MEMO/11/180

Brussels, 17 March 2011

€4.6 billion bond issued to assist Ireland and Romania

The European Commission today placed a €4.6 billion bond issue on behalf of the European Union (EU). The proceeds will be on-lent to Ireland and Romania. Ireland will receive €3.4 billion under the European Financial Stabilisation Mechanism (EFSM) and Romania €1.2 billion under the Balance of Payments (BoP) facility.

The **issuance spread** was fixed at mid-swap plus 8 basis points, at the tight end of the initial price guidance. This compares very favourably with bonds of comparable issuers. Investor interest was again very strong. Books were closed within less than two hours, being oversubscribed more than three times. Investor demand was very strong from the UK and otherwise balanced throughout Europe, with a good placement in Asia as well. In terms of investor type, the banking sector and asset managers were the most important, followed by Central Banks.

The Commission considers that the successful placement is a sign of continued confidence in the stability measures set up by the EU for dealing with the crisis and it confirms the role of the EU as a prime issuer.

As part of the joint financial support package agreed for **Ireland** in November 2010, it receives assistance loans under the European Financial Stabilisation Mechanism (EFSM) and also from the European Financial Stability Facility (EFSF), the International Monetary Fund (IMF) as well as bilateral loans. The €3.4 billion will be disbursed to Ireland on 24 March 2011 (five business days settlement). This is the second EFSM transaction in support of Ireland, following the initial disbursement of €5 billion made on 12 January 2011.

Romania, receives assistance loans under the Balance of Payments facility, which is specifically targeting non-euro area Member States. The €1.2 billion raised by the current bond issue will be disbursed to Romania on 24 March 2011 (five business days settlement). Including previous loan disbursements under BoP, the aggregate EU assistance to Romania amounts to € 4.85 billion. A further € 13 billion has been provided by the IMF and from bilateral assistance.

Background: the EU as a borrower

The EU is rated Aaa/AAA/AAA by Moody's, Standard &Poor's and Fitch.

The European Commission is empowered to contract borrowings on the behalf of the EU for the purpose of funding loans made under the European Financial Stabilisation Mechanism (EFSM). The EFSM[1] is a Treaty-based mechanism, covering all EU Member States. Under the EFSM, the EU can borrow up to €60 billion to on-lend to any EU Member State. In the context of the EFSM and based on the existing financial support programme to Ireland, the EU's funding program in 2011 could reach up to €17.6 billion raised through benchmark transactions, including those already placed.

Under the Balance of Payments (BoP) facility, support is available only to Member States which have not yet adopted the euro. Also under the BoP Regulation[2], the European Commission is empowered to raise funds on behalf of the EU and on-lend to the beneficiary countries. Currently, Romania, Latvia and Hungary have benefitted from the BoP facility.

Further information on the EU as a borrower is available on the website http://ec.europa.eu/economy_finance/eu_borrower/index_en.htm

See also

MEMO/11/4 issued on 5 January 2011 regarding €5 billion bond issue for Ireland

IP/10/1768 issued on 21 December 2010 regarding further funding plans for Ireland.

[1] Council Regulation (EU) no. 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism.

[2] Council Regulation (EC) 332/2002 of 18 February 2002 establishing a facility providing medium-term financial assistance for Member States balances of payments