



EUROPEAN CENTRAL BANK
EUROSYSTEM

ECB-PUBLIC

COURTESY TRANSLATION

Mario DRAGHI
President

Mr Dimitrios Papadimoulis
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 23 April 2018

L/MD/18/142

Re: Your letter (QZ-010)

Honourable Member of the European Parliament, dear Mr Papadimoulis,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 13 February 2018.

In 2016 the General Board of the European Systemic Risk Board (ESRB) commissioned a High-Level Task Force on Safe Assets, chaired by Philip R. Lane, Governor of the Central Bank of Ireland, to investigate the practical considerations relating to sovereign bond-backed securities (SBBS). ECB staff and staff of other ESRB member institutions participated in this Task Force and contributed to the report.

In the course of its work in the period 2016-18, the ESRB Task Force consulted a wide range of stakeholders from the public and private sectors. In addition, although the ECB Governing Council was in no way involved in the work of the ESRB Task Force, its Chair, Governor Philip R. Lane, provided the ECB Governing Council with an update of the Task Force's work in February 2017 and November 2017. On both occasions, the Governing Council took note of the progress of the Task Force in delivering on its mandate set by the General Board of the ESRB.

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The outcome of the Task Force's work was published in January 2018.¹ As highlighted by the ESRB, the report is intended to inform wider policy discussions on the feasibility and impact of creating a market for SBBS as a tool to enhance financial stability.

The report argues, inter alia, that, at present, prudential regulation would treat banks' holdings of SBBS unfavourably relative to direct holdings of sovereign bonds and concludes that this unfavourable treatment represents a significant obstacle to the demand-led emergence of SBBS. An enabling regulation is required for the development of an SBBS market to provide the conditions for a sufficiently large investor base. In December 2017 the European Commission published a roadmap for deepening Europe's Economic and Monetary Union.² The roadmap referred to an upcoming Commission proposal for an enabling framework for the development of sovereign bond-backed securities. The ECB awaits this proposal by the Commission and stands ready to provide its opinion, in accordance with the Treaty on the Functioning of the European Union.

Yours sincerely,

[signed]

Mario Draghi

¹ The report is available on the ESRB's website at https://www.esrb.europa.eu/pub/task_force_safe_assets/html/index.en.html

² See https://ec.europa.eu/commission/publications/completing-europes-economic-and-monetary-union-factsheets_en

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