European Commission - Press release

European Commission issues first emission of EU SURE social bonds

Brussels, 21 October 2020

The European Commission issued a €17 billion inaugural social bond under the EU SURE instrument to help protect jobs and keep people in work. The issuing consisted of two bonds, with €10 billion due for repayment in October 2030 and €7 billion due for repayment in 2040. There was very strong investor interest in this highly rated instrument, and the bonds were more than 13 times oversubscribed, resulting in favourable pricing terms for both bonds.

President of the European Commission Ursula **von der Leyen** said: *"For the first time in history, the Commission is issuing social bonds on the market, to raise money that will help keep people in jobs. This unprecedented step matches the extraordinary times we are living in. We are sparing no efforts to safeguard livelihoods in Europe. I'm glad that countries hit badly by the crisis will receive support under SURE rapidly."*

European Commissioner Johannes **Hahn** in charge of Budget and Administration said: *"With this operation, the European Commission has made a first step towards entering the major league in global debt capital markets. The strong investor interest and the favourable conditions under which the bond was placed are further proof of the great interest in EU bonds. The "social bond" character of the issuance has helped to attract investors who wish to help EU Member States in supporting employment through these difficult times."*

Both bonds were issued on attractive terms, reflecting the high level of interest. The 10-year bond was priced at 3 basis points above mid-swaps. The 20-year bond was priced at 14 basis points over mid-swaps. The final new issue premiums have been estimated at 1 bps and 2 bps for the 10-year and 20-year tranches respectively, both values being extremely limited given the amounts printed.

These represent attractive pricing conditions for the Commission's largest ever bond issuance and a favourable debut for the SURE programme. The terms on which the Commission borrows are passed on directly to the Member States receiving the loans. (See here for more details on the pricing of the transaction).

The banks that supported the European Commission with this transaction ("joint bookrunners") were Barclays (IRL), BNP Paribas, Deutsche Bank, Nomura and UniCredit.

The funds raised will be transferred to the beneficiary Member States in the form of loans to help them cover the costs directly related to the financing of national short-time work schemes and similar measures as a response to the pandemic.

In that context, the Commission announced earlier this month that it would issue the entire EU SURE bond of up to €100 billion as social bonds, and adopted an independently evaluated Social Bond Framework.

Background on SURE

So far, 17 Member States will receive financial support under the SURE instrument to help protect jobs and keep people in work. Financial support will be provided in the form of loans granted on favourable terms from the EU to Member States.

These loans will help Member States to cover the costs directly related to the financing of national short-time work schemes, and other similar measures they have put in place as a response to the pandemic, in particular for the self-employed. SURE could also finance some health-related measures, in particular at the work place, used to ensure a safe return to normal economic activity.

Member States can still submit formal requests for support under SURE, which has an overall firepower of up to €100 billion to help protect jobs and workers affected by the pandemic. The Commission has already proposed a total of €87.8 billion in financial support under SURE to 17 Member States.

Background on the EU borrowing

- The EU was established by the Treaty of Rome in 1957 and is 0% risk weighed as an issuer (Basel III). The EU's borrowings are direct and unconditional obligations of the EU, guaranteed by the EU Member States through the EU budget. The European Commission is empowered by the EU Treaty to borrow on the international capital markets, on behalf of the European Union.
- The EU borrows exclusively in Euros for on-lending in Euros to sovereign borrowers. The EU currently operates four loan programmes: The European Financial Stabilisation Mechanism ("EFSM"), the Balance of Payments facility ("BoP"), the Macro-Financial Assistance ("MFA") and the Support to mitigate Unemployment Risk in an Emergency (SURE), recently adopted by the Council on 19 May 2020.
- The bonds issued by the EU under SURE will benefit from a social bond label.

Further details on the issuance:

- Ahead of the transaction, the EU sent a Request for Proposal (RfP) to 20 banks on 9 October 2020 informing them of its intention to raise significant amounts in the market.
- The formal mandate for a dual tranche issue was announced on Monday, 19 October at 13:25 CET.
- Books were opened on Tuesday, 20 October 2020 in the morning at 08:55 CET and closed at 10:00 CET.

For more information

Questions and Answers

Technical press release

Social Bond Framework

SURE website

EU as a borrower website

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