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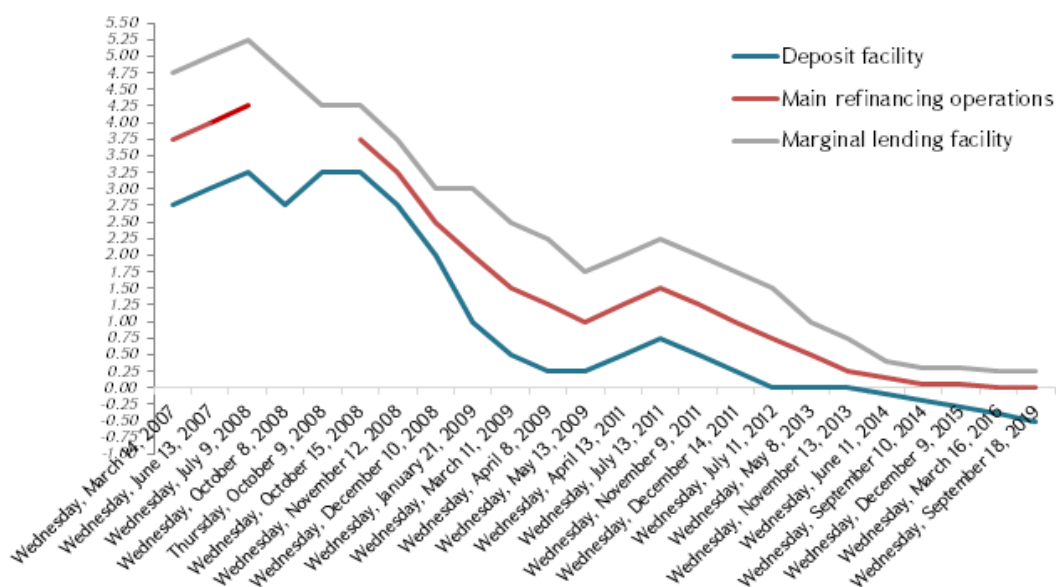
SPECIFICS OF THE ECB'S MONETARY POLICY UNCONVENTIONAL MEASURES

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During difficult economic situations the central banks are obliged to implement unconventional monetary policy measures, since the standard instruments cannot handle existing challenges any longer. The European Central Bank, which is responsible for price and financial stability in euro area, along with other central banks, has developed non-traditional monetary policy toolkit to improve the transmission mechanism of the policy and to achieve its main goals. The tools are mostly the following: negative interest rates, forward guidance, targeted long-term refinancing operations, asset purchasing programmes, which have proved to be effective measures against crises. Recently the Pandemic emergency purchase programme has been specially designed by the ECB to overcome the economic shocks caused by COVID-19 outbreak.

The central bank's traditional monetary policy toolkit includes short-term key interest rate adjustments, open market operations and reserve requirements setting. Any amendments to these measures are made according to the monetary policy strategy, which can be either expansionary or contractionary. During difficult economic situations, such as 2007-2009 global financial crisis, central banks widely used expansionary monetary policy tools. In response to the deep recession caused by the mentioned financial crisis, the central banks in many developed economies lowered their main policy interest rates to near-zero levels. However, this and other traditional monetary policy measures were not enough to overcome the consequences of the crisis and to encourage the economy to recover. That is why the central banks



GRAPH 1

Key ECB interest rates¹ (in percentages per annum)

designed and implemented non-traditional monetary tools to complement the standard ones in stimulating economic activity.

Unconventional monetary policy tools, that have been used by central banks in different countries, mainly include quantitative easing (QE), negative interest rates and forward guidance. Although sometimes they might be risky and need thorough evaluation before implementation, non-conventional monetary instruments greatly help traditional tools in achieving the goals of the Central bank.

The European Central Bank (ECB) is responsible for price and financial stability in euro area, European banking system safety, issuance of euro banknotes, etc. The ECB, along with other famous central banks of the advanced economies, has developed unconventional monetary policy tools to fight bad economic conditions.

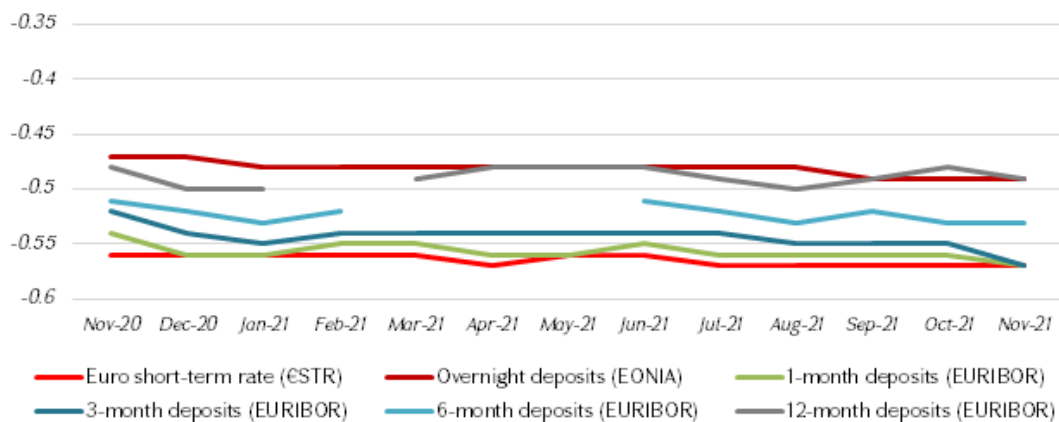
The Governing Council of the ECB sets 3 key interest rates in the frame of its standard monetary policy, which are the interest rates

on main refinancing operations, deposit facility and marginal lending facility.

Graph 1 shows the main short-term interest rates set by the ECB, which are effective from the given dates. During the observed period of time the interest rates have gone down gradually with deposit facility rate declining below zero. The interest rate on the main refinancing operations is 0.00% starting from 16th March 2016. This means that the main traditional tool of the monetary policy has lost its significance since 2008 financial crisis.

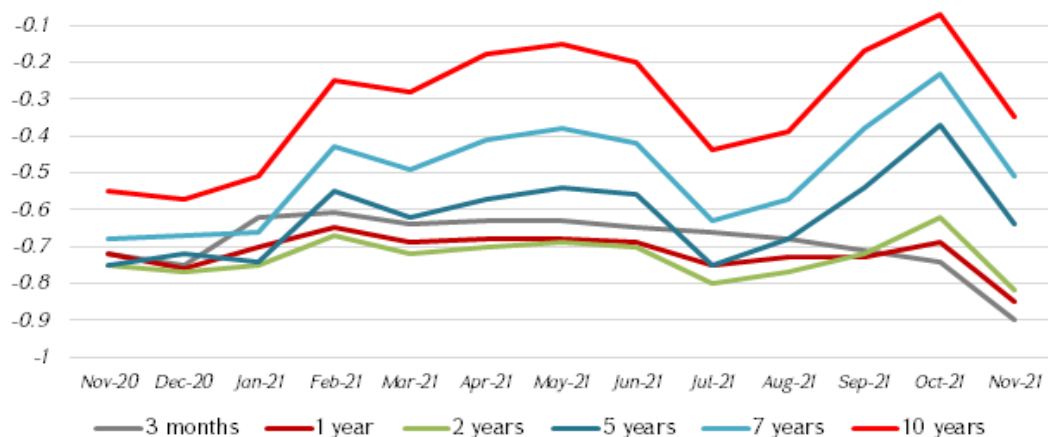
Adoption of the negative interest rates policy basically means that commercial banks are charged an interest rate on their deposits by the central bank. This is to make saving less attractive and lending more profitable. Commercial banks may of course choose to lower interest rates for savers and some will pass on the negative rates to high amounts of their customers' savings. At the same time, though, consumers and businesses can borrow more cheaply, and this helps stimulate

¹ Source: ECB (https://www.ecb.europa.eu/stats/policy_and_exchange_rates/key_ecb_interest_rates/html/index.en.html, as of 06/12/2021). As of 9 October 2008, the ECB reduced the standing facilities corridor from 200 basis points to 100 basis points around the interest rate on the main refinancing operations. On 8 October 2008 the ECB announced that, starting from the operation to be settled on 15 October, the weekly main refinancing operations would be carried out through a fixed-rate tender procedure with full allotment at the interest rate on the main refinancing operations.



GRAPH 2

Money market rates for the euro area (percentages per annum, period averages)²



GRAPH 3

Euro area yield curves (spot rates, end of period, rates in percentages per annum)³

economic recovery.⁴

As can be seen from Graph 2 and 3, the interest rates in euro area are in negative area. Data presented in Graph 3 covers AAA-rated euro area government bonds, for which the ratings are provided by Fitch Ratings. In the given cases we encounter the phenomenon called inverted yield curve. This is the situation, when debt instruments with longer maturities have lower yields, than short-term instruments of the same risk

profile. Normally, long-term rates are higher than short-term ones, because of higher risk premiums. But when investors believe that the short-term rates are going to decline, they prefer to invest in the instruments with longer maturity dates, which at some point drives their prices higher and yields, consequently, lower. An inverted yield curve can be considered as an important signal for the economic recession. During a number of months shown in Graph 3, the instruments

² Source: Statistics Bulletin, European Central Bank, last updated on 02/12/2021 (<https://sdw.ecb.europa.eu/servlet/desig?node=1000004045>, as of 06/12/2021).

³ Source: Statistics Bulletin, European Central Bank, last updated on 03/12/2021 (<https://sdw.ecb.europa.eu/servlet/desig?node=1000004045>, as of 06/12/2021).

⁴ Source: ECB (<https://www.ecb.europa.eu/ecb/educational/explainers/tell-me-more/html/why-negative-interest-rate.en.html>, as of 06/12/2021).

with 3 months maturity have higher interest rates than 1, 2, 5 and even 7-year government bonds. This is mainly due to a recent difficult economic situation caused by the coronavirus pandemic.

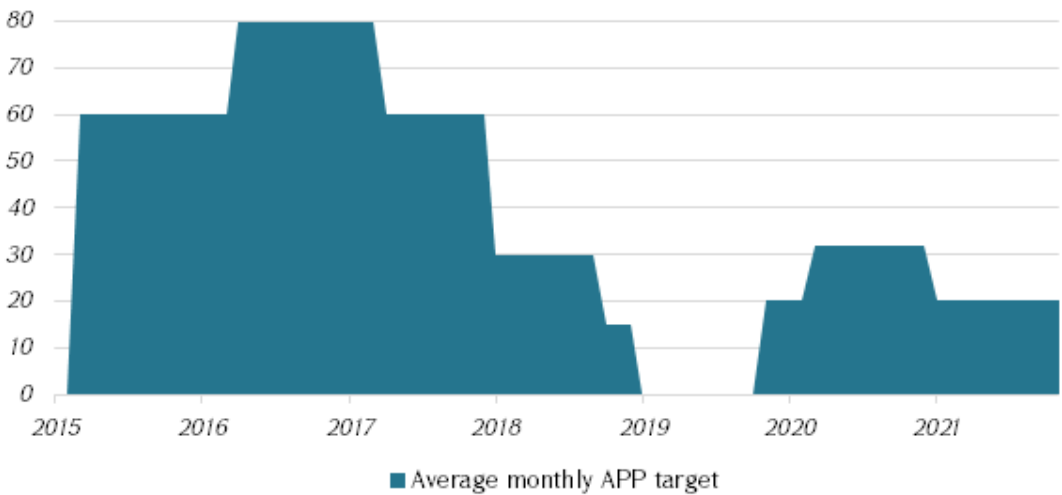
The next unconventional monetary policy measures of the ECB are targeted at long-term refinancing operations (TLTROs). These are Eurosystem operations that provide financing to credit institutions. By offering banks the long-term funding at attractive conditions, they preserve favourable borrowing conditions for banks and stimulate bank lending to the real economy.⁵ The first series of TLTROs was announced on June 5, 2014, the second series (TLTRO II) on March 10, 2016 and the third series (TLTRO III) on March 7, 2019.⁶

Forward guidance is a very famous unconventional monetary tool. The ECB began using forward guidance in July 2013 when the ECB's Governing Council said that it expected interest rates to remain low for an extended period of time.⁷ It is commonly used to have an influence on the market participants' expectations, which in their turn

can lead to desirable economic conditions.

For Quantitative easing the ECB has launched measures known as asset purchase programmes. The ECB's Asset Purchase Programme (APP) was initiated in mid-2014 to support the monetary policy transmission mechanism and provide the amount of policy accommodation needed to ensure price stability⁸. Currently this instrument includes corporate sector purchase programme (CSPP), public sector purchase programme (PSPP), asset-backed securities purchase programme (ABSPP) and third covered bond purchase programme (CBPP3).

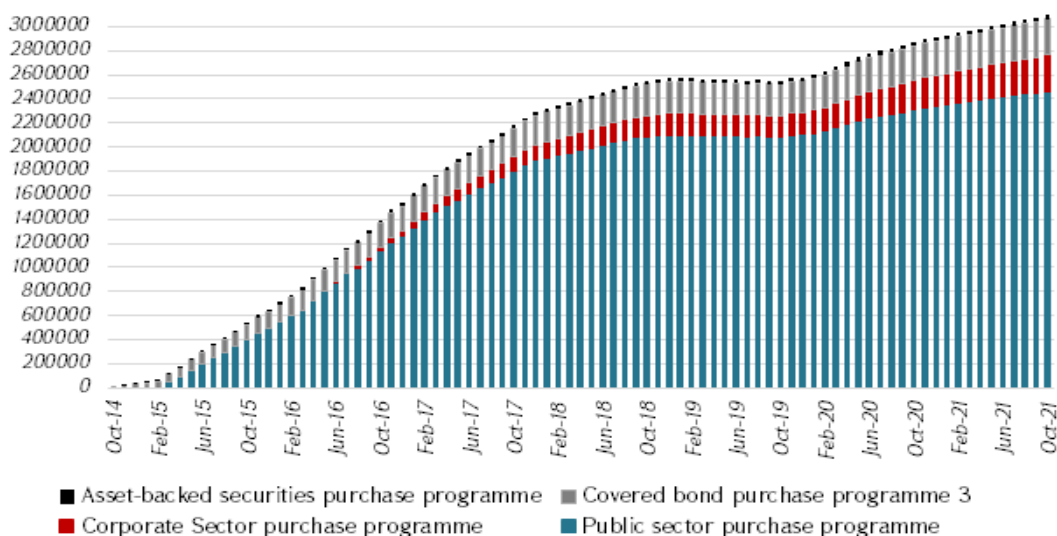
Graph 4 illustrates monthly average purchase pace under the Asset Purchase Programme. The average targets were first set by the ECB Governing Council in March 2015. The ECB decided to implement a new additional temporary asset purchase envelope amounting to €120 billion from March 12, 2020 up to the end of 2020, which was equally distributed between the corresponding months in the graph. Currently the net purchases monthly average target is €20 billion.



GRAPH 4

Average monthly net asset purchases pace (euro, billion)⁹

⁵ Source: ECB (<https://www.ecb.europa.eu/mopo/implement/omo/tltro/html/index.en.html>, as of 06/12/2021).
⁶ Source: ECB (<https://www.ecb.europa.eu/mopo/implement/omo/tltro/html/index.en.html>, as of 06/12/2021).
⁷ Source: ECB (https://www.ecb.europa.eu/ecb/educational/explainers/tell-me/html/what-is-forward_guidance.en.html, as of 06/12/2021).
⁸ Source: ECB (<https://www.ecb.europa.eu/mopo/implement/app/html/index.en.html>, as of 06/12/2021).
⁹ Source: ECB (<https://www.ecb.europa.eu/mopo/implement/app/html/index.en.html>, as of 06/12/2021).



GRAPH 5

The ECB holdings under the Asset purchase programme by each programme in euro millions (end of month book value at amortised cost)¹⁰

The Eurosystem holdings under overall APP in September 2021 were 3,068,283 million EUR (see Graph 5). Monthly net purchases during October were around 23,186 million EUR. This means that holdings at the end of October 2021 amounted up to 3,091,470 million EUR. As of the end of October 2021 Public sector purchase programme stands at 79.7% of general APP. Corporate sector purchase programme percentage is approximately 9.77%. Covered bond purchase programme 3 equals to 9.63% and Asset-backed securities purchase programme is only 0.9% of the overall asset purchases. A large percentage of the Asset purchase programme throughout the years refers to Public Sector Purchase Programme (PSPP).

The securities covered by the PSPP include nominal and inflation-linked central government bonds and bonds issued by recognised agencies, regional and local governments, international organisations and multilateral development banks located in the euro area¹¹. Within the framework of Corporate sector purchase programme the ECB conducts the purchases of corporate bonds issued by different companies. The

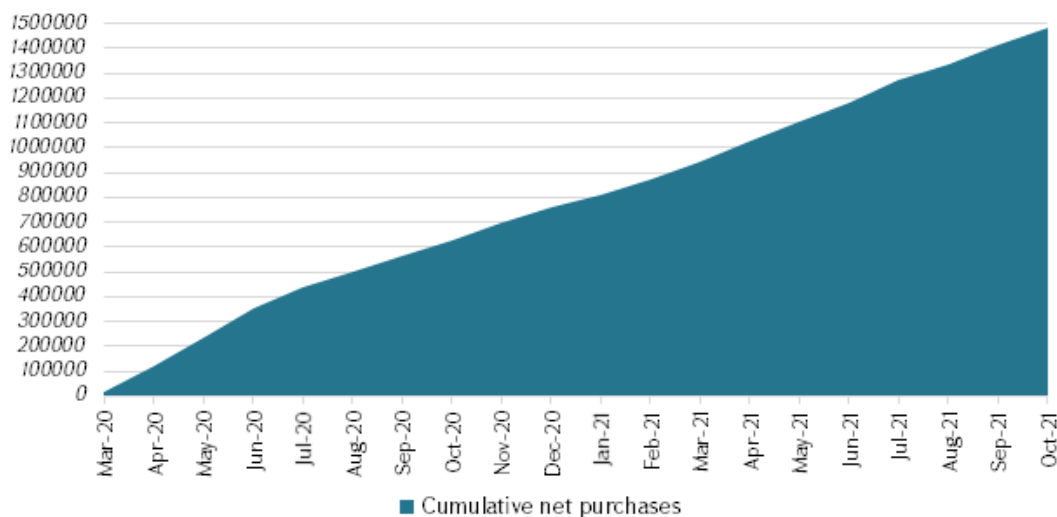
major part of CSPP holdings belongs to the secondary market.

The Asset-backed securities purchase programme (ABSPP) is based on asset-backed securities, for example securitized bank loans. There are certain eligibility criteria for these sorts of securities to become a subject of the ABSPP. Under this programme the majority of the holdings relates to the primary market. The third Covered bond purchase programme (CBPP3) consists of net purchases of covered bonds, which should meet certain eligibility criteria. There were also the first and the second CBPP (CBPP1 and CBPP2) that were completed successfully by the ECB.

In order to overcome the shocks caused by the COVID-19 pandemic, a special non-traditional monetary policy instrument was designed known as the Pandemic emergency purchase programme (PEPP). This tool was held to complement the overall Asset purchase programme. The main aim of this measure is to boost lending, investments and to support economic recovery. The ECB's PEPP is a non-standard monetary policy measure initiated in March 2020 to encounter the serious risks of the monetary

¹⁰ Source: ECB (<https://www.ecb.europa.eu/mopo/implement/app/html/index.en.html>, as of 06/12/2021).

¹¹ Source: ECB (<https://www.ecb.europa.eu/mopo/implement/app/html/index.en.html>, as of 06/12/2021).



GRAPH 6

Monthly net purchases under the Pandemic emergency purchase programme, cumulative, in euro millions¹²

policy transmission mechanism and the outlook for the euro area posed by the coronavirus (COVID-19) outbreak. Initially, the volume of the PEPP was €750 billion, which then was increased by additional €600 billion on June 4, 2020 and by €500 billion on December 10, 2020 amounting to a total of €1,850 billion.

The Pandemic emergency purchase programme is a temporary measure and will be terminated once the ECB authorities judge that the COVID-19 crisis phase is over, but in any case not before the end of March 2022, as was decided by the Governing Council. Monthly net cumulative purchases in the frame of the PEPP equal to approximately 1,480,146 million EUR as of October 2021 (Graph 6). The Eurosystem holdings under this programme as of end of September 2021 amount to 1,399,609 million EUR. For the PEPP the securities purchased by the ECB include covered bonds, corporate bonds, commercial papers and public sector securities.

The global financial crisis and subsequent macroeconomic challenges have forced the central banks to reshape their monetary

policy instruments. The ECB, which is responsible for euro area stability, also adopted new approaches labelled non-traditional monetary policy tools. These instruments have effectively substituted and complemented the standard monetary policy toolkit, which became less successful in achieving the central bank's goals. The instruments implemented by the ECB during the recent years are now a major part of the monetary policy strategy, and the euro area policy can not be imagined without these non-standard measures. Negative interest rates, forward guidance, targeted long-term refinancing operations, asset purchasing programmes have their own specifics that are closely monitored by the ECB Governing Council. These tools proved their efficiency and are widely used to overcome the COVID 19 pandemic's bad economic consequences as well. For this purpose, special unconventional monetary policy tool has been designed and currently implemented by the ECB. The Pandemic emergency purchase programme is even more flexible within its quantitative and qualitative characteristics than other similar Quantitative easing programmes.

¹² Source: ECB (<https://www.ecb.europa.eu/mopo/implement/pepp/html/index.en.html>, as of 06/12/2021). Cumulative monthly net purchases figures represent the difference between the acquisition cost of all purchase operations and the redeemed nominal amounts.

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4. www.investopedia.com

Դիանա ՏԵՐՅԱՆ
Ասպիրանտ, ՀՊՏՀ

ՖԻՆԱՆՍԱԿԱՆ ՀԱՄԱԿԱՐԳ

ԵԿԲ ԴՐԱՄԱՎԱՐԿԱՅԻՆ ՔԱՂԱՔԱԿԱՆՈՒԹՅԱՆ ՈՉ ԱՎԱՆԴԱԿԱՆ ՄԻՋՈՑԱՌՈՒՄՆԵՐԻ ԱՌԱՋՆԱՀԱՏԱԿՈՒԹՅՈՒՆՆԵՐԸ

Տնտեսական բարդ իրավիճակներում կենտրոնական բանկերը պարտավոր են կիրառել դրամավարկային քաղաքականության ոչ ավանդական միջոցներ, քանի որ ստանդարտ գործիքների օգտագործմամբ այլևս հնարավոր չէ հաղթահարել առկա մարտահրավերները: Եվրոպական կենտրոնական բանկը, որը պատասխանատու է եվրոգոտու գների և ֆինանսական կայունության համար, այլ կենտրոնական բանկերի հետ միասին, մշակել է դրամավարկային քաղաքականության ոչ ավանդական գործիքակազմ՝ համապատասխան քաղաքականության փոխանցման կառուցակարգը բարելավելու և իր հիմնական նպատակներին հասնելու համար: Գործիքները հիմնականում հետևյալն են. բացասական տոկոսադրույքներ, ապագային միտված ուղղորդում, նպատակային երկարաժամկետ վերաֆինանսավորման գործառնություններ, ակտիվների գնման ծրագրեր, որոնք ապացուցել են իրենց արդյունավետությունը ճգնաժամային իրավիճակներում: Վերջերս ԵԿԲ-ն մշակել է Համաճարակի ճգնաժամային գնումների ծրագիրը՝ հատուկ COVID-19-ի բռնկման հետևանքով առաջացած տնտեսական ցնցումները հաղթահարելու նպատակով:

Հիմնաբանը. ԵԿԲ, ոչ ստանդարտ միջոցառումներ, բացասական տոկոսադրույք, քանակական մեղմացում, ապագային միտված ուղղորդում

Диана ТЕРЯН
Аспирант АГЭУ

ФИНАНСОВАЯ СИСТЕМА

ОСОБЕННОСТИ НЕТРАДИЦИОННЫХ МЕР ДЕНЕЖНО-КРЕДИТНОЙ ПОЛИТИКИ ЕЦБ

В сложных экономических ситуациях центральные банки обязаны применять нетрадиционные меры денежно-кредитной политики, поскольку стандартные инструменты больше не могут справляться с существующими проблемами. Европейский центральный банк, который отвечает за ценовую и финансовую стабильность в еврозоне, наряду с другими центральными банками, разработал нетрадиционный инструментарий денежно-кредитной политики для улучшения трансмиссионного механизма политики и достижения ее основных целей. Инструменты в основном, следующие: отрицательные процентные ставки, руководство, направленное на будущее, целевые долгосрочные операции рефинансирования, программы покупки активов, которые оказались эффективными мерами против кризисов. Недавно ЕЦБ разработал специальную Программу кризисных закупок для пандемии, чтобы преодолеть экономические потрясения, вызванные вспышкой COVID-19.

Ключевые слова: ЕЦБ, нестандартные меры, отрицательная процентная ставка, количественное смягчение, руководство, направленное на будущее