Briefing note
Impacts of the ECB's Corporate Sector Purchase Programme
March 15th 2016

At the meeting of its Governing Council in Frankfurt on March 10th 2016, the ECB announced that it was not only extending its monthly purchases under the Asset Purchase Programme (APP) from €60bn to €80bn, but that it also intended to expand the list of eligible assets for purchases to include investment-grade euro-denominated bonds issued by non-bank corporations established in the euro area. While full details of the new **Corporate Sector Purchase Programme** (CSPP) have yet to be made public, ICMA believes that central bank purchases of euro-denominated corporate bonds as part of quantitative easing measures will have serious and potentially extensive repercussions for the European investment grade corporate bond markets. It will almost certainly have significant impacts on market quality and liquidity, both secondary and primary, with implications for investors, dealers, and issuers.

Through its various councils, committees, and forums, including the Asset Manager and Investors Council (AMIC), the Secondary Market Practices Committee (SMPC), the Primary Market Practices Committee, the Corporate Issuer Forum (CIF), the European Repo and Collateral Committee (ERCC), as well as through its regional committees, ICMA will continue to engage and work closely with its constituents, monitoring market developments, both quantitatively and qualitatively, as the CSPP is rolled-out. ICMA has already reached out to the ECB and intends to remain a vital link between the ECB and ICMA's members, as well as serving as an ongoing sounding board for the state and health of the European investment-grade corporate bond market.

Key questions related to the CSPP structure include:

- What is the likely size for corporate bond purchases, and how will this be split between primary and secondary market purchases?
- What will be the criteria for selecting bonds, in terms of issue sizes, country of issuer, and liquidity? And will there be concentration limits for issues or credits?
- What will be the structure of purchases (on venue or OTC), and will the ECB or NCBs act as principal or will purchases be outsourced to dealers?
- How will the purchases impact market liquidity and quality, and how will this be monitored?
- What are the likely impacts with respect to various regulatory initiatives such as MiFID II/R transparency regime or the CSDR mandatory buy-in regime?
- How does this interact with the objectives of Capital Markets Union?

As the principal representative body for the European investment grade corporate bond markets, ICMA will continue to work with its various constituents and members, as well as with policy makers, regulators, and other key stakeholders, to ensure that the CSPP achieves its objective without compromising resilient and well-functioning European corporate bond markets.

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