



EUROPEAN CENTRAL BANK
EUROSYSTEM

ECB-PUBLIC

Mario DRAGHI
President

Mr Reinhard Bütikofer
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 29 August 2016
L/MD/16/396

Re: Your letter (QZ-080)

Honourable Member of the European Parliament, dear Mr Bütikofer,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 27 July 2016.

Various international and European fora in which the ECB participates (e.g. the G20, the Financial Stability Board and the European Systemic Risk Board) have established working groups to analyse the financial stability implications and financing challenges arising from climate change and climate change-related policies. The ECB participates in these discussions and supports the ongoing work with the aim of identifying the best way forward in respect of this important global challenge. At a global level, for example, the ECB contributes to the G20 Green Finance Study Group which is investigating how to enhance the ability of the financial system to mobilise private green investment.

Ethical and social behaviour, as well as good governance and climate-related issues, are of great importance to our societies. But in the first instance it is up to political leaders to define, agree and promote such criteria. The ECB's primary objective, as mandated by the Treaty on the Functioning of the EU, is to pursue its monetary policy mandate to ensure price stability over the medium term. The eligibility of assets for its purchase programmes and the collateral framework are thus primarily guided by monetary policy considerations, risk management, and the importance of ensuring level-playing fields and supporting efficient market-based allocations.

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As regards specifically the corporate sector purchase programme (CSPP), the Eurosystem purchases investment-grade bonds issued by non-financial corporates established in the euro area. Its objective, as part of the Eurosystem's asset purchase programme, is to help strengthen the momentum of the euro area's economic recovery and accelerate the return of inflation to levels below, but close to, 2%. In order to maximise the monetary policy effectiveness of the CSPP while avoiding undue distortions or level-playing-field concerns, the eligibility criteria of the CSPP have deliberately been broadly defined.¹

Similarly, the Eurosystem collateral framework establishes high credit standards for the acceptance of assets as collateral, while at the same time ensuring a level playing field for Eurosystem counterparties by accepting a broad set of eligible collateral. The key principles underlying the operational framework are operational efficiency, market orientation, simplicity, transparency, continuity, safety and cost efficiency. The purpose of the collateral framework is to support the implementation of the ECB's monetary policy, while at the same time providing sufficient financial safeguards. Notably, a number of "green" assets fulfil the collateral framework's eligibility criteria, and hence these assets are accepted as collateral by the ECB. In any case, the eligibility criteria for collateral are regularly reviewed and market developments are taken into account in these reviews.

Yours sincerely,

[signed]

Mario Draghi

¹ More details on the eligibility criteria for purchases under the CSPP are available on the ECB's website at <https://www.ecb.europa.eu/mopo/implement/omt/html/cspp-qa.en.html>

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