



EUROPEAN CENTRAL BANK
EUROSYSTEM

ECB-PUBLIC
COURTESY TRANSLATION

Christine LAGARDE
President

Ms Manon Aubry
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 2 September 2020

L/CL/20/241

Re: Your letter (QZ-043)

Honourable Member of the European Parliament, dear Ms Aubry,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 29 June 2020.

With regard to purchases of corporate bonds in the context of the ECB's asset purchase programmes and the pandemic emergency purchase programme (PEPP), the Governing Council adopted Decision (EU) 2016/948 to establish the corporate sector purchase programme (CSPP) and the framework under which it is conducted. To be eligible under the CSPP, and consequently under the PEPP, a bond has to fulfil the eligibility requirements for the Eurosystem's collateral framework – the rules that lay out which assets are acceptable as collateral for monetary policy credit operations. These rules are the same for all entities, objective in the sense that they are derived to protect the Eurosystem from incurring financial losses, and publicly available on the ECB's website. In addition, further criteria, primarily guided by monetary policy and risk management considerations^{1,2}, have to be taken into consideration. CSPP purchases are based on a

¹ See Article 2 of Decision (EU) 2016/948 of 1 June 2016, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1593530521495&uri=CELEX:32016D0016>

² For more information, see Corporate sector purchase programme (CSPP) – Questions & Answers, available at <https://www.ecb.europa.eu/mopo/implement/omt/html/cspp-qa.en.html>

Address
European Central Bank
Sonnemannstrasse 20
60314 Frankfurt am Main
Germany

Postal Address
European Central Bank
60640 Frankfurt am Main
Germany

Tel. +49-69-1344-0
Fax: +49-69-1344-7305
Website: www.ecb.europa.eu

benchmark which reflects, proportionally, all eligible outstanding issues. Purchases are carried out by six national central banks³ acting on behalf of the Eurosystem. The ECB coordinates the purchases.

With regard to the issue of conflicts of interest, the ECB has enhanced its transparency measures through the annual publication of a Declaration of Interests for each member of the Governing Council, Executive Board and Supervisory Board⁴. This is one way in which the ECB addresses possible conflicts of interest arising from previous occupational activity, private activities, the gainful occupational activity of spouses or partners and financial interests.

In addition, the single Code of Conduct subjects all high-level ECB officials to the same strict rules on private financial transactions as laid down in the ethics framework of the ECB. In this regard, the various asset classes are subject to different yet proportionate rules depending on their relation to the tasks performed by the ECB – precisely to avoid conflicts of interest. For these reasons, direct investments in financial assets of credit institutions are prohibited, given the supervisory functions of the ECB and the role of credit institutions as monetary policy counterparties. Investments in non-financial companies are not prohibited, since the ECB assumes no oversight responsibility for them and takes no individual decisions on them which could theoretically be influenced by interests. As a consequence, high-level ECB officials passively holding assets that could fall within the scope of asset purchase programmes does not and cannot lead to a conflict of interest. However, such investments are subject to enhanced scrutiny if high-level ECB officials intend to conduct any transactions in these assets. Moreover, high-level ECB officials are also bound by the statutory obligation not to disclose any information covered by the obligation of professional secrecy⁵, and are specifically prohibited from (mis)using confidential information, not only in their own private financial transactions, but also in recommending or advising against such transactions⁶.

Regarding investments in index funds, where an investor has no influence over the fund manager's investment decisions, the ECB rules on private financial transactions⁷ consider investments in these funds as generally exempt from any restrictions or reporting obligations because individual investors merely know the broad investment policy as determined in the prospectus. Hence, such investments could not give rise to any conflict of interest concerns given the diverse nature of the funds and the lack of control on the part of the investor over the investment decisions taken by these funds.

³ The Nationale Bank van België/Banque Nationale de Belgique, the Deutsche Bundesbank, the Banco de España, the Banque de France, the Banca d'Italia and Suomen Pankki – Finlands Bank.

⁴ See Article 10 of the Code of Conduct for high-level ECB Officials, available at [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019XB0308\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019XB0308(01)&from=EN)

⁵ See Article 37 of the Protocol on the Statute of the ESCB and the ECB, available at https://eur-lex.europa.eu/eli/treaty/teu_2016/pro_4/oj, Article 27(1) of Council Regulation (EU) No 1024/2013, available at <https://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex%3A32013R1024> and Article 4.1 of the Code of Conduct for high-level ECB Officials, available at [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019XB0308\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019XB0308(01)&from=EN)

⁶ See Article 16.1 of the Code of Conduct for high-level ECB Officials, available at [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019XB0308\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019XB0308(01)&from=EN)

⁷ See Article 0.4.2 of the ethics framework of the ECB, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52015XB0620%2801%29>

Address

European Central Bank
Sonnemannstrasse 20
60314 Frankfurt am Main
Germany

Postal Address

European Central Bank
60640 Frankfurt am Main
Germany

Tel. +49-69-1344-0
Fax: +49-69-1344-7305
Website: www.ecb.europa.eu

High-level ECB officials are obliged to disclose any situation that may raise conflicts of interest⁸ to the ECB's Ethics Committee. If a conflict of interest is identified, the Ethics Committee will ask the high-level ECB official concerned to take measures to mitigate and resolve the identified conflict of interest and inform the President of the ECB or the Chair of the Supervisory Board, and the related secretariat, accordingly. Depending on the nature of the conflict of interest identified, such measures can range from divestment of the financial instrument at stake to recusal from taking part in any discussions, deliberations or votes in relation to the matter at stake.

Yours sincerely,

[signed]

Christine Lagarde

⁸ See Article 11.2 of the Code of Conduct for high-level ECB Officials, available at [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019XB0308\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019XB0308(01)&from=EN)

Address

European Central Bank
Sonnemannstrasse 20
60314 Frankfurt am Main
Germany

Postal Address

European Central Bank
60640 Frankfurt am Main
Germany

Tel. +49-69-1344-0
Fax: +49-69-1344-7305
Website: www.ecb.europa.eu