



EUROPEAN CENTRAL BANK
EUROSYSTEM

ECB Public

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ECB's perspective on euro area corporate bond markets

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ECB is a strong supporter of the CMU project since its inception

Expert Group recommends:

i. Enhancing the EU Prospectus Regulation and Market Abuse Regulation

- ECB supportive of a mandatory use of the ISIN and LEI in prospectuses and emphasises the need to present the information contained in the prospectuses in a machine-readable manner.
- ECB views digitalisation of securities data as an important complement.

ii. Enhancing the Market Abuse Regulation

- ECB supportive of reviewing matters relating to the widening of scope of issuers' duties under the Market Abuse Regulation.

iii. Recalibrating or alleviating capital requirements for corporate bonds with a long tenor in the forthcoming Solvency II review

- ECB supportive more specifically of a recalibration of Solvency II capital requirements for simple, transparent and standardised (STS) securitisations.

iv. Improving the EU supervisory and policy framework

- ECB supportive of further enhancing the supervisory and policy framework.

Expert Group recommends:

i. Reviewing Basel III capital and liquidity requirements

However:

- Evidence of **material** negative impact rather scarce
- Excessive liquidity pre crisis may have been not sustainable
- Financial Stability Board and Basel Committee are currently evaluating the impact of post-crisis reform.

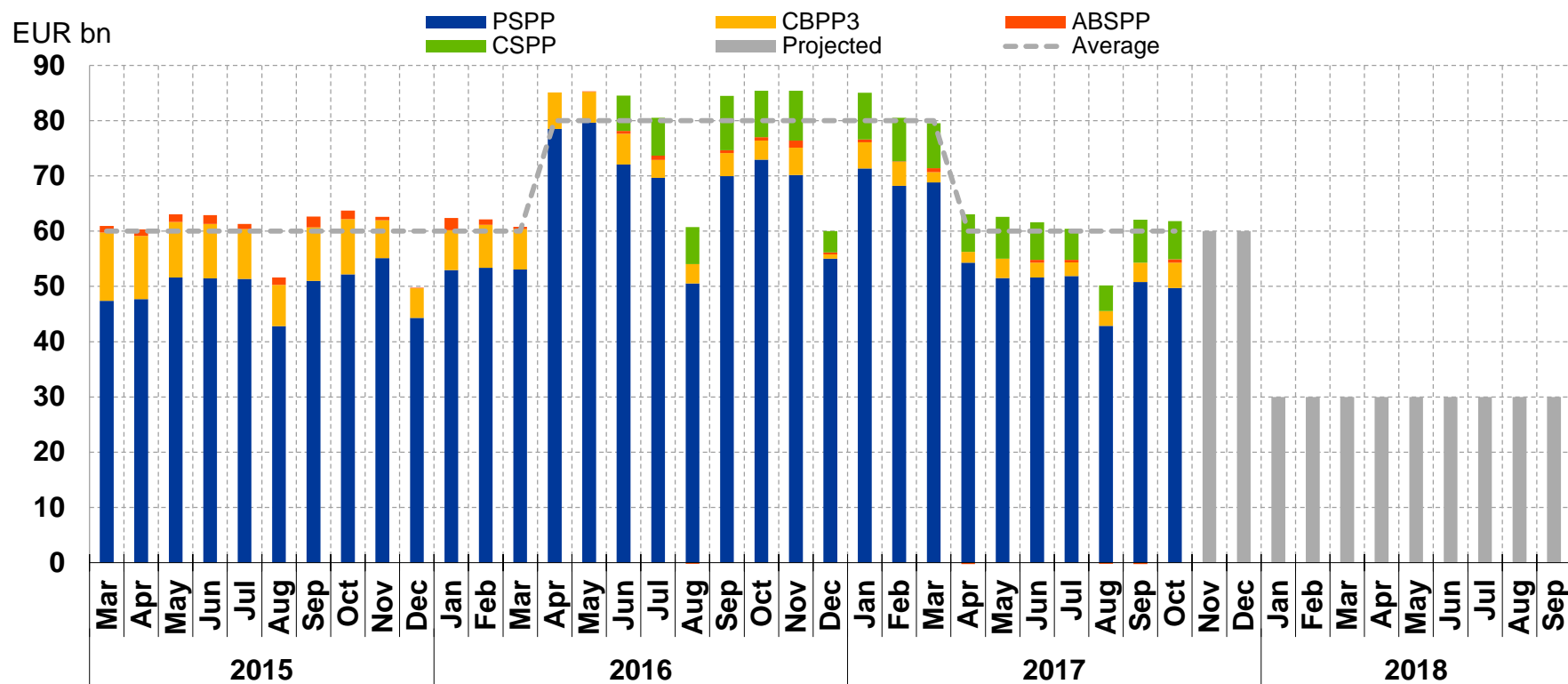
ii. Refraining from implementation in case of no revisions of Basel standards

However:

- Basel recommendations set implementation dates to be followed by all member jurisdictions.
- Unilateral actions risk non-compliance with Basel agreement.

Development of purchases across programmes

Monthly change in holdings (March 2015 – October 2017) (at amortised cost)

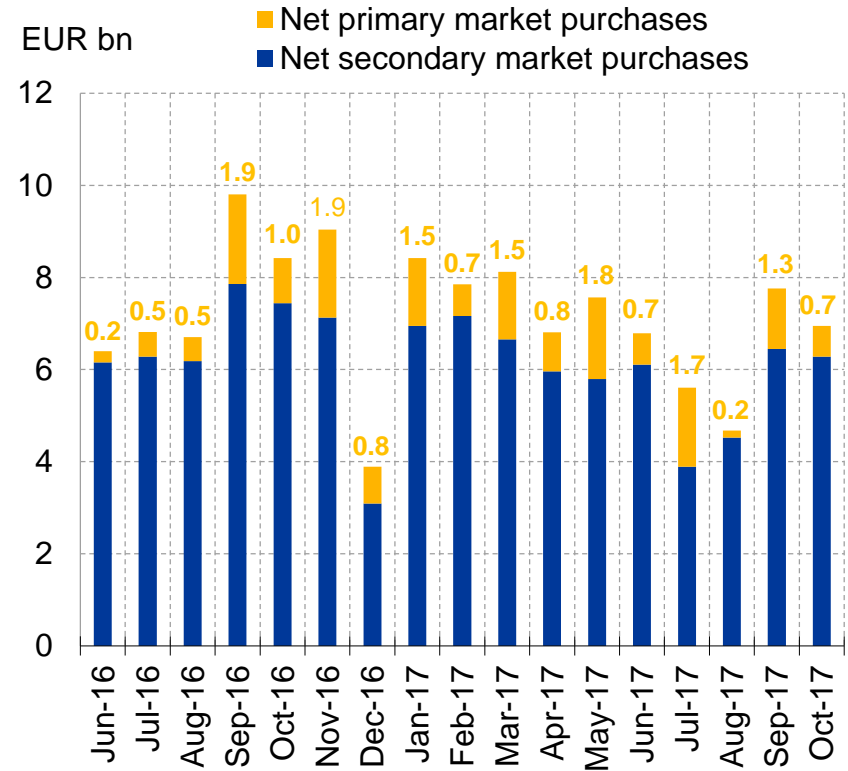


Source: ECB. Last observation: 31 October 2017.

The ECB's Corporate Sector Purchase Programme - CSPP

- Purchases of investment-grade non-bank bonds since June 2016.
- Strengthen pass-through of monetary policy
- Part of the Asset Purchase Programme
- Secondary market and primary market
- Coordination by the ECB
- Purchases delegated to six national central banks
- EUR 122 bn of purchases so far;
 - 1040 bonds; 256 issuers; 19 countries

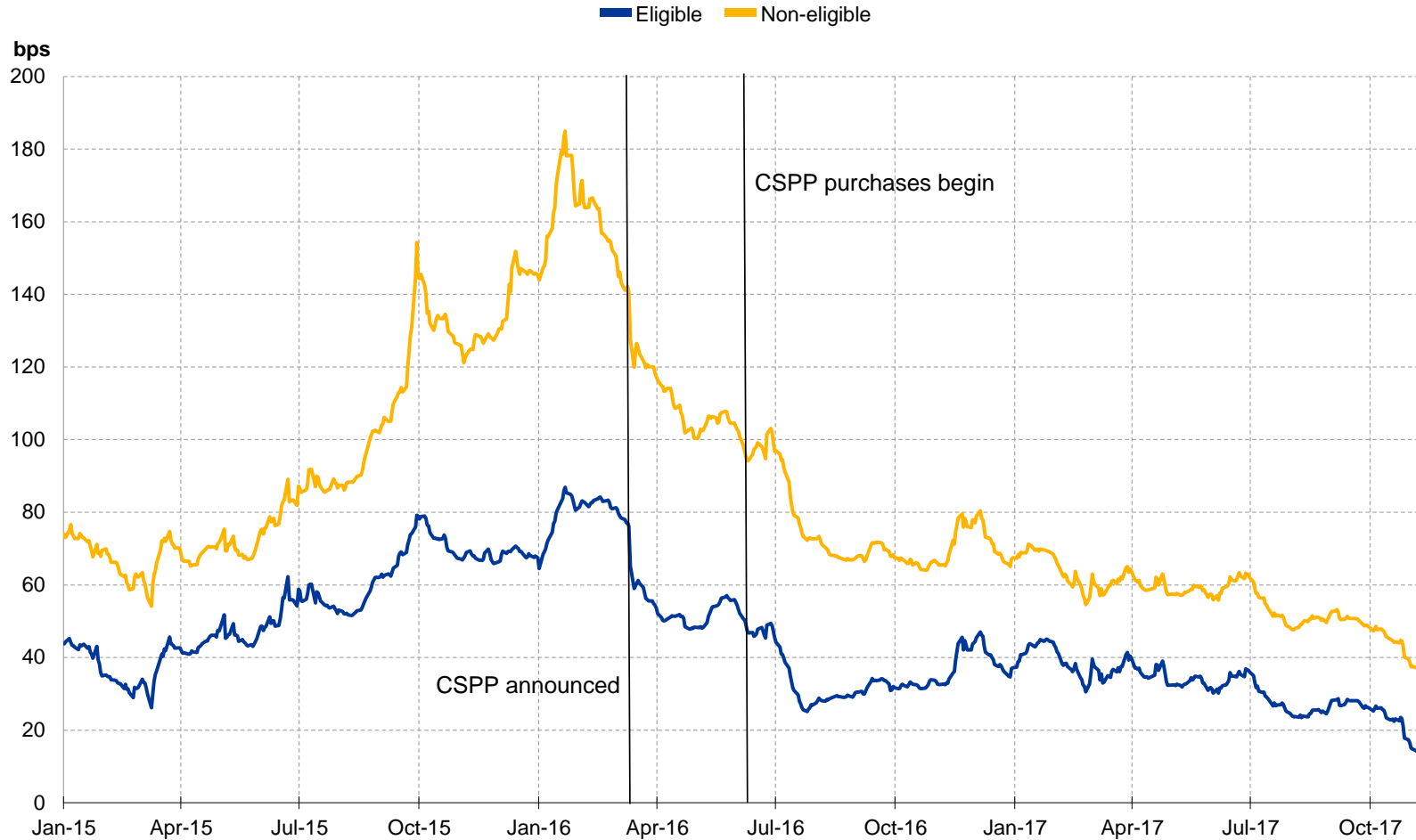
Breakdown of primary and secondary market purchases



Sources: ECB.
 Last observation: 31 October 2017.

Strong spill-over to non-eligible segments

Spread development for CSPP eligible and non-eligible investment-grade bonds (euro)

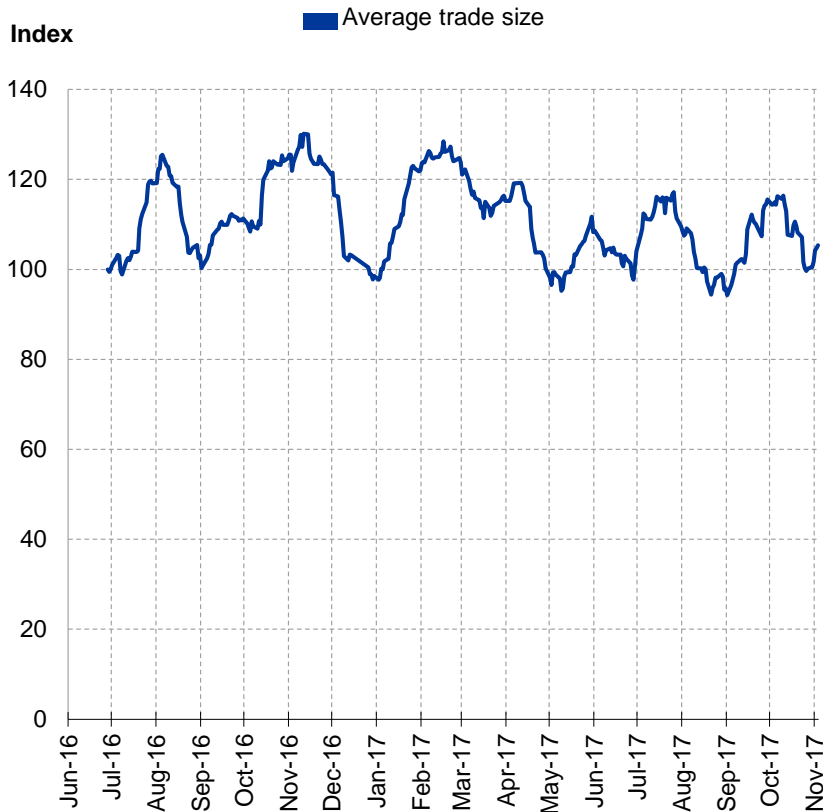


Source: ICE Bank of America Merrill Lynch indices, ECB

Note: Non-CSPP bonds include all bonds in the Merrill Lynch corporate bond index not bought for the CSPP

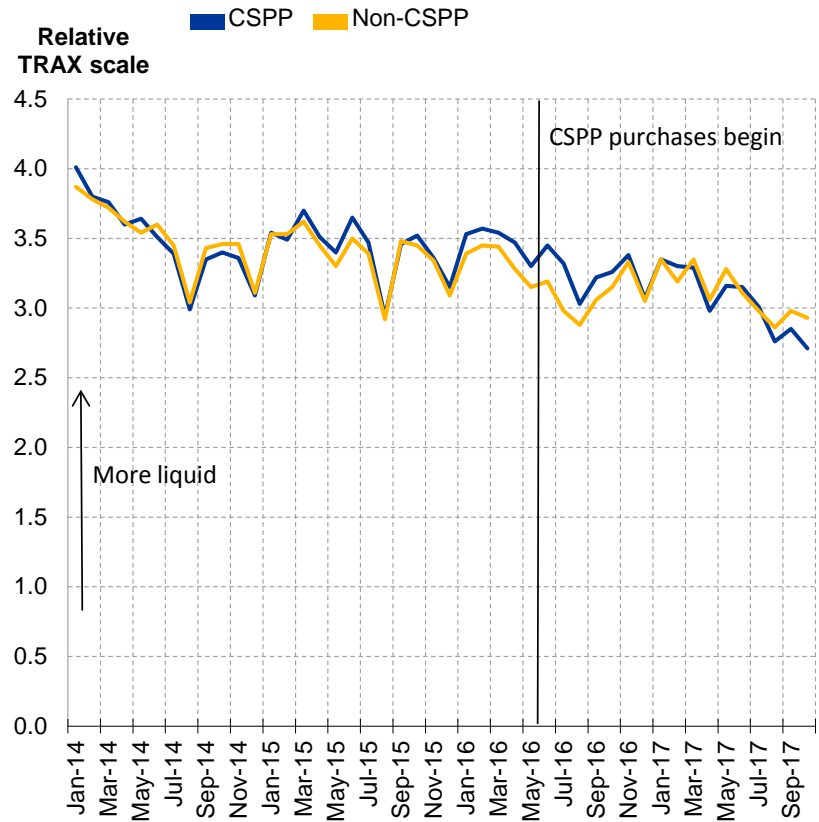
Liquidity conditions have not severely deteriorated during the CSPP

Average secondary market trade size



Source: ECB
20 days average of daily average trade sizes. Indexed so average of first 20 days of trading = 100

Average liquidity score for CSPP-eligible and non-eligible corporate bonds

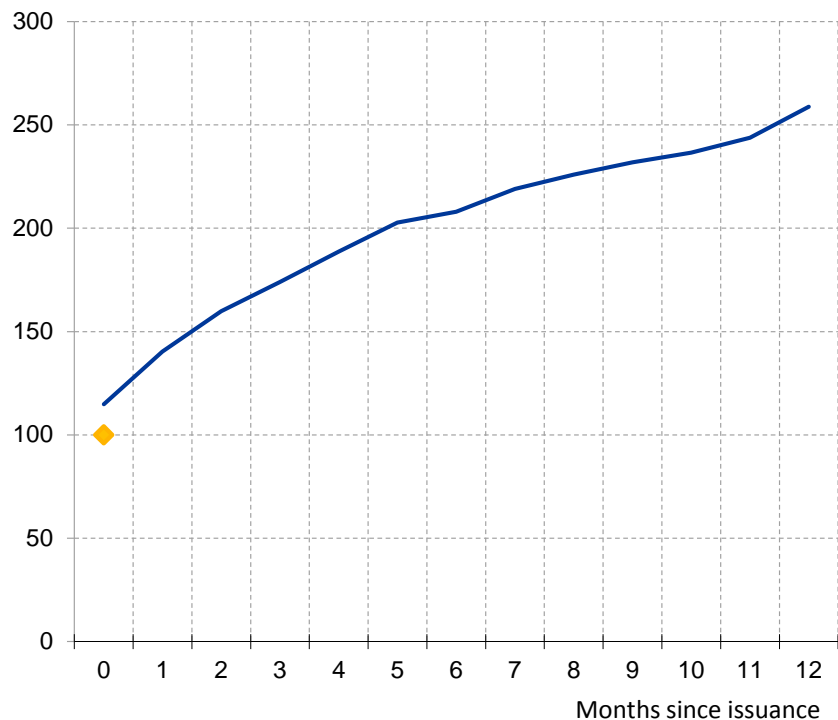


Source: Traxx, ECB

Liquidity window post issuance important for CSPP

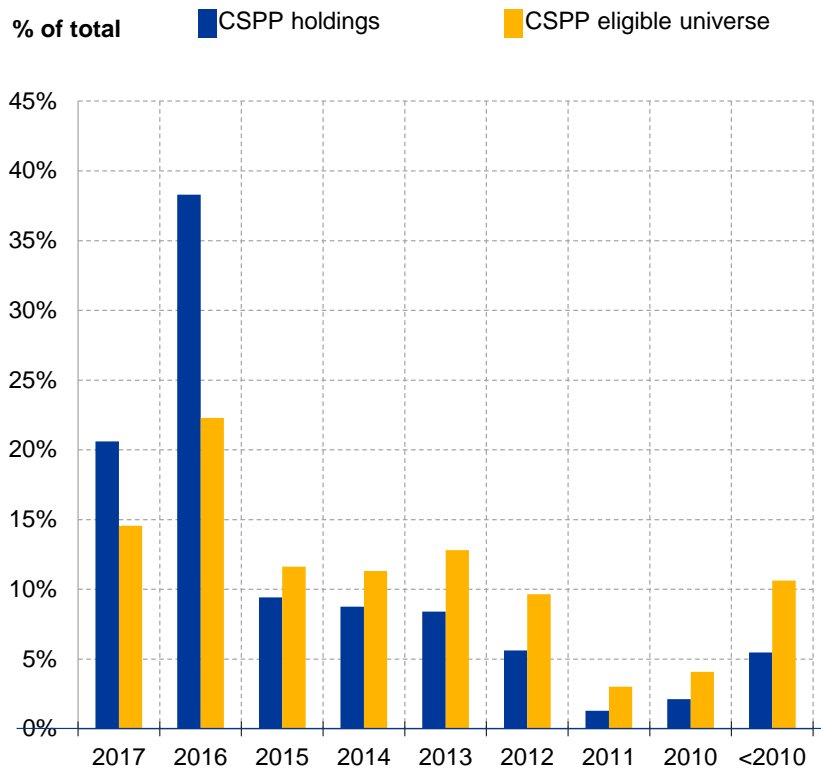
Average build up of CSPP holdings over first year after issuance

Average holdings relative to outstanding amount
(Indexed PM = 100)



Source: ECB

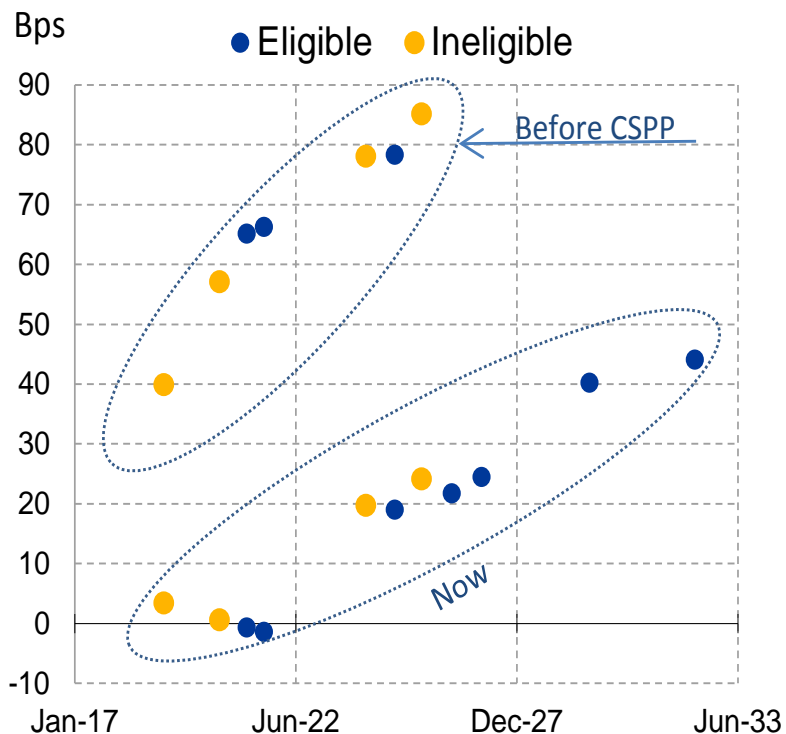
CSPP purchases according to age of bonds



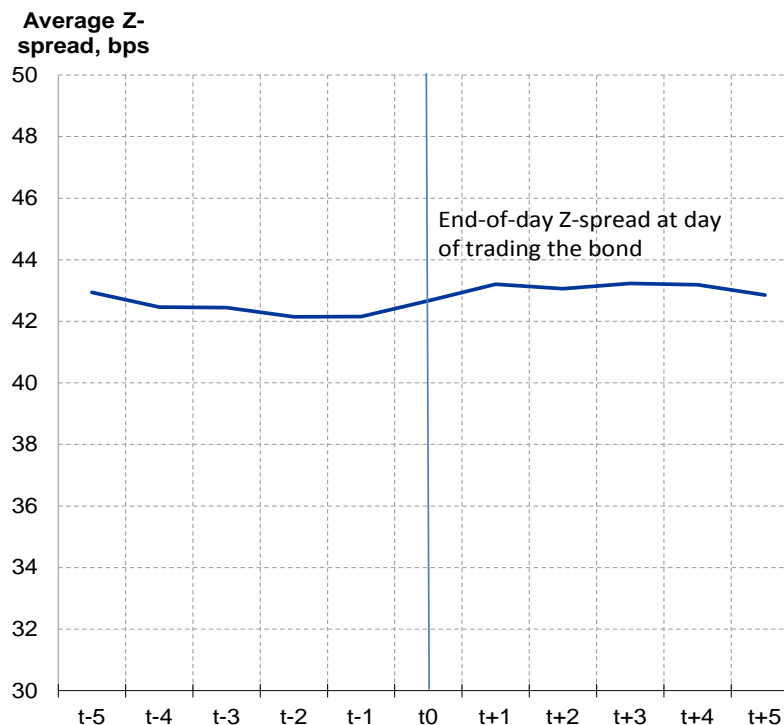
Sources: ECB, Bloomberg. Distribution based on nominal amounts.
Data for the year 2017 cover purchases of bonds settled until 7 June

Does the ECB distort the market?

Spread curve for Heineken bonds before the CSPP announcement and now



No price impact of large CSPP trades in secondary market



Source: Bloomberg, ECB

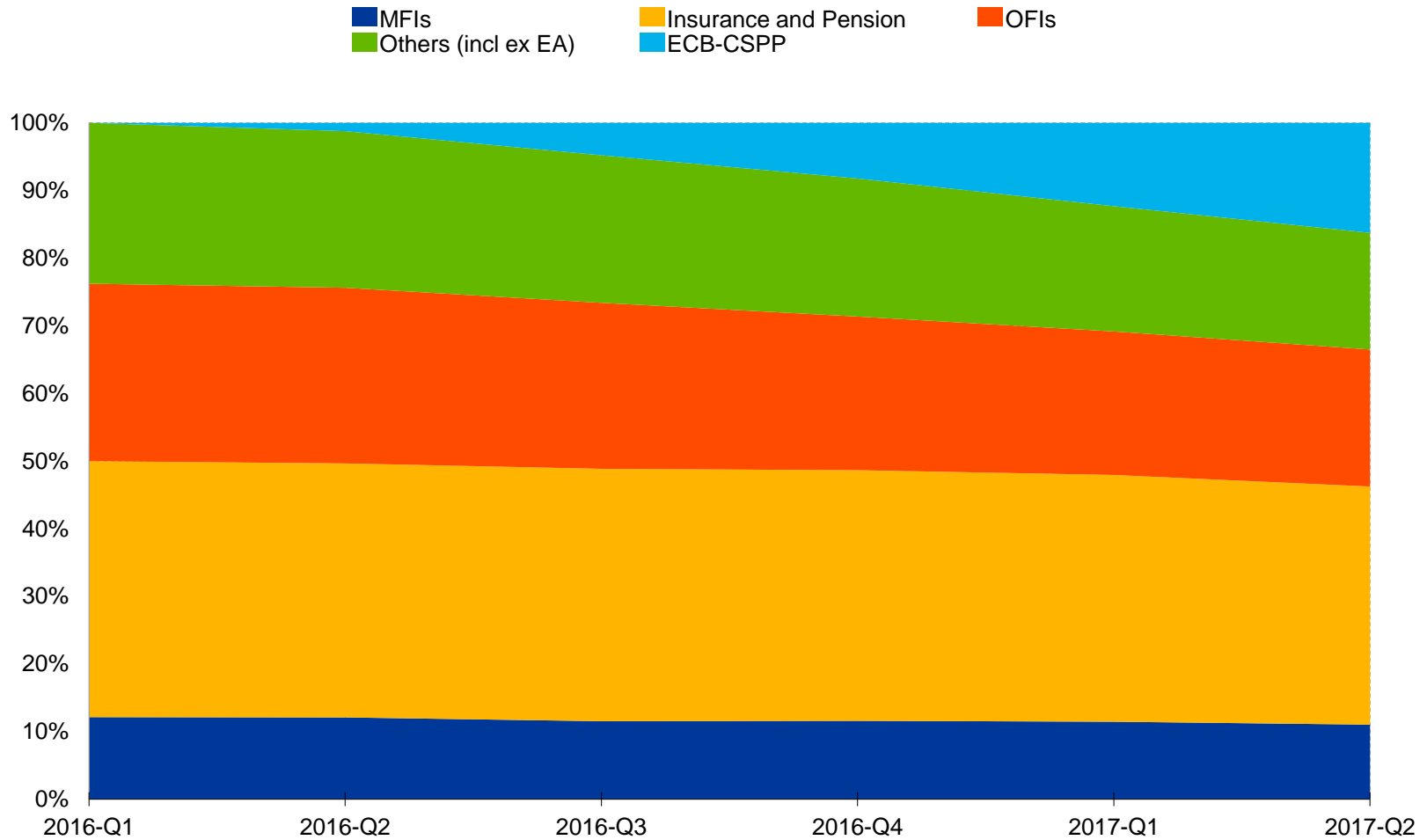
Note: Z-spreads. Maturity date on the x-axis.

The rating of Heineken is BBB+, which is around the average of ratings in the CSPP universe.

Source: Bloomberg, ECB

Note: Includes the 42 largest CSPP secondary market trades for which there were no other CSPP trades the five preceding or following days, and for which there is price information available on all days.

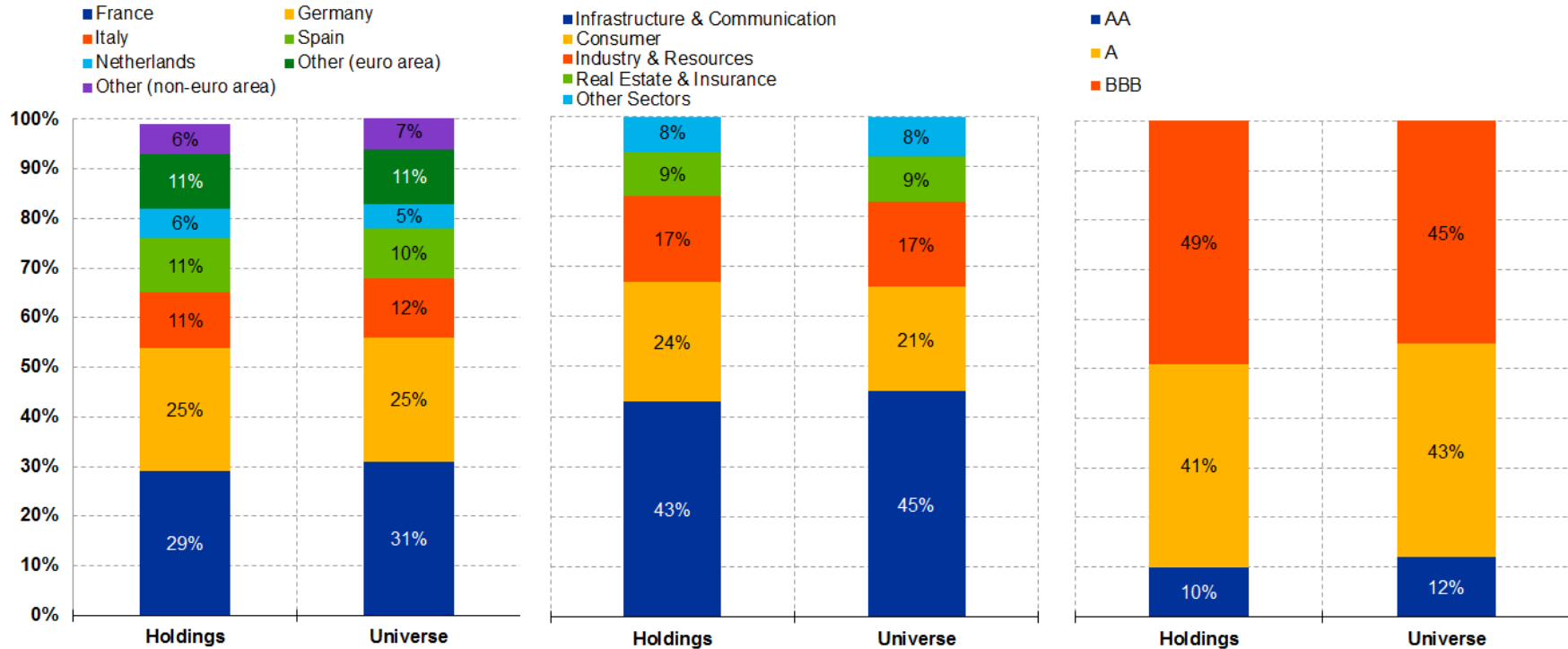
Developments in the investor distribution



Sources: ECB (Securities Holding Statistics)

Notes: Includes all bonds bought under the CSPP between 8 June 2016 and end Q2 2017 that were not issued or redeemed in that period.

Country, sector and rating classification of CSPP holdings and eligible bonds



Sources: ECB, Bloomberg. Notes: Bloomberg country of risk classification, sector classification and first-best ratings (broad categories). Distribution according to nominal values. Last observation: 6 October 2017.