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.
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.