



European
Commission

THE EU'S UNIFIED FUNDING APPROACH

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As of 2023, the European Commission, on behalf of the EU, will be issuing single branded EU-Bonds under a unified funding approach.

Under the unified funding approach the Commission – on behalf of the EU – will henceforth issue only “EU-Bonds” rather than separately denominated bonds for individual programmes (SURE, MFA etc). This will avoid the fragmentation of EU issuances and support a more homogenous secondary market for EU-Bonds.

The EU's unified funding approach: main elements

The unified funding approach will allow the instruments developed for the EU's NextGenerationEU recovery programme to be used in the same way for other policies.

Under its unified funding approach, the Commission will:

- Be issuing **EU-Bonds with benchmark maturities**;
- Make **greater use of auctions** to boost the liquidity of its securities;
- Continue to use **syndications and auctions** to place its EU-Bonds;
- Keep **issuing short-term EU-Bills** for further flexibility and liquidity.

The unified funding approach will be the Commission's main approach to markets for **any borrowing going forward**.

The Commission will continue to issue NextGenerationEU green bonds to finance the green component of the Recovery and Resilience Facility, the centrepiece of NextGenerationEU.



THE BENEFITS OF THE UNIFIED FUNDING APPROACH FOR THE EU AS AN ISSUER

The unified funding approach will help the Commission to:

- Plan, execute and communicate all issuances in an **agile and coherent way**;
- Deploy the full range of its funding instruments (EU-Bonds with benchmark maturities and EU-Bills) and funding techniques (syndications and auctions) across a larger pool of funding needs, thus obtaining **the best possible funding costs**;
- Make EU-Bonds **more liquid through greater coherence of EU securities**;
- Apply a **uniform robust risk, compliance and governance framework** to all borrowing operations;
- Solidify its presence in the capital markets as a **regular large issuer**.

THE BENEFITS OF THE UNIFIED FUNDING APPROACH FOR THE RECIPIENTS OF FUNDING FROM EU BORROWING

The unified funding approach will help the Commission to:

- Be arranging **highly concessional loans** with attractive concessions and additional features for the recipients of EU funding from borrowing, for example Ukraine;
- Be offering **more flexible disbursements**, as per the needs of its counterparts.

THE BENEFITS OF THE UNIFIED FUNDING APPROACH FOR MARKET PARTICIPANTS

The use of a single EU-Bonds label across EU issuances will:

- Make EU-Bonds easier to buy, sell and substitute in investors' portfolios, making them **more liquid**;
- Build a homogeneous secondary market curve, making EU-Bonds **easier to price and trade in secondary market**;
- Make the EU as an issuer even **more transparent and predictable**, as six-monthly funding plans will cover all planned EU issuances.

The Commission's funding plan for January to June 2023 is the first one based on the new approach.

Further steps to improve liquidity

Moving from policy-by-policy issuance towards a unified funding approach will already make EU securities more fungible and liquid. To further boost the liquidity of EU-Bonds, the Commission will:

- As of early 2023, work to **introduce quoting obligations** for the banks from its Primary Dealer Network;
- Start working on **a repo facility**, planned to become operational in 2024.

These projects **will boost the liquidity** of EU-Bonds. They will also help make sure the pricing of EU securities better reflects the strong credit and the scale of the EU issuances, similar to those of highly rated sovereign issuers.

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