implemented since early 2015.<sup>1</sup>

**Asset purchase programme (APP)**

The APP is comprised of several sub-programmes, defined on the basis of the type of asset acquired (Public Sector Purchase Programme (PSPP), Covered Bond Purchase Program (CBPP3), Corporate Sector Purchase Programme (CSPP) and Asset-backed Securities Purchase Program (ABSPP)). Implementation of the APP continued in 2020 at a monthly pace of €20 billion in accordance with the September 2019 decisions. The Governing Council expects monthly net asset purchases under the APP to run for as long as necessary to reinforce the accommodative impact of policy rates, and to end shortly before the Governing Council starts raising the key ECB interest rates.

It is also intended to continue reinvesting, in full, the principal payments from maturing securities for an extended period of time past the date when the key ECB interest rates start to rise, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation. Additionally, on 12 March 2020 the Governing Council increased the volume of net asset purchases for the APP

as a whole with an additional envelope of €120 billion until December 2020, ensuring a strong contribution from the private sector purchase programme.

Within the monetary policy portfolios, the public sector (PSPP) portfolio continues to accumulate the largest volume. As regards the private sector programmes, the corporate sector purchase programme (CSPP) continues to gain weight relative to the covered bond purchase programme (CBPP3). Lastly, it should be noted that the smooth functioning of the public sector purchase programme securities lending facility helped to contain repo market tensions at quarter and year ends.

**Pandemic emergency purchase programme (PEPP)**

This programme was initiated in March 2020, with an initial envelope of €750 billion, to counter the impact on the monetary policy transmission mechanisms and the outlook for the euro area deriving from the outbreak and escalating spread of COVID-19. The Governing Council decided to increase the size of the PEPP by €600 billion in June 2020 and by an additional €500 billion in December 2020, bringing the total envelope to €1.85 trillion. The assets eligible under the PEPP are similar to those eligible under the APP, although the range was slightly expanded, to include public sector and private sector (commercial paper) instruments with a shorter maturity (in the latter case, the rule is extended to the CSPP of the APP).

<sup>1</sup> The current purchase programmes started in October 2014, although they were initially restricted to covered bond purchases (from October 2014) and to securitisations (November 2014). In January 2015 the inclusion of public sector bonds (government bonds and supranational bonds) was announced, with purchases starting in March 2015. The monthly volume of purchases increased significantly and the joint programme (covered bonds, securitisations and public sector bonds) was called APP. In June 2016 corporate bonds were added to the APP.