



Factsheet on Repo Facility on EU debt securities

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Disclaimer: This factsheet provides information on the key features of the EU Repo Facility available to EU Primary Dealers as of the week of 7 October 2024.

EU Repo Facility: A liquidity backstop, supporting the functioning of the EU debt market

As of 7 October 2024, the EU offers its Primary Dealers the possibility to source specific EU-Bonds on a temporary basis through its EU Repurchase Agreement (Repo) Facility. **The facility will support EU Primary Dealers** in posting firm and public quotes on EU-Bonds so that investors can be confident in the terms on which they can trade EU-Bonds in the secondary market, hence improving the efficiency and fluidity of the market for EU-Bonds.

The creation of the Repo Facility follows in the footsteps of many large issuers who offer this service to their Primary Dealers⁽¹⁾ and is a natural next step in the **deepening of the market eco-system for EU-Bonds**. With the launch of the scheme, the EU is meeting the last of the commitments made in December 2022 on the capacity-buidling steps to support the EU-Bond market.

How does it work?

Through the Repo Facility, **EU Primary Dealers can ask the European Commission to supply additional amounts of bonds** in order to meet their commitments to counterparties if they cannot source the necessary amounts in the market. Bonds eligible for Repo contracts are the same as those for which Primary Dealers are encouraged to post quotes on electronic trading platforms. These are EU-Bonds with a minimum remaining time to maturity of 1 year, issued under the EU's diversified funding approach and with a minimum outstanding amount of EUR 3 billion.

The **EU will provide the requested bonds to the primary dealer in exchange of a cash amount remunerated to the primary dealer at a rate significantly lower than the general collateral rate**, reflecting the specialness of the bonds. The EU and the Primary Dealer will agree the terms on which the requested bonds will be provided for up to a maximum of 5 business days after the settlement date of the transaction, with the possibility of renewal transactions. Trades must have a minimum size of EUR 25 million and maximum of EUR 1 billion.

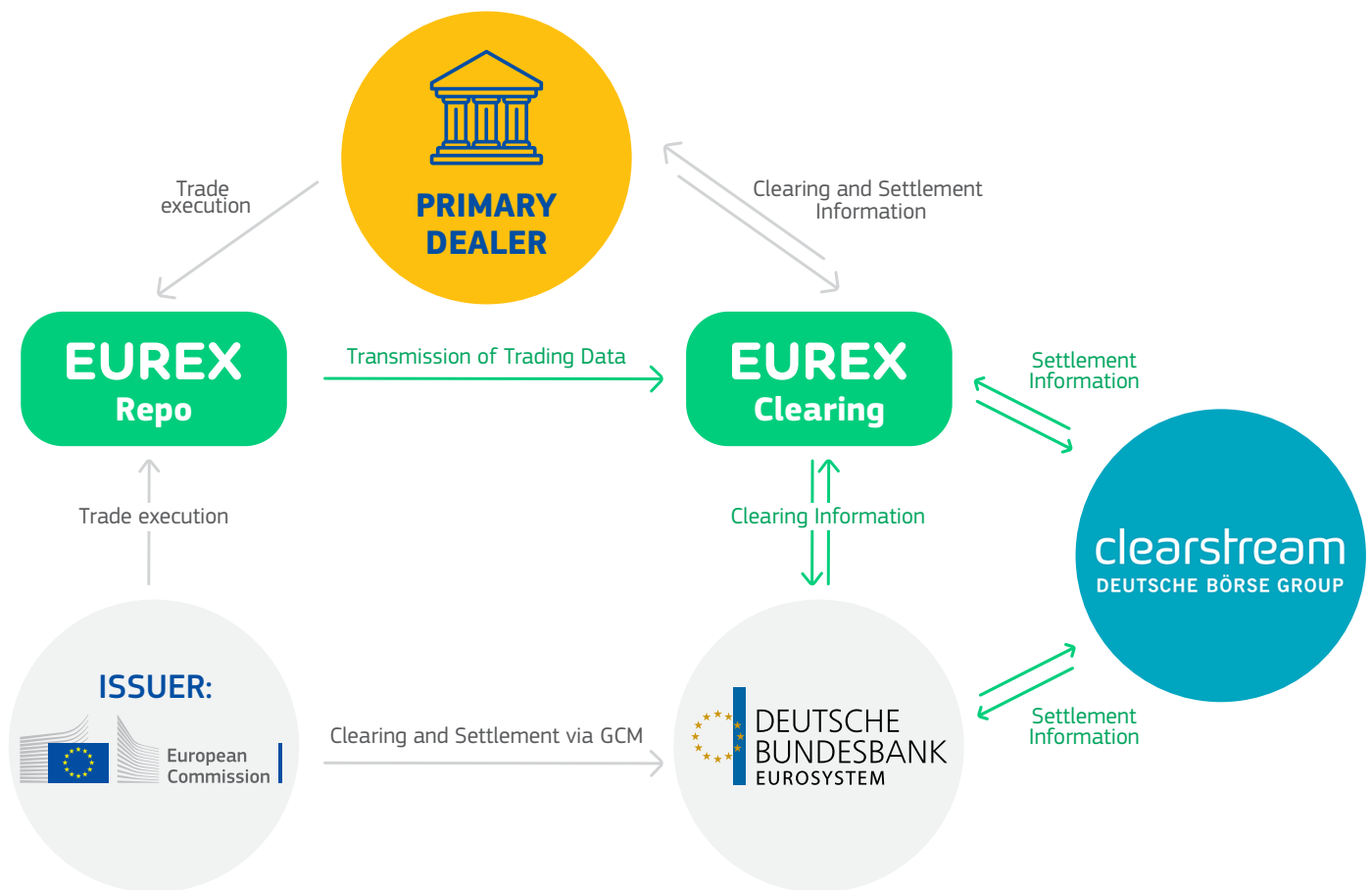
⁽¹⁾ such as France , Germany or Belgium.

The **EU will create the requested bonds for each trade and cancel them upon conclusion of the transaction** so that the volume of outstanding bonds returns to their previous level. The facility will hence not impact the Commission's planned execution of EU-Bond issuances in accordance with legislative mandates. The evolution of the outstanding amounts of EU-Bonds, taking into account the repo volumes, will be published as per usual practice by the Luxembourg Stock Exchange.

The European Commission and the Primary Dealer **will execute the transactions in a secure way on the Eurex Repo F7 web-based trading system**. The transaction will be cleared via Eurex Clearing as central counterparty (CCP) where Deutsche Bundesbank will represent the EU in its capacity as General Clearing Member (GCM). Transactions will be settled via Deutsche Bundesbank's settlement account structure.



EU Repo Facility structure



The EU has also equipped itself with the means to undertake reverse repo transactions so that it can optimise the return on the cash received as collateral from the Primary Dealer. Under the reverse repo transaction the Commission will invest in tradable securities for the duration of the repo transaction.

Summary

Eligible counterparty	EU Primary Dealers, i.e. any member of the EU Primary Dealer Network .
Eligible Securities	EU debt securities issued by the European Union, at least partially, under the diversified funding strategy (article 220a of the Financial Regulation) with a minimum remaining time of one year to maturity, and a minimum outstanding amount of EUR 3 bn .
Trading venue	Trades pre-agreed via a dedicated Bloomberg chatroom and executed and processed via the electronic trading platform F7 of Eurex Repo GmbH.
Type of operation	Repurchase transactions with cash collateral only.
Availability	Permanent facility available any Business Day i.e. day on which T2 ⁽²⁾ is open for settlement of payments in Euro and which is not a public holiday for officials and other servants of the European Union serving in Brussels and Luxembourg. Details on the availability of the Repo Facility will be updated regularly on the "EUEU" Bloomberg page.
Trading hours	All requests to be made via permanent Bloomberg Chats on any Business Day between 10 am and 1 pm CET (requests made between 1 pm and no later than 3 pm CET for T+1 settlement will be served only on best-effort basis.) All requests will be served upon availability of limits set below.
Pricing	Fixed-rate determined by the European Commission (€STR swap curve minus a significant specialness spread).
Authorised amount per ticket	Minimum: EUR 25 million, Maximum: EUR 1 billion.
Annual overall limit of the EU Repo Facility	As per the Annual Borrowing Decision of the Commission (setting the overall volume of issuance per year and an annual limit for the outstanding amount of repo transactions).
Limit per ISIN	As per the Annual Borrowing Decision of the Commission (setting a maximum repo amount per ISIN depending on the current outstanding amount of relevant ISIN. The limit is equal to the difference between the outstanding amount of the debt securities under a specific ISIN and the ceiling defined in the Annual Borrowing Decision.)
Allocation	In case the requested repo amounts exceed the limit per ISIN or the annual overall limit of the EU Repo Facility , the principle of "first come, first served" will apply. In the event of multiple requests arriving simultaneously, the amount to be allocated will be divided equally among the different Primary Dealers requesting a trade (irrespective of the various amounts requested by each of them but not exceeding the amount of their requested trade).
Trade clearing and settlement	Trades cleared via a Eurex Clearing AG, the clearing house of Deutsche Börse Group, acting as central counterparty ("CCP") and settled via the settlement account structure of Deutsche Bundesbank acting as GCM.
General Clearing Member (GCM)	Deutsche Bundesbank.
Duration	Starting at T+1 ("tom") or T+2 ("spot"). Minimum duration of transactions from settlement date is one Business Day and maximum five Business Days. Renewal transactions are possible.

⁽²⁾ Trans-European Automated Real-time Gross settlement Express Transfer system

For further information please contact: EU-REPO@ec.europa.eu

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