



FAQ on CSPP and non-financial commercial paper

Last updated: 6 May 2020

Commercial paper has been eligible for purchases since the launch of the corporate sector purchase programme (CSPP) in March 2016. However, until March 2020 only commercial paper with a remaining maturity greater than six months was eligible for CSPP purchases. As part of the Governing Council decision of 18 March 2020, it was decided to extend the maturity range of non-financial commercial paper eligible for purchases under the CSPP. The Eurosystem started the purchases of this wider range of CSPP-eligible commercial paper on 27 March 2020.

This FAQ outlines in further detail how the Eurosystem operationalises the latest decisions concerning commercial paper purchases. For additional information, please also consult the [CSPP FAQ](#) and the [CSPP Decision](#).

[Eligibility criteria](#)

Q1.1 What eligibility criteria apply for the non-financial commercial paper purchased by the Eurosystem?

To be eligible for purchase, non-financial commercial paper must fulfil the CSPP eligibility requirements and be issued by a CSPP-eligible entity. The Eurosystem's collateral framework – i.e. the rules that lay out which assets are acceptable as collateral for monetary policy credit operations – continues to be the guiding principle for establishing the eligibility of all assets that can be purchased under the CSPP, including for non-financial commercial paper. This means that commercial paper issued by non-investment firms and non-bank corporates is eligible for purchases under the CSPP, as long as it also fulfils all other eligibility requirements. Furthermore, a commercial paper security must have a minimum outstanding issuance amount of €10 million.

Q1.2 You mentioned that the Eurosystem's collateral requirements continue to be the guiding principle for establishing eligibility. Where can we find the relevant rules?

In order to be eligible as collateral for Eurosystem credit operations, marketable assets must comply with the eligibility criteria as laid out in the [General framework](#). Additional temporary measures on collateral eligibility are laid down in the [Temporary framework](#) and are applicable until further notice. There is also a [schematic overview](#) of the main general requirements for marketable assets as well as [further background](#) on collateral requirements with particular relevance for the CSPP.

Q1.3 What maturity requirements will the Eurosystem apply for its commercial paper purchases?

The CSPP maturity requirements were updated following the Governing Council decision announced on 18 March 2020. The Eurosystem can now purchase marketable debt instruments that have an initial maturity of 365/366 days or less with a minimum remaining maturity of at least 28 days. The six-month minimum remaining maturity requirement will continue to apply for marketable debt instruments with an initial maturity of at least 367 days.

Q1.4 How will the Eurosystem treat commercial paper that loses CSPP eligibility?

The Eurosystem may choose to, but is not required to, sell its holdings in the event of a loss of CSPP eligibility, e.g. in the case of a downgrade below the credit quality rating requirement.

Q1.5 Have commercial papers issued by an agency become eligible for the CSPP?

No. Securities issued by agencies, as referenced on the ECB website, are eligible for purchases under the Eurosystem purchase programmes for public sector issuers.

Q1.6 Why are some outstanding non-financial commercial papers currently not included in the list of assets eligible as collateral for Eurosystem credit operations as published on the ECB's website?

In order to be eligible as collateral for Eurosystem credit operations marketable assets must comply with all relevant eligibility criteria. Issuers of non-financial commercial paper are invited to review their documentation and update it to comply with the required parameters. The following is a non-exhaustive list detailing some of the main reasons why non-financial commercial paper may not be compliant with the eligibility criteria:

1. The issuer does not comply with the minimum credit quality requirements. Some non-financial commercial papers are technically issued by entities (e.g. subsidiaries) that do not have a credit rating issued by external credit assessment institutions (ECAIs) accepted by the Eurosystem. While in most cases the issuing entity benefits from a guarantee by a third party which has a sufficient credit rating (typically the parent entity or another member of the group or holding), the Eurosystem requires a legal confirmation from an independent third party concerning the legal validity, binding effect and enforceability of the guarantee, as laid down in Title IV of the > **General framework**. Finally, note that programme ratings are accepted only if they are explicitly and unambiguously mapped to individual ISIN codes by the relevant ECAI.
2. The non-financial commercial paper is currently not admitted for trading on a regulated market or on an accepted non-regulated market. The European Securities and Markets Authority (ESMA) maintains a list of regulated markets, available at registers.esma.europa.eu. In addition, the ECB maintains a list of accepted non-regulated markets, available on the > **ECB website**. At the current juncture, not all non-financial commercial papers comply with this criterion. Issuers may decide to take steps to ensure the admission to trading of their non-financial commercial paper on one of the abovementioned markets. To fulfil this eligibility criterion the issuer could also apply for a STEP label. The criteria and requirements that a commercial paper programme needs to comply with are laid out in the [STEP Market Convention](#).
3. Some non-financial commercial papers are not issued in a legal form accepted by the Eurosystem. In order to be eligible, debt instruments must be issued in the EEA with a central bank or with an eligible SSS. For Eurobonds (XS ISINs), the Eurosystem requires bearer commercial papers to be issued in New Global Note (NGN) format, while registered commercial papers have to be issued according to the New Safekeeping Structure (NSS). The common safekeeper of these Eurobonds must be an ICSD. All non-financial commercial paper should be transferable in book-entry form. Issuers may decide to discuss with their CSD or ICSD what options are available to change the form of already issued commercial papers.
4. The commercial paper may be admitted for trading in an accepted market (e.g. the STEP market) but not fulfil other relevant eligibility criteria. While admission for trading on a regulated market or on an accepted non-regulated market is an eligibility criterion, it does not replace compliance with other criteria such as the minimum credit quality requirements.

Q1.7 Is the ECB considering purchases of non-financial commercial papers that are unrated or have a credit rating from a rating agency that is currently not accepted by the Eurosystem?

In line with the general requirements for the corporate sector purchase programme (as derived from the requirements in its collateral framework) the Eurosystem considers only credit assessments provided for the issue, issuer or guarantor by credit rating agencies (i.e. external credit assessment institutions (ECAIs) which are eligible under the Eurosystem credit assessment framework (ECAAF). Programme ratings are accepted only if they are explicitly and unambiguously mapped to individual ISIN codes by the relevant ECAI. For eligibility purposes, a credit rating from at least one of the currently accepted ECAIs (Standard & Poor's, Moody's, Fitch and DBRS Morningstar) must comply with the minimum rating threshold as established in the Eurosystem collateral framework, i.e. a rating equivalent to or above credit quality step 3 of the Eurosystem's harmonised rating scale). A mapping of the Eurosystem's harmonised rating scale can be found > [here](#). The Eurosystem prioritises ECAI issue ratings over ECAI issuer or ECAI guarantor ratings.

Q1.8 Could non-rated but listed commercial papers be eligible for purchase?

The fact that a security is listed in a dedicated secondary market does not replace the need to comply with the Eurosystem's credit quality requirements as reflected in ECAI credit ratings. The Eurosystem accepts either issue, issuer or, if applicable, guarantor ratings. The Eurosystem prioritises ECAI issue ratings over ECAI issuer or ECAI guarantor ratings.

Q1.9 What is the procedure to make marketable assets available in the list of eligible assets? Who will be in charge of this procedure?

National central banks (NCBs) proactively assess the eligibility of the marketable assets. The NCB of the country where the asset is admitted to trading on a regulated market or traded on a non-regulated market is responsible for the assessment of the eligibility. For STEP-labelled assets the NCB of the country where the asset is issued is responsible for the eligibility assessment. The Banque centrale du Luxembourg is responsible for the assessment of STEP-labelled Eurobonds. Once the assessment is completed the marketable asset is included in the list of eligible marketable assets provided it complies with the ECB's eligibility criteria. If a marketable asset does not appear on the list but you believe it should be there, please contact the responsible NCB. You can provide the following information to facilitate the assessment procedure:

- > letters of rating from the rating agencies;
- > rating agency pre-sale reports (not the rating agencies web pages);
- > final offering circulars for the transaction;
- > ISIN codes for the security, Reuters/Bloomberg page codes;
- > confirmation of New Global Note (NGN) format, if applicable.
The NGN criterion only applies to international debt instruments in global bearer which are issued through the ICSDs with XS ISIN codes. The NGN requirement does not apply to domestic securities issued through domestic CSDs or to global registered international securities.

Q1.10 The STEP market is included in the ECB list of accepted non-regulated markets. Are STEP ECP Programmes automatically eligible?

A STEP label ensures that one of the necessary criteria for collateral eligibility is met. However, non-financial commercial paper with a STEP label must also comply with all other eligibility criteria.

Implementation of purchases

Q2.1 Can transactions be conducted in both the primary and secondary markets?

Yes, with one exception. As is the case with other CSPP-eligible securities, transactions involving non-financial commercial paper can be conducted in both the primary and secondary markets. The exception is that no primary market purchases can take place for commercial papers issued by public undertakings.

Q2.2 How will the Eurosystem conduct commercial paper purchases?

Purchases will be conducted through the Eurosystem's eligible APP counterparties.

Q2.3 Can asset managers and non-bank financial institutions offer assets eligible for purchases under the APP and the PEPP?

Asset managers and non-bank financial institutions are not eligible counterparties. However, the Eurosystem allows eligible counterparties to share offers of eligible securities on behalf of non-eligible counterparties, such as asset managers and non-bank financial institutions, under the APP and the PEPP. Although final responsibility for the offered assets remains entirely with the eligible counterparties, they can include them in the daily inventories of assets that they share with the Eurosystem either by explicitly reporting which assets are offered on behalf of non-eligible counterparties or by aggregating them with their inventories. In periods of heightened investor uncertainty, such as during the current coronavirus pandemic, this option can contribute to alleviating market tensions and supporting proper market functioning.

Q2.4 Who conducts the Eurosystem purchases of commercial paper?

The six national central banks (NCBs) currently conducting CSPP purchases also carry out the commercial paper purchases on behalf of the Eurosystem. The NCBs conducting the purchases are the Nationale Bank van België/Banque Nationale de Belgique, the Deutsche Bundesbank, the Banco de España, the Banca d'Italia, the Banque de France and Suomen Pankki – Finlands Bank. The ECB

coordinates these purchases, as it does for all purchase programmes.

Q2.5 Can the Eurosystem roll over the maturing commercial paper that it holds?

Yes, maturing commercial paper can be rolled over, subject to a number of factors such as the applicable CSPP eligibility requirements, risk control considerations and appropriate price levels.

[Limits and reporting](#)

Q3.1 Will there be any limits on the amount of commercial paper that the Eurosystem will purchase from each issuer?

Yes. The Eurosystem has a risk control framework in place to manage its exposure to individual issuers. In calculating the commercial paper limits that apply for individual issuers, the framework takes into account such factors as the issuer's total outstanding amount of eligible commercial paper and the overall size of its commercial paper programme. The framework ensures that the Eurosystem can purchase sufficient amounts of commercial paper to successfully pursue its policy objective, while adequately managing the risks to its balance sheet.

Q3.2 Will you publish the list of commercial paper securities that you hold?

No. Publishing a list of commercial paper securities held by the Eurosystem could undermine the policy objective of the purchases since a detailed disclosure may erode the level playing field among issuers. Furthermore, as commercial paper is not commonly used in securities lending, a list of available Eurosystem securities would have little added value in this regard. Availability for securities lending purposes is the main reason for the current transparency policy under the other programmes. Therefore, the ECB will refrain from publishing a list of commercial paper securities that it holds. The ECB will continue to publish, on a weekly basis, the list of corporate bonds it holds under the CSPP.