



EU Issuances & European Issuances Service

ECB Operations Managers Group - 30 November 2023

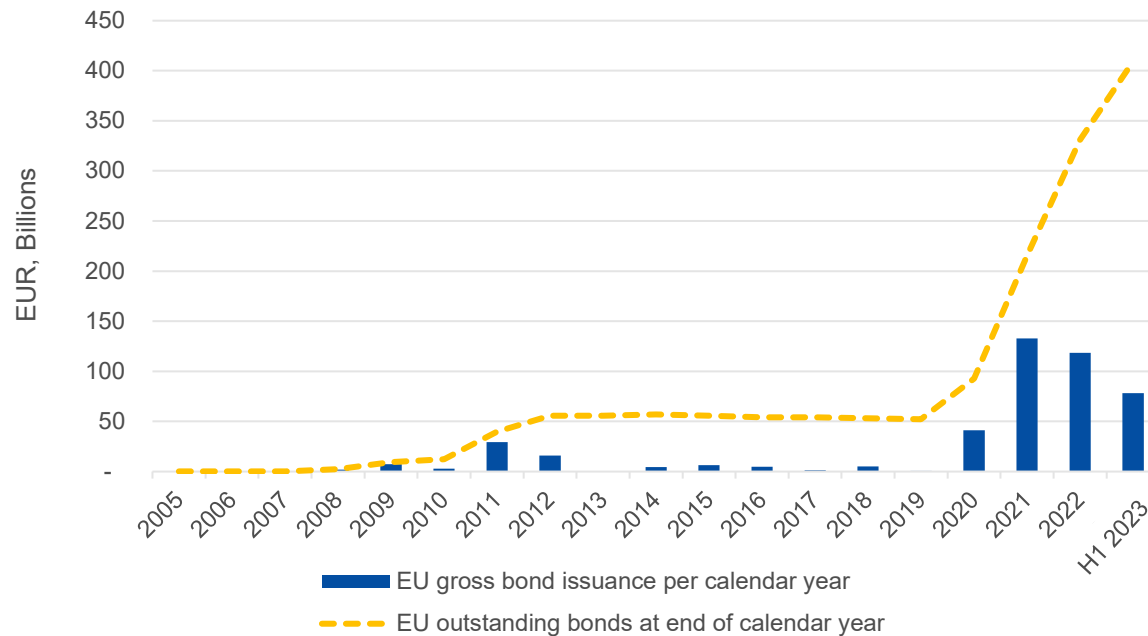
EU Issuances: State of play



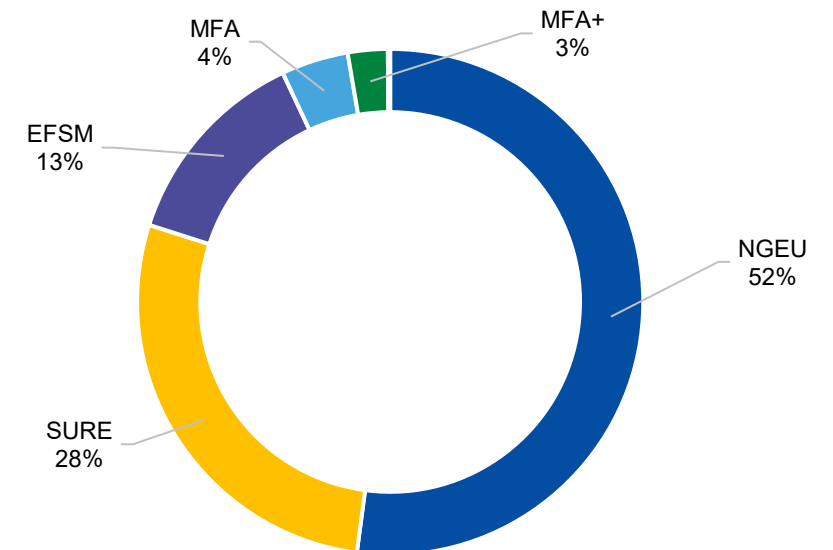
Increasing amounts of EU outstanding bonds

- As of end October 2023, EU outstanding bonds of over **€435 billion** with the majority of bond proceeds allocated to NGEU.

Evolution of EU outstanding bonds 2005 – H1 2023



Use of proceeds from EU bonds outstanding at end H1 2023



Implementation status of NextGenerationEU and MFA+

NGEU:

- Following revisions of the recovery and resilience plans **total size of the NGEU programme that will be financed by the markets expected to be up to EUR 713bn** – i.e. up to almost 90% of the total NGEU envelope.
- **EU average annual funding needs** to finance NGEU will remain at around **€150 billion p.a. on** average until 2026

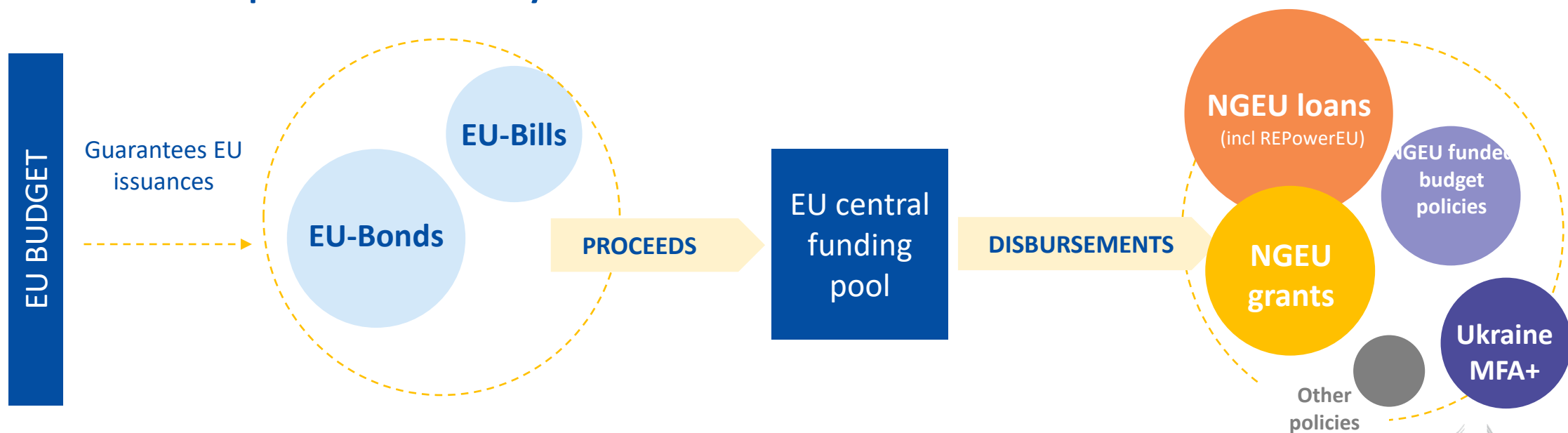
Ukraine MFA+

- Policy programme established in response to Russia's invasion of Ukraine
- Of the **€18 billion** available under the programme in 2023, **€15 billion** disbursed to Ukraine as of the end of October.



EU's unified funding approach

- Since January 2023: move **from back-to-back issuance to a pooled funding approach**
- Issuance of **EU Bonds and EU Bills**
- Use of different funding techniques: **auctions** and **syndications**
- Regular **communication with the markets**
- Diverse **European-wide Primary Dealer Network**



The unified funding approach is applied for conventional bonds. NextGenerationEU Green Bond issuances continue to finance only measures eligible under the NextGenerationEU Green Bond framework.

Looking ahead

Funding needs:

- Funding plan for H1 2024 to be announced before year end
- Post 2026: Ongoing **roll-over of maturing issuances until at least 2058 to ensure smooth repayment of debt** plus needs for any new programmes

Actions to support the secondary market liquidity of EU-Bonds

- Quoting arrangements since 1 November 2023 under which Primary Dealers provide liquidity via firm **quotes** on EU-Bond prices on recognised interdealer platforms
- From mid-2024 **repo** facility for EU primary dealers to get access to EU securities on a temporary basis in case of scarcity



European Issuance Service

EU issuance service (EIS)

Currently:

EC issues debt via Clearstream Banking Luxembourg as CSD with BNP Paribas Securities Services as issuer and paying agent. Both in Commercial Bank Money (CoBM). This system has performed proficiently.

Objective:

EC aims to:

- **minimise risks** across the entire issuance process by
- **switching to central bank money** (CeBM) and **service providers from the public sector**, while
- ensuring **level playing field access** for **(I)CSDs and investors**.

Approach:

EC in collaboration with ECB explored how the **issuance of EC debt instruments** could be organised via one of the NCB CSDs of the Eurosystem and the feasibility of the **ECB acting as paying agent**.

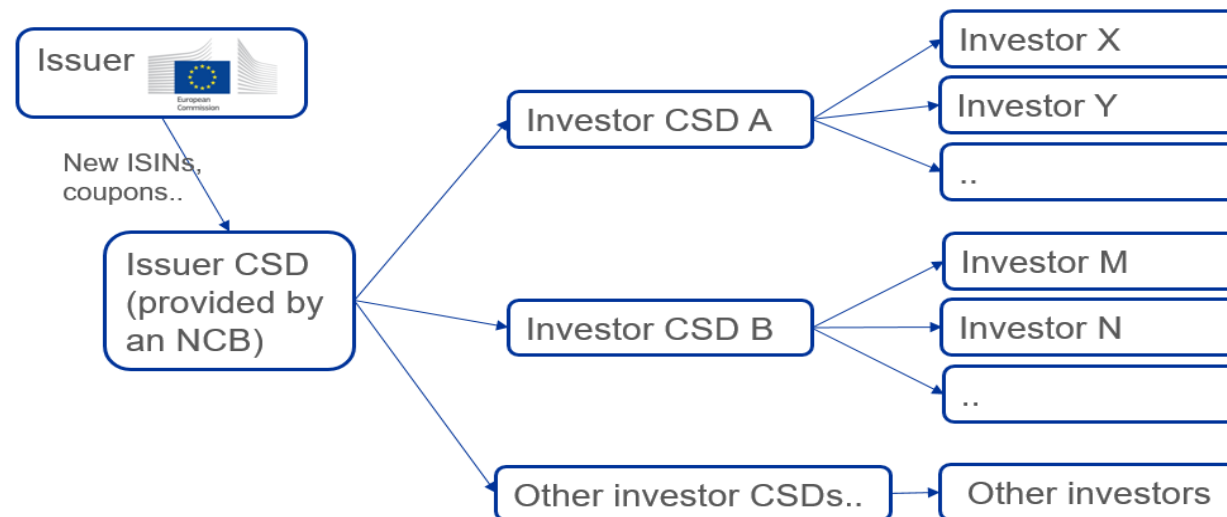
EU issuance service (EIS)

Result:

- **post trade infrastructure** for the issuance of EU debt instruments via **National Bank of Belgium (NBB) as issuer CSD** and **European Central Bank (ECB) as paying agent**:
 - Based on cost recovery basis
 - EU Issuance Service (EIS) underpinned by a **Memorandum of Understanding (MoU)** EC/ECB/NBB
 - 12 July 2022 letter of intent between Commissioner Hahn/ECB Executive Board Member Panetta/NBB Governor Wunsch to implement the MoU
- In summer 2022 EC started with its partners ECB and NBB the implementation phase of the EU issuance service
- For new ISINs issued as of EIS go-live

EU issuance service (EIS)

- EIS information sessions with (I)CSDs and EU primary dealer in October 2022 followed by collection of static data per primary dealer for set-up in settlement system of NBB SSS / investor (I)CSDs
- Objective - ensuring **level playing field** at national/investor level
 - only Investor (I)CSDs have access to primary market EIS assets, other NBB-SSS Participants have no direct access through NBB-SSS
 - NBB worked with investor (I)CSDs on technical set-up



EU issuance service (EIS)

- **EIS structure has proven to work** with all (I)CSDs involved:
 - Testing of a bond auction Feb 2023 - 2023 followed by a syndication with a view to certifying remaining primary dealer and **complete technical set-up** in summer 2023
- On the legal side – work on **debt issuance programme (DIP)** and **arrangements** with future service providers – practically completed
- ECB – regular reporting on EIS implementation to **MIPC**
- Go live Jan 2024.