



EU Issuance Service (EIS)

Information Session

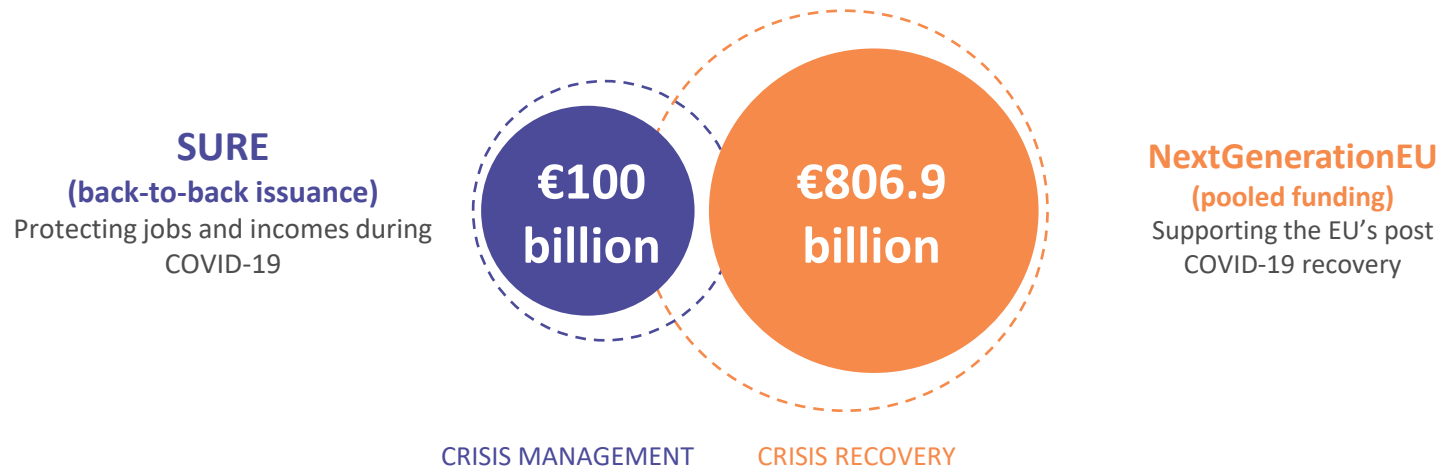


Agenda

- 1. Introduction**
- 2. EC presentation - EU Issuance Service**
- 3. Role NBB SSS and ECB**
- 4. Market specific attributes**
- 5. Cross border CSD already matched**
- 6. Testing**
- 7. Q & A session**

NextGenerationEU – Reaction to the Coronavirus crisis

- EU launched based on Member States agreement **two new joint issuance programmes**, unprecedented in scale, which transformed the EU issuance philosophy



- Leads to up to €150bn annual funding and about €1trn outstanding debt by end of 2026
- EU becoming one of the largest issuer in €, comparable to large sovereigns

Note: All amounts are in current prices.



NextGenerationEU – Funding

- Given the scale and complexity of NGEU borrowing, the EU has adopted a DIVERSIFIED FUNDING STRATEGY similar to that of large sovereigns, moving from **back-to-back issuance** to a **pooled funding approach**
- Use of different funding techniques: **auctions** and **syndications**
- Funding raised via **large and liquid EU-Bills and EU-Bonds**
- Supported by a large **European-wide Primary Dealer Network**

Currently:

EC issues debt via Clearstream Banking Luxembourg as CSD with BNP Paribas Securities Services (BPSS) 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 two NCB CSDs (Belgium and Greece) of the Eurosystem and the feasibility of the **ECB acting as paying agent**.

EU Issuance Service

Result:

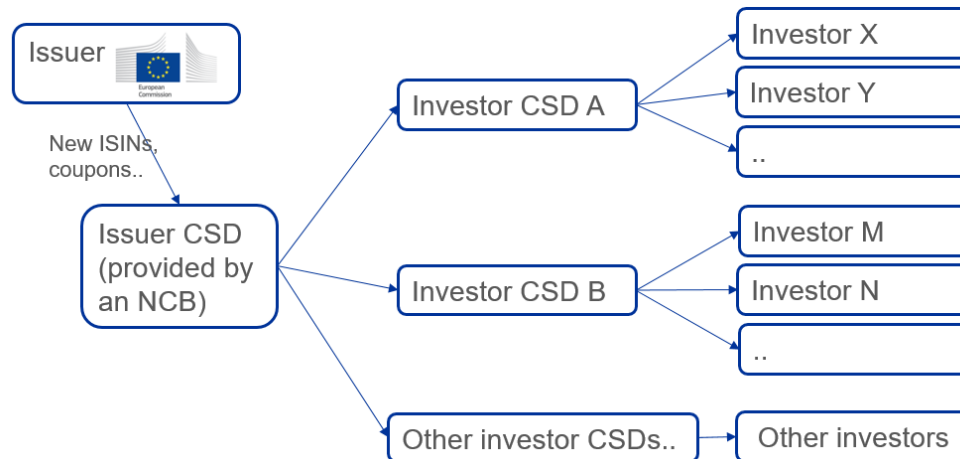
- ECB Gov Council accepted Commission's request for using **ECB as paying agent**
- **NBB SSS** nominated as **issuer CSD** and agent for settlement services
- Based on cost recovery basis for both partners
- EU Issuance Service (EIS) underpinned by an **Memorandum of Understanding (MoU)** EC/ECB/NBB
- 12 July 2022 letter of intent between Commissioner Hahn/ECB Executive Board Member Panetta/NBB Governor Wunsch to implement the MoU
- EC started with its partners ECB and NBB-SSS the implementation phase of the EU issuance service
- Focus on cross border CSD already matched instructions

Timeline:

EU Issuance Service (EIS) used for issuances expected as of **second half of 2023** (earliest 8/2023), dependent on DIP. Until summer 2023 current process in place.

EU Issuance Service

- 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



- New **Coordination Group EC/ECB/NBB-SSS**: information flow, annual reports to share MIPC/GovC at ECB

Implications for primary dealer

- Operational activities at least until summer 2023 unchanged
- Selection of investor CSD connected to NBB SSS (currently all reachable via ICSD)
- Collection of static data until year end via NBB SSS - sss.uatt2s@nbb.be
- Power of attorney for already matched instructions
- Testing as of Jan 2023

Questions → EU-PRIMARY-DEALER-NETWORK@ec.europa.eu