

**DECISION (EU) 2021/174 OF THE EUROPEAN CENTRAL BANK****of 10 February 2021****amending Decision (EU) 2020/440 on a temporary pandemic emergency purchase programme (ECB/2021/6)**

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty on the Functioning of the European Union, and in particular the first indent of Article 127(2) thereof,

Having regard to the Statute of the European System of Central Banks and of the European Central Bank, and in particular to the second subparagraph of Article 12.1 in conjunction with the first indent of Article 3.1, and Article 18.1 thereof,

Whereas:

- (1) Taking into account the exceptional economic and financial circumstances associated with the spread of coronavirus disease 2019 (COVID-19), the Governing Council established a new temporary pandemic emergency purchase programme (PEPP) under Decision (EU) 2020/440 of the European Central Bank (ECB/2020/17) <sup>(1)</sup>. The PEPP includes all the asset categories eligible under the European Central Bank's expanded asset purchase programme (APP), which comprises the secondary markets public sector asset purchase programme, the third covered bond purchase programme, the asset-backed securities purchase programme, and the corporate sector purchase programme.
- (2) On 10 December 2020, the Governing Council decided, in line with its mandate to ensure price stability, to revise certain of the PEPP's design features with a view to preserving favourable financing conditions over the pandemic period, thereby underpinning the economic recovery and helping to offset the downward impact of the pandemic on the projected path of inflation. Specifically, the Governing Council decided to increase the overall separate envelope for the PEPP by EUR 500 billion to a total of EUR 1 850 billion and to extend the horizon of net purchases under the PEPP until at least the end of March 2022. In any case, the Governing Council will conduct net purchases until it judges that the coronavirus crisis phase is over.
- (3) Purchases under the PEPP will continue to be conducted flexibly according to market conditions and with a view to preventing a tightening of financing conditions that is inconsistent with countering the downward impact of the pandemic on the projected path of inflation. In addition, the flexibility of purchases over time, across asset classes and among jurisdictions will continue to support the smooth transmission of monetary policy. If favourable financing conditions can be maintained with asset purchase flows that do not exhaust the envelope over the net purchase horizon of the PEPP, the envelope need not be used in full. Equally, the envelope can be recalibrated, if required, to maintain favourable financing conditions to help counter the negative pandemic shock to the path of inflation.
- (4) The extension of PEPP purchases over a longer horizon reflects the prolonged fallout from the pandemic for the economy and inflation. It allows for a continuous market presence and more durable support from the ECB's monetary stimulus, taking also into account the expected timeline for the roll-out of vaccines and the updated staff macroeconomic projections. Preserving favourable financing conditions over the pandemic period will help to reduce uncertainty and bolster confidence, thereby encouraging consumer spending and business investment, and, ultimately, underpinning the economic recovery and helping to offset the downward impact of the pandemic on the projected path of inflation.
- (5) Lastly, to avoid the risk of an unwarranted tightening of financing conditions at a time when the recovery from the pandemic shock is likely to remain incomplete, the Governing Council decided that the principal payments from maturing securities purchased under the PEPP will be reinvested in full until at least the end of 2023 and, furthermore, maintained its view that, in any case, the future roll-off of the PEPP portfolio will be managed in such a way as to avoid interference with the appropriate monetary policy stance.

<sup>(1)</sup> Decision (EU) 2020/440 of the European Central Bank of 24 March 2020 on a temporary pandemic emergency purchase programme (ECB/2020/17) (OJ L 91, 25.3.2020, p. 1).

- (6) The Governing Council considers the full range of measures adopted on 10 December 2020 necessary and proportionate to counter the serious risks to price stability, the monetary policy transmission mechanism and the economic outlook in the euro area, which are posed by the continued severe pandemic conditions. The Governing Council remains of the view that the PEPP, in combination with all other monetary policy measures, is a suitable tool to preserve favourable financing conditions over the pandemic period. Furthermore, a recalibration of the PEPP, on the basis of an additional purchase envelope that remains flexible in its usage, is more efficient than alternative monetary policy instruments to maintain the required monetary accommodation in the current pandemic environment characterised by high uncertainty. Finally, considering the previous assessment that, on balance, the benefits of PEPP purchases outweigh the potential costs, the Governing Council judges that the positive impact of additional asset purchases in the context of the PEPP, in combination with the full range of monetary policy measures adopted on 10 December 2020, on achieving the European Central Bank's price stability mandate, clearly outweighs any potential negative effects on other economic policy areas. The Governing Council continues to stand ready to adjust all of its instruments, as appropriate, to ensure that inflation moves towards its aim in a sustained manner, in line with its commitment to symmetry.
- (7) Therefore, Decision (EU) 2020/440 of the European Central Bank (ECB/2020/17) should be amended accordingly,

HAS ADOPTED THIS DECISION:

#### *Article 1*

#### **Amendments**

Decision (EU) 2020/440 of the European Central Bank (ECB/2020/17) is amended as follows:

- (1) in Article 1, paragraph 1 is replaced by the following:

'1. The Eurosystem hereby establishes the temporary pandemic emergency purchase programme ("PEPP") as a separate purchase programme. The overall envelope of the PEPP is EUR 1 850 billion. The maturing principal payments from securities purchased under the PEPP shall be reinvested by purchasing eligible marketable debt securities until at least the end of 2023. In any case, the future roll-off of the PEPP portfolio shall be managed in such a way as to avoid interference with the appropriate monetary policy stance.'

- (2) in Article 5, paragraph 3 is replaced by the following:

'3. The Governing Council delegates to the Executive Board the power to set the appropriate pace and composition of PEPP monthly purchases within the total overall envelope of EUR 1 850 billion. In particular, the purchase allocation may be adjusted under the PEPP to allow for fluctuations in the distribution of purchase flows, over time, across asset classes and among jurisdictions.'

#### *Article 2*

#### **Final provision**

This Decision shall enter into force on the fourth day following that of its publication in the *Official Journal of the European Union*.

Done at Frankfurt am Main, 10 February 2021.

*The President of the ECB*  
Christine LAGARDE

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