

SSA Roundtable and EU Interview

Special Report December 2025





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SSA Roundtable and EU Interview

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Chief among the issues facing public sector issuers for 2026 is the tightness of spreads to government bonds but there are others: further elevated government borrowing to fund defence and possibly even a new entrant to the market to raise money for that purpose; the evolving market for ESG investment; digitalisation of the bond market; and the rotation out of US Treasury holdings by international investors. *GlobalCapital* gathered a number of the SSA market's key issuers in London in November to discuss how they will set about meeting these challenges.

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SSA issuers adapt to funding in new spread landscape as bond market evolves

Public sector bond issuers navigated what turned out to be a sometimes volatile year in 2025 with aplomb. Many frontloaded issuance to derisk large borrowing programmes which stood them in good stead when choppy markets developed in response to US tariff policy and French political upheaval over its deficit, to name but two influences.

Funding requirements among suprationals and agencies may prove little changed for the year ahead, but a host of factors are already visible that will influence how this group of borrowers approaches the bond market in 2026. Chief among them is the tightness of spreads to government bonds but there are others: further elevated government borrowing to fund defence and possibly even a new entrant to the market to raise money for that purpose; the evolving market for ESG investment; digitalisation of the bond market; and the rotation out of US Treasury holdings by international investors.

GlobalCapital gathered a number of the SSA market's key issuers in London in November to discuss how they will set about meeting these challenges.

Roundtable participants



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GlobalCapital: We'll start with the topic of relative value. It's been a big couple of years for shifting relative value in the government bond market, the changing sovereign fiscal picture and so on. How has that affected the demand for SSA bonds and how are this year's themes, for example US tariffs and de-dollarisation, affecting how issuers raise

capital in the market? Can I start with you, Jörg?

Jörg Graupner, KfW: Maybe the easiest answer for me is that talk about de-dollarisation is a huge word. I have read recent research about it, and I have to say maybe some shifts have happened, but not de-dollarisation.

What we have seen and is a given for all the issuers here at the

table, is a tightening of spreads to US Treasuries on the primary side and, from time to time, situations where dollar transactions have traded through US Treasuries in the secondary market.

On the dollar side, it is important to know that we have spoken to some investors who are flexible about investing in KfW where the bonds trade through Treasuries, but others have said: no, a minimum



spread of 4bp between KfW and Treasuries must be on the table from a liquidity point of view.

It's a different story in euros. We are trading tighter and tighter versus Bunds. It is not a case of trading tighter versus swaps, but more a result of the widening of what we have seen in Bunds versus swaps, instead of KfW being tighter versus swaps. We just talked about how tight KfW spread versus Bunds could be. I have to say it's a wish, but lower double digits. What I just heard from some investors was that they are comfortable with that.

GlobalCapital: Ales, as a buyer of these bonds, what's your perspective on how tight spreads have gone?

Ales Koutny, Vanguard: It varies across different markets. If you start at the issuer level, we see different pockets in terms of fundamental value. It is expected that a triple-A rated issuer should be trading at a lower yield level than a double-A issuer. Yet, if the double-A issuer is a government that can print money *ad infinitum* to pay its debts, it changes the equation substantially.

In the dollar market, if you look at large, liquid issuers like KfW or World Bank, we have seen some specific issues trading at negative spreads in the secondary market. In our view, this is due to a mix of contained issuance from SSA names, with a significant increase in government issuance, and investors looking for issuer diversification while maintaining exposure in the underlying currency.

Nevertheless, at negative spreads versus Treasuries, we see investor interest reducing substantially. We don't believe that primary issuance

will be able to meaningfully price through Treasuries bar another significant bout of geopolitical events.

When you cross the Atlantic and look at issuance in euros, you do have this big differentiation where the German curve serves as the risk-free curve and creates an extra buffer for issuers to trade at positive spreads. That allows for continuity of business as usual. If spreads are 80bp or 40bp, there's not much change from an investor perspective. It's that zero bound that can create some awkward conversations about the value of holding bonds trading inside of your risk-free curve.

Andreas Becker, State of North Rhine Westphalia:

I would like to underpin what Jörg mentioned – that de-dollarisation is a big word. It is right, that the official institutions and institutional investors especially are buying fewer Treasuries, but at the same time, private investors have increased their Treasury deposits. Therefore, the total level of US Treasuries is more or less the same as before.

But what we are seeing is, especially from the official and institutional investor side, a shift from Treasuries to European issuers' dollar bonds, or into the euro itself, so they change currency completely, and we are currently benefiting from it. All our order books are quite nice at the moment, with a decent oversubscription.

We called it sometime before Trump's tariff tangle because he is stepping in and out. At the beginning of this week he cut tariffs on coffee beans and cut the tariffs on Switzerland from 39% to 15%. This uncertainty is not good for the market. But, at the

moment, it is good for European sub-sovereign issuers because we get the benefit of the shift from dollar Treasury investments to other dollar issuers or euros.

I see spreads performing quite well this year, especially in the shorter term, for example, in the five-year bucket. Since the beginning of this year, NRW bonds tightened to Bunds by around 10bp-12bp, but our relative value to KfW was more or less the same as at the beginning of this year.

I share Jörg's view, that the process of narrowing the spread between KfW and Bunds, as well as between the German states and Bunds, will continue next year. I guess that a spread of 18bp-19bp between NRW and Bunds could be achievable.

GlobalCapital: Henry, the World Bank is one of the credits that would be expected to trade the tightest against Treasuries amid all this. What has the experience been like for you?

Henry Coyle: I agree with all of you, the term de-dollarisation is misleading. What we've seen is a growth in dollar buyers and people diversifying their portfolios away from govies in all currencies. It's something that's happening globally, not only in the dollar market. We have benefited like everyone here because we are seen as that alternative investment for that diversification.

Part of trading close to US Treasuries has been more of a technicality. A lot of the SSA market is marketed versus swaps, so with swap spreads moving, you have seen these spreads getting closer and closer to US Treasuries. But even the trades you've seen going through are very short-dated. They've just touched down and are back out again. I don't see any real strong demand saying this is where SSAs should be pricing in the primary market.

So far, it's been very much in the secondary market, it's been very technical and Europe has done very well. These things are going to be in and out. Unless you see a dramatic shift or some other dramatic changes to the broader market, I don't believe you're going to see SSAs pricing through Treasuries.

However, we were all wrong when we said the euro would never go to negative yields because it was

possible in the German market. It happened about 10 years ago but we aren't going back there any time soon. But we appreciate the diversification because it's brought in a strong new investor base and all of us have benefited from that.

It's KfW, it's EIB, it's World Bank, it's all the tier one triple-A names that have 0% risk-weighting that have benefited. Hopefully that will continue into the new year.

Sebastien Rosset, EIB: Echoing what's been said around the table, the sovereign picture in the US and Europe is changing, but the impact on pricing has been felt more on government bonds than SSAs.

To put things in context, 10 year euro SSAs were trading at almost 70bp over Bunds in early 2023 and are now around 30bp, so around 40bp of tightening in just over two years.

If you look at dollars, five years is more the bellwether in the currency. Over the same period, the spread has tightened by 10bp to end up currently in low single digits versus matched maturity Treasuries – the starting level there was much lower.

So clearly investors are still buying, and it feels like they're still viewing SSAs as a value-added proposition and viable alternative to government bonds, given the status of public finances around the world.

Now again, to echo what's been said, euro SSAs are still trading positively in terms of swaps. The pick-up versus Bunds is still attractive, so there is room to perform.

As far as dollars are concerned, we are moving in steps and it takes time for the new level to become the new norm. At some point, it was said trading in the low teens versus Treasuries was unsustainable and issuing at those levels was not feasible, yet it happened. The same comments were made when SSAs started trading in high single digits versus Treasuries, yet not only did they stay there, new bonds were priced at those levels.

Whether we're going to trade flat to through Treasuries is a regular but tough question. It will be a challenge but it's a threshold the market is focusing on. It will be interesting to see how those things develop over the next few weeks and months, but 2026 is going to be an interesting year for you.

De-dollarisation is a term we hear regularly, but the jury is still out. If you look at the volume of FX

transactions or the share of trade invoicing in dollars, it's still way ahead of any other currency. If you look at foreign currency issuance, again it's all about dollars.

Yes, the share of dollars in central bank reserves has dropped marginally and is at a two-decade low but it is still hovering around 60%, a level observed in the 1990s, so not unheard of.

What is interesting, however, is that non-resident demand for Treasuries has dropped from almost 60% during the great financial crisis to just over 30% now. So rather than talking about de-dollarisation, to me the relevant expression should be de-US Treasurisation. That's the way I would frame it.

GlobalCapital: You may have just coined a new financial market term. Francis, how about you?

Francis Dassyras, ESM/EFSSF: I agree with my colleagues here. We have seen after the announcement of tariffs a big drop in demand for US Treasuries and a rise in demand for SSA dollar bonds as international investors started to diversify their portfolios into other assets away from Treasuries.

When we did the five year ESM dollar issuance this year, we had an all-time high book of \$13bn, compared to previous years where it was between \$6bn and \$8bn.

At the same time, when we issued a dollar bond in the five-year maturity in the past, we always paid 10bp or 11bp over Treasuries. This year, due to the high demand for dollar SSAs, we paid only 4bp versus the equivalent Treasury in the five-year maturity. In the secondary market, we have seen the spread as low as 1bp versus the five-year Treasury.

Similarly for euros, what we have seen in 2025 versus previous years is a strong performance versus govies and swaps in all maturities.

All the above, confirms the shift of international investors from US Treasuries to other assets including to European SSA dollar assets. This demand is expected to continue into next year.

GlobalCapital: Antti, what about your experience as a smaller issuer active in a lot of currencies?

Antti Kontio, Municipality Finance: I've been a bit surprised this year how well everything has gone, given the reality that spreads to Treasuries are so tight. So the only thing I have to say is that at some point we have limits where investors will start to ask questions and don't participate. We haven't seen that happening yet, but they are getting tight.

I have the same view on de-dollarisation. It's only positive for SSAs. We have also seen this largely in our dollar issuance this year. We compare ourselves to the Finnish government curve and that used to be a 20bp spread when we did euros back in the day. Now it's less than 10bp, so that has also tightened a lot. The bonds are still selling well so it's a good story.

GlobalCapital: Patrick, representing the institution that sits in the middle of all this, what has your view been?

Patrick Seifert, LBBW: I was following the discussion until Sebastien came up with de-US Treasurisation. That would have been my answer, so I have to come up with something to back that up.

To show how aligned we are, let's consider that there have been

"We have to act like a bank, so our duration needs are more at the shorter end"

Jörg Graupner, senior funding manager, KfW





“The spreads widened 10bp-15bp and we have been trying to find ways to lower the average cost of funding as much as possible”

Antti Kontio, vice-president, head of funding and sustainability, MuniFin

inflows into the eurozone at a 10 year peak, according to the ECB. That's generally a positive sign and that's partly in response to what's been happening in the US. With a year as good as this one, it's hard to extrapolate this into 2026 and onwards because I don't think this new equilibrium of international flows has been stress-tested. “Liberation day” came, felt quite ugly and within a month or so was completely forgotten.

What we can hardly ignore is that the debt trajectory looks unsustainable. There is a fair degree of irrationality in US politics and, yes, the US lost its triple-A status. It is the most liquid market, but there are good reasons to look around for value elsewhere and that has benefited the eurozone.

France is a sad story from a structural point of view, but it's been a non-event for the European govvie and SSA market. If you go back in history and look at Italy and what happened in southern Europe after the financial crisis, Europe – including its banking sector – has certainly shown itself to be much more robust.

The EU is providing further backing and there is a joint willingness to promote Europe as a whole by making it more competitive. Now the question is will we succeed in that? That is the question for the future. That concern will probably follow any progress around regaining competitiveness.

That has to do with govies being a bit more exposed to political temptations. There is a lot of discussion in Germany now about why we are spending so much money and what we are spending it on. Are we spending it for good reasons? Everyone is

happy to invest in infrastructure and anything else that helps to regain competitiveness. What investors don't want to see is money being spent on free consumption.

We think the range of exciting issuers around this table ensures this crucial link is there. These issuers are still safe in a market that overall looks almost too good to be true. You've heard the concern about private market risks and the AI bubble. I don't know if either of the two exists, but if they do I'd rather be in the SSA space to make sure that I'm well diversified, and that applies to euros and dollars likewise. Overall, that should be a good driver for fixed income going forward.

GlobalCapital: One topic that's rapidly come up over the last year but seems unlikely to go away any time soon is the topic of increased defence spending. Germany has made huge commitments to spend more on defence and infrastructure. How do the panellists think Europe should best use the bond market to meet its defence funding needs?

The options on the table are more government bond issuance, with the proceeds directly going to those who are buying the military kit; whether institutions like the European Union, the EIB and the ESM, should be retooled to do some of this funding and what the problems there might be; or whether we need a new multilateral development bank like the Defence, Security and Resilience Bank idea that different governments are discussing now.

Starting with the newest idea, the DSR Bank – Patrick, LBBW

is one of its supporters. What do you think the institution can bring to the table that's fresh to benefit defence spending?

Seifert, LBBW: It's one option among many that we need. We don't know right now which options we will need because we have no idea what this conflict with Russia, and maybe allies of Russia, will ultimately look like.

One of the things I keep hearing about defence is: let's make sure we don't prepare for the war of yesterday but for the war of the future. That's a tough call to make because it basically means we cannot just do what we've been doing before. That, to some extent, is the idea behind putting in place a bank, with, first of all, a specialisation and a geographical reach that meets Nato and that none of the existing institutions have, in my opinion. That could ultimately be helpful when it comes to supply chain financing, not so much for the larger names like Rheinmetall or EADS but for the small companies that are surprisingly weakly capitalised sometimes.

But, again, it can only be a part of a toolbox. The principle of additionality has been emphasised many times. Capital needs of around \$1.9tr suggest that a lot of existing players have room to expand but at the same time, they will have to remain true to their existing mandates. If anything, the geographical reach is where we have a gap because deterrence is a Nato issue, not just a European one. Nato commitments given could benefit from an institution like a DSR Bank and I understand that there is sizeable interest from outside Europe.

But we need a range of options and the one thing I'm not much concerned about is the capability of raising funding; all the names here could probably have done more for the right purpose. It's about deploying the funding. That is something we find difficult: taking measured risks in an industry that we have neglected for many years, whether or not the know-how is available.

You also want to immunise defence commitments from the daily hassle of policymaking. We've seen volatility around French government bonds. I wouldn't want to see a task as strategic as defence being subject to intra-day volatilities triggered by political populism. That needs to be

protected or at least have an option of being executed as far away as possible from daily policymaking.

The banks involved in the DSRB are only there to set up the infrastructure should governments decide to move ahead. It is a political decision. It comes in the context of many options that already work and will have to be combined in many ways to mitigate risk in certain parts of the defence industry.

The jury is still out at the moment – well, the governments are still out – but I don't want to be sitting here in three or four years' time thinking we had everything but missed an opportunity. That is why we are supporting this project in the context of urgency and additionality.

GlobalCapital: Sebastien, one of the comments I heard when talking to people about the DSRB Bank idea is that institutions like the EIB and the ESM are fundamentally not set up to handle the supply of capital to the defence industry as well as this institution would be. Yet the EIB has this year doubled its amount of funding that it does for defence.

Rosset, EIB: Let's take a step back to start with. Security and defence issues are not new for the EIB. In 2017, we created the European Security Initiative and allocated it €6bn. It was later upgraded to the Strategic European Security Initiative and subsequently allocated an incremental €2bn. After providing €1bn of funding in 2024, we are on track to reach €3.5bn in 2025.

Volumes are increasing, reflecting a greater focus in the sector and the EIB's increased investment in Europe's security and defence, as encouraged by the member states. We're growing but the numbers are small.

As Patrick said, big corporations are the key players in the defence industry. If you look at their recent stock performance, if they ever needed to, they would have no issues in raising funds, either by debt issuance or IPO. It therefore feels like they don't need institutions like us. We're going to be more useful to the SME part of the supply chain. But that's a small portion of the defence industry. That's the first thing.

The second thing is that supranationals like ourselves or others around the table, and even a

“Rather than talking about de-dollarisation, to me the relevant expression should be de-US Treasurisation”

Sebastien Rosset, senior funding officer, European Investment Bank



new dedicated MDB, will never be substitutes for a ministry of defence. We can lighten the burden of some of the defence budgets for some of the countries, we can cover some of the financing gaps, but our remit is not to sign defence contracts, which is a sovereign prerogative.

Graupner, KfW: As an institution, it's difficult to answer because this is more a political discussion when it comes to a new MDB or perhaps newly labelled defence bonds. We have an investor at the table who can maybe answer about the need for defence bonds, as opposed to green bonds.

The aim of our first green bond in 2014 was to support the market for environmental products and a broad investor base.

There is no defence bond expected from KfW.

GlobalCapital: Let's ask the investor. Ales, there's no doubt that governments have to ultimately spend the money but whether they raise it in the bond market must change your fiscal outlook for some of them.

And then what do you think of the European Defence Bond label? It's only been used twice by the French agency Bpifrance and before that by the French bank BPCE.

Would you welcome a new MDB or an expanded mandate for some of the European supranationals to fund defence?

Koutny, Vanguard: Let's put some numbers into the equation. Europe has been running just over €400bn of defence spending. Most countries are looking to increase their defence outlay by 50%, so

you're talking about something around €200bn that needs to be raised. Outside of Germany, there is not that much fiscal space to raise such an amount of money. If you were to create a single entity to raise close to €200bn, you're talking about the second largest SSA issuer by quite some margin, potentially even edging ahead of the EU as the largest SSA issuer in issuance size, if all done in a single year.

The tricky part is that Europe is not homogenous, and different countries belong or not to different entities, agencies and groups. It's all about understanding whether there is an entity that can serve as a common factor and raise those funds. We have looked at all the possible permutations, and the answer is no.

The only viable solution is a combination of national deficits increasing to fund the expansion, but also different initiatives across the board, including the establishment of a new agency to give some countries better access to funds and to coordinate procurement and supply chains.

We want to see speedier development because we have been discussing this matter for a year or so. We now have the EU's Security Action for Europe scheme but that is still in development, and we have nothing else where pen has been put to paper to determine an outcome.

On the topic of defence bonds, we have participated in all the labelled defence bonds. We don't see it as a huge differentiator as we did with the green bond label because they had a whole taxonomy framework and a specific goal they wanted to achieve. However, it is hard to say you only want to fund a country's defence but not fund



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the country itself, or to sponsor the defence segment of some SSAs but not the whole institution's mandate.

We think in some cases the label can be beneficial to attract interest as several defence-focused funds have come to the market in recent years. But we think from an investor's point of view, there is no extra benefit to investing in defence label bonds.

Coyle, World Bank: There's no discussion at the World Bank about being involved in defence. We are involved in development across the globe. Defence is not part of it. We're for eradicating poverty and creating jobs and prosperity.

GlobalCapital: Ales, when you saw the Bpifrance defence bond, was it the label that caught your attention or were you going to buy it anyway, whether it was labelled or not?

Koutny, Vanguard: As we have trillions of dollars in fixed income investments and the resources to support it, we analyse and engage with the vast majority of new issues, so for us it didn't make a difference as we would have looked into the bond anyway.

But if anything, it was somewhat counterproductive. We have had many dealings with Bpifrance and know the issuer well, but the fact this was a different bond, it required further conversation and extra analysis to understand the use of proceeds, so it added an extra layer of work.

As a large asset manager, we have the resources to do it, but a lack of scope to research the nuances between a defence bond and a standard bond could deter smaller investors in the market from investing in such instruments.

GlobalCapital: Frances, the name of the European Stability Mechanism would lend itself to defence funding perhaps, but the institution would need a treaty change, if that were to be the case, to use funds for that purpose. Is there much discussion in-house about what part it can play?

Dassyras, ESM: The ESM's mandate is to ensure financial stability and its interventions need to be linked to its mandate. There would need to be consensus among the 20 ESM



"We obviously expect an uptick in European government bond issuance primarily because of Germany, potentially up to €100bn"

Patrick Seifert, managing director, global head of corporates and DCM, LBBW

members that defence and security measures trigger financial stability risks to use funds for that purpose.

Becker, NRW: It is, of course, a political decision but it could be a good idea to do joint financing of defence to increase efficiency. For example, in Europe we have 180 weapon systems. In the US there are 30. If we made only some of these systems eligible for joint financing, we could reduce this number. To keep 180 systems running takes a lot of money, so cutting them would create capacity in the industry in itself and would mean the European sovereigns coming closer together. We need a united system.

Kontio, MuniFin: We don't finance defence, but, in general, we'd prefer to use existing institutions to raise the financing rather than a new one. Different countries are at different stages of preparedness. Finland, for example, is always well prepared but if you try to set up something that is on a par for everybody, it doesn't work that way.

Graupner, KfW: Who is we in this case?

Kontio, MuniFin: It's MuniFin.

Koutny, Vanguard: On the topic of mandates, we have all seen things like large projects being included in what counts as defence spending. I think infrastructure is part of the mandate of everyone at this table, but how can you define where you start to get to the supply chains of defence at which you draw a line? For those without a mandate for that type of financing, it's a question of supporting infrastructure and employment and then suddenly you see yourself in the defence industry.

Rosset, EIB: We had this concept of dual use when we invested in a defence project. Up until this year, we could only invest in a defence project if the civilian sector generated more than 50% of the revenues.

Now we have dropped this rule because, among other reasons, we realised that, as you pointed out, the line between what is and is not defence related is becoming increasingly blurred.

The defence sector covers a wide range of potential investments, more than what was thought initially, which defaults to only tanks and machine guns.

It ranges, to name but a few, from satellites to biotechnologies or even cybersecurity. This is constantly evolving and we have to keep abreast of developments in that industry. The only constant for the EIB is that weapons and ammunition remain on the exclusion list.

GlobalCapital: Let's turn to the 2026 funding outlook. I suspect at this point in early November it might be a little bit early to reveal what everyone's funding requirements will be for next year. However, perhaps the issuers could share with us some clues as to how they anticipate their funding mix and issuance patterns might change over the next year given all that's happened this year.

Becker, NRW: NRW's funding needs will rise significantly next year, by around 50%, but it's not just about the new possibility to raise the structural deficit at the Länder level. It is one part but it's not the main one. The main part is that the NRW government decided in the middle of this year to take over half of the debt of our municipalities.



“We have seen after the announcement of tariffs a big drop in demand for US Treasuries and a rise in demand for SSA dollar bonds”

Francis Dassyras, team lead – funding, European Stability Mechanism/European Financial Stability Facility

Our municipalities have outstanding debt of around €20bn, of which €10bn will be shifting from municipality balance sheets to the state's balance sheet.

To comply with the German debt brake, we can't just give them the money, we have to make a change of debtor. Therefore, it is essential to look into every single contract. After studying some of the bigger municipal portfolios we have the strong guess that 40%-50% is short-term debt which will mature in 2026. These maturities are hiking our needs by €4bn-€5bn immediately.

As well as this, we have our own redemptions of around €10bn, plus the new structural component of about €2.5bn, so a total of about €17bn-€18bn next year.

On the foreign currency side, we committed to the markets one and a half years ago that we would like to build up a dollar fixed rate curve from one to five years. We have nearly completed this curve. To achieve our goal we will fill the gap in 2029 and issue a new five year bond in 2026. Therefore, we are definitely issuing at least two dollar benchmark fixed rate bonds in the three and the five year channels.

In euros, we are also committed to the market to be present on the entire curve. Therefore, we'll issue at least a five, 10 and 30 year bond every year.

It depends on market demand for sure, but apart from the previous mentioned core tenors we will issue maturities in between as well, so maybe, a seven year and a 15 year bond. Beside the euro benchmark issues in a volume up to €3bn, we are open to private placements and taps.

Regarding the taps, we see investor demand for bonds with coupons on the run, but also from a specific investor book to tap

low cash bonds. That's probably a way we will go next year as well. We did it this year and last year and therefore in total, we are quite confident that we will raise €17bn-€18bn quite smoothly.

Graupner, KfW: We will announce our funding needs for next year on December 9. The flexible funding approach in euros and dollars that we have established for many years now, will be also flexible next year so don't expect any change.

We have to act like a bank, so our duration needs are more at the shorter end. We do not have the flexibility to issue something longer than 10 years in size. Our duration this year was on average 4.7 years. I'm expecting maybe slightly longer next year but this is a minimum portion of higher duration needs.

I expect we will issue more in Asian currencies and in private placements, potentially increasing the share of funding done in those markets next year, because we are seeing much more interest out of Asia.

GlobalCapital: Are you talking particularly about Wonton and Panda bonds or Australian dollars as well?

Graupner, KfW: Australian dollars, Hong Kong dollars and the offshore Chinese market.

GlobalCapital: Chinese bank treasury demand in particular?

Graupner, KfW: Exactly. This is what we are seeing.

Kontio, MuniFin: We will also reveal our numbers next month but it's going to be very similar to this year, when we did €10bn, so no big changes.

The theme we have had for this year is what happened last year: the spreads widened 10bp-15bp and we have been trying to find ways to lower the average cost of funding as much as possible. In the past we have relied on the benchmark markets in euros and dollars. This year we did 50% in benchmarks, which is quite a low amount, so we have been more opportunistic given the price target we have had.

For example, we have been active in sterling, in Norwegian kroner and in Swedish kronor and this will continue next year as well.

The lending maturity is also getting shorter for us so that's why we need to look at shorter funding which meets the fact that the redemption profile is getting shorter. This development will most likely increase our funding volumes in the future.

Dassyras, ESM: Next year issuance is expected to be similar to that of 2025, which was €28.5bn-€21.5bn for EFSF and €7bn for ESM. It should be in the area of €26bn for both entities and as we have done in the last two years, we will continue to keep duration low, in the area of 6.5 to seven years.

In addition, we will keep the option of a dollar transaction, as usual.

Rosset, EIB: In 2025, we did €63.9bn, last year we did €63.4bn. We're going to announce the official programme in December, but all the signs are pointing to a similar number to what we've had over the last couple of years, so €60bn-€65bn is probably where we will end up.

We tend to do around 50% in euros. We are mainly present in euros because it's our home currency, our home market and a sizeable proportion of our lending is done in the currency. So again, we expect around 50% to be done in euros.

The US dollar is the second pillar currency and is expected to represent 30%-40% of our total funding.

The non-core currencies will cover the rest but the proportion can fluctuate according to arbitrage opportunities. That hasn't changed for the last few years and there's no reason to expect any change for 2026.

We're a bank with a balance sheet. We try to minimise the duration mismatch between asset

and liabilities. On the asset side, the average duration is around seven years so we will expect the duration of our funding to be close that number, that is, between 6.5 and seven years.

GlobalCapital: The World Bank is barely a third, nearly a half of the way through its fiscal year. What's the outlook for the rest of it?

Coyle, World Bank: We represent two different issuers, IBRD [International Bank for Reconstruction and Development] and IDA [International Development Association]. For both of them, the fiscal year runs from July to June. We've had a programme for IBRD of \$60bn-\$70bn for this year and approximately \$20bn for the IDA.

So far, the currency mix has remained similar to previous years. Yes, we are a bit more skewed towards dollars than everyone here because we do have a dollar balance sheet, particularly at IBRD. IDA has a balance sheet denominated in Special Drawing Rights, so we do have a more natural need for euros and sterling. But we expect the currency and the maturity mix to remain constant for both of them.

We also issue in about 20 other currencies in private placements. That depends on where the market is, but the big, outstanding one so far this year has been for dollar callables. So maybe dollars will be slightly overweight than in previous years, but we still remain committed to borrowing in the euro and the dollar market.

Just by the nature of our balance sheet, being longer on the lending side, we do tend to fund a little bit longer than everyone [here], so five years-plus is where we are. I expect our tenors and our currency mix to remain similar to previous years as we embrace the new calendar year.

Even for the next few years, we don't see the IBRD growing significantly. It always grows naturally a little bit, while IDA continues to grow and we do see that as an issuer to keep an eye on because over the coming years we expect it to continue to grow quite significantly.

IDA has historically been about 50:50 dollars and euros, with some other smaller benchmark currencies there as well. The IBRD is more like 60%-65% in dollars and 15%-20% in euros. IDA is also very long-dated.

"A lot of the SSA market is marketed versus swaps, so with swap spreads moving, you have seen these spreads getting closer and closer to US Treasuries"

Henry Coyle, senior financial officer, World Bank



GlobalCapital: Patrick, what is your view next year about the sector as a whole?

Seifert, LBBW: We obviously expect an uptick in European government bond issuance primarily because of Germany, potentially up to €100bn. It could be one of the factors also driving relative value as discussed before.

It's fair to assume that SSA funding is going to be similar to this year, with the potential to do more, particularly if all of the structural reforms to make Europe more competitive gain some traction.

We've heard that NRW is doing a bit more and Germany is doing a bit more. Along those lines, I could personally also imagine KfW issuing a bit more in 2026. That would be great news because it would mean that structurally things are moving in the right direction. Investors and firms are taking money to do the right thing when it comes to making Germany and Europe structurally more competitive and better prepared for the future.

Andreas mentioned the 30 year maturity and a few investors will be showing signs of relief that finally something is going to be available in this part of the curve. It's true that it's been a little bit expensive and for all the SSAs working as banks, long duration is not always very economical, so there will be limited but good opportunities.

Last but not least, probably as an issuer you always want to make sure that you have a more defensive trade at hand that you can use if the market turns more challenging.

GlobalCapital: Turning now to the digitalisation of the bond market, we're a year on from the ECB Trials and I wanted to

ask the panellists what needs to happen next. What is the next leap forward in the digitalisation of the bond market? Ales, from an investor's point of view, as the bond market digitalises, are there any clear benefits for investors?

Koutny, Vanguard: There are two sides to these developments. We take advantage of inefficiencies in the bond market to generate alpha, but there are some inefficiencies that hinder our day-to-day.

Digitalisation is moving the market forward, so we are generally in favour. The key question, as markets continue to develop, is whether we will have interoperability of systems. Some of the digitally native notes we have invested in are blockchain-originated, but when it comes to settlement they still go the standard route. So that has been the easiest way to start the move towards digital-friendly assets and we have done plenty of issues on that side.

It gets more complex when you move into tokenisation because there are no specific custodians or platforms. With multiple token networks and different custody accounts, simply to be able to buy the same bonds that today we buy on a legacy system is just not workable.

If the market can settle on a model which allows interoperability where we can have our custodians seamlessly access different digital tokenised native assets, we would see that as a differentiator to continue to proactively engage with digital assets rather than wait for further developments.

Jong Woo Nam, World Bank: We are trying to stay up to date with what's

happening in the market through several digital bond issuances. But the key requirement for investors to participate in digital bonds, especially in public benchmark issuances, is that everything must be at least equal to that of traditional bonds.

I don't think investors will sacrifice liquidity or repo eligibility to simply participate in digital bonds. Right now, we don't have a single provider that offers a standardised platform where everyone can participate without any barriers.

The technology seems to be there, but in order for the digital bonds to take off, we need further developments in the legal, governance, and regulatory aspects, as well as secondary market liquidity and repo eligibility.

Rosset, EIB: Changes to any ecosystem take a lot of time and very careful adjustments. It's interesting to draw a parallel with the green bond markets. We issued the first one in 2007 and it took 10 or 15 years for the asset class to flourish. So it's clear that there's further to go in the digital bond sector, if you think that the EIB issued its first digital bond four years ago in 2021. There's plenty of experimentation to be done before the asset class reaches critical mass.

The industry deemed the ECB Trials to be very successful. The EIB is looking into the two further trials – the Pontes and Appia projects – that are going to start next year.

But we have to be clear, some hurdles remain such as ECB repo eligibility to provide funding for digital assets, interoperability between various platforms, or regulation to set market standards.

We're going to get there but, as mentioned earlier, it might take some time.

Becker, NRW: I'm sure that digital bonds will become the norm, but it's the beginning of a long journey. It could take another 10-15 years but digital bonds, tokenised or in another form, will succeed.

Especially from the hedging perspective, it makes a difference if you settle the bonds T plus five, T plus one or T plus zero. Therefore, every market participant is keen on this product and will try to bring it forward. But you need some goalposts at the beginning. The next biggest challenges are ECB eligibility and a functional secondary market.

Seifert, LBBW: Keeping it short and simple, I would echo this. We learnt that from our first blockchain-based bond mandates that having a triple-A rated issue not eligible for the ECB was, of course, a major roadblock. Steps are now being taken to remove this, yet building a granular secondary market will take a lot of education, resources and likely time.

Dassyras, ESM/EFSF: The ECB is trying to create an integrated system, including operations. The ESM would like to be a constructive participant in this platform and we will engage with the ECB and market contact groups. Internally we are preparing to potentially explore trials, with ECB real money, subject to any relevant approvals.

Kontio, MuniFin: We are very open to this development but as a smaller issuer we don't have the same resources as the bigger ones, so we appreciate whatever the bigger issuers do. We hope for some kind of standardisation in terms of the products and getting all the investors, issuers and banks together.

GlobalCapital: Has ESG-labelled issuance peaked? What are the

important factors here? Is it the US government's stance on the topic, the lack of a greenium or are other factors at play?

Rosset, EIB: To assume that ESG-labelled issuance has peaked is a bold statement that you will not be surprised to hear EIB does not endorse.

As far as we are concerned, in 2025 we've done €28bn of ESG issuance, equating to over 40% of our funding. This is double what we raised in 2023 and around 50% more than last year, so it is a long shot to think that, for us, it has peaked.

The impression here, and that's backed up by the numbers that we've seen, is that the asset class is still on the rise and is becoming even more mainstream.

Having said that, we are not going to commit to a fixed percentage of our funding to be raised in labelled format. The EIB has a use-of-proceeds policy where effectively it's the type of asset that needs to be funded that determines the type of funding or the label that we put on the bonds.

The need for funding ESG assets is increasing, so there is no reason to think that the volume or proportion of our green issuance is going to drop.

Koutny, Vanguard: I'm not going to dissent necessarily, but I lean to the view that the total amount of ESG issuance has peaked, but that's not because there won't be any more green bonds.

It's similar to the Article 8 and Article 9 funds discussion where everybody that was trying to find a reason to call themselves ESG was throwing an Article 8 label on their funds. We have seen much better specialisation among Article 9 funds – those that want to be ESG, with everybody else in a different bucket.

What we think of ESG issuance is that we're going to see much more of it through green bonds – bonds that are issued and financed through green initiatives. That's a growing part of the market that is far from peaking.

But as the many dubious claims of green bonds in the past expanded the market at a rate that was incompatible with the amount of assets out there to be funded, we think that perhaps we've seen the total nominal issuance volume pass its peak. That's purely because we

"We take advantage of inefficiencies in the bond market to generate alpha, but there are some inefficiencies that hinder our day-to-day"

Ales Koutny, head of international rates, Vanguard



are now treating ESG more as true ESG and focusing on green or social issuance, rather than just anything that can make the cut. We see more quality than quantity in the ESG issuance space going forward.

Rosset, EIB: What we were talking about with the regulation, fragmentation, or lack of market standards for digital assets can also, to some extent, be applied to ESG bonds.

However, we now have the EU Green Bond Standard, which provides a strict framework which can contribute to reassure investors and that must be viewed as a positive.

Graupner, KfW: We have been offering green bonds since 2014 and have now established a high reputation. There is no plan to stop green bond issuance over the next few years. There's a number also for 2026, which we will disclose on December 9, not only for overall funding volume but also our green bond target. This will again be a higher number than before.

Is there a change maybe in the green bond market? We want to concentrate our green bond activities more in currencies away from the dollar. We issued a green dollar bond last year, but we haven't seen any advantages in doing this in 2025 and we don't see the potential for any further demand in 2026 or in future years. So it's more about a concentration away from dollars into other currencies like the core currencies, the euro, but also the Aussie dollar and sterling.

Becker, NRW: NRW has always issued sustainability bonds — a mix of social and green bonds. We definitely see a change in the market. We have feedback from some big investors that, first, they want real green bonds; second, real social bonds. A mixture is OK but it's not popular because investors do not have a proper benchmark against which to measure the performance of the sustainability bonds.

When we started sustainability issuance in 2015, whether it was green, social or a mix wasn't a topic, it was just ESG. But now the world is changing more in the direction of green and the problem we have there now is that regulation is quite strict, especially for the smaller



“We have feedback from some big investors that, first, they want real green bonds; second, real social bonds”

Andreas Becker, head of treasury and pension fund, Ministry of Finance of the State of North Rhine-Westphalia

issuers. They can't fulfil all these regulations. Therefore, I don't see necessarily a peak for all of the market and that the supply will go down from now on, but I have a hunch that we have reached a plateau and that the market will go over to sidesteps regarding growth rates and issuer volume.

The overall market will grow further, though not fast, because investment portfolios have been built up now. Ten years ago, investors were buying every ESG bond because they were building a portfolio. Now the portfolios are there and we see mainly reinvestment and less new investment, so the growth in the market will be a little bit slower but it will grow.

Kontio, MuniFin: Most issuers have had green bonds in place for years and have established their space. We just need to be careful that we are not killing the market with limits on use of proceeds that are too strict.

It's difficult to know where the market is going in the future, but at least one topic I like is the more holistic approach to the whole sustainability of a company. Does it have long-term targets in place, not only for green but for its whole lending portfolio, for example? That tells investors a lot more than just a small part of the business that is taking place.

Coming up with all these targets is taking up a lot of my time now, but that's where I would hope the market is going. I don't necessarily feel that the market needs to continue to always grow at the same pace.

GlobalCapital: Patrick, When I asked your peers across DCM last year which product area

they were most bearish about for this year, most people, by far, said ESG-labelled debt. Do you think that has been born out?

Seifert, LBBW: Maybe we can agree that the hype is over. I'm not saying the trend is over because if we look at China, it's quite stunning the amount of effort they put into sustainability and turning the economy green. In contrast, I struggle to understand why we should now turn back to the US model of “drill, baby, Drill”.

Let's face it, ESG bonds are something inherent to Europe. There's a reason the euro market is still the one that appreciates ESG-labelled issuance most. Maybe we've overdone it a little in terms of who was brought to the market, not speaking of SSAs here, but business models that you could certainly argue how sustainable they were. We certainly overdid it in terms of regulation and the regulatory burden attached to it.

But Europe has a great opportunity because we rely heavily on energy and anything we can do to avoid wasting it and make more efficient use of it should benefit Europe, and also as a competitive advantage in the global landscape that we are in.

The way we look at it at LBBW is that we want to decouple economic growth from CO₂ production. The more we manage any business and innovation that is feeding that idea, that notion should have a high rate of success. Anything that limits what we have and cuts into the status quo, that's tough and has created a lot of frustration both with businesses as well as investors. But generally speaking, we still see the opportunity in this and continue to support the ESG market. ©

The EU: bloc's SAFE asset adds defence to jumbo programme

One of the key numbers for the SSA bond market is the EU's borrowing need, published twice a year. The borrower has become one of the largest in the market, issuing €160bn of bonds in 2025, with a similar amount expected in 2026.

It anticipates €700bn of funding needs between 2025 and 2030 in support of the various programmes it funds, including for NextGenerationEU. Now it has a new one: a €150bn instrument, which will disburse money to member states for defence in 2026.

Siegfried Ruhl, hors classe adviser to the European Commission's Directorate-General for Budget and Balazs Ujvari, Commission spokesperson for budget and administration spoke to *GlobalCapital's* [Ralph Sinclair](#) about the issuer's path ahead in the bond market.

GlobalCapital: What guidance can you give the market at this stage about the European Union's borrowing programme for 2026?

European Commission: Since 2021, when we started our diversified funding strategy, we have been very structured and transparent in our communication about our funding plans, publishing them on a semi-annual basis. In line with this practice, we will communicate later in December our funding plan for the first half of 2026.

Transparency and predictability are crucial elements of our communication strategy. The issuance programme for 2026 will build on the 2025 programme.

For 2026, these funds will be used to finance ongoing disbursements under the NextGenerationEU programme but also disbursements under the new Security Action For Europe (SAFE) instrument and other funding needs, such as support to Ukraine and other neighbouring countries under established programmes. Bond issuance will be complemented by an increased amount of short-term funding to cover all liquidity needs, as necessary.

GlobalCapital: The SAFE programme was new this year. What is its future and what does it mean for the longevity of the bloc's expanded bond issuance needs?

EC: Member states have agreed on the SAFE instrument, with €150bn to be financed by EU borrowing to boost European defence capabilities. Disbursements will start in 2026, with pre-financing of 15%. The instrument will be available until December 31, 2030. That gives another five years of funding needs under this policy.

SAFE was built and fully subscribed in record time – in five months. Nineteen



Siegfried Ruhl, hors classe adviser to the European Commission's Directorate-General for Budget

member states indicated their interest in loans under SAFE and the indicated amounts exceeded the maximum size of €150bn. The tentative allocations per member state were published in September.

SAFE is another example of joint financing becoming more common for the EU as a tool to support political objectives.

Since the launch of the NextGenerationEU programme in 2020, member states have agreed on around €250bn of additional joint financing to achieve political objectives.

All these funding needs will continue to be raised under the EU's unified funding approach with the issuance of EU-Bonds and Bills. As a result, and notwithstanding any new programmes that may be agreed upon, the EU will remain a major issuer in the European capital markets for the foreseeable future.

The EU budget will continue to serve as the ultimate system of protection of our issuance, guaranteeing the programme's liabilities, making EU-Bonds and Bills a liquid and safe asset investment opportunity in European capital markets in the long run.

GlobalCapital: Speaking of defence funding, how does the EU fit into the expanded need for it overall between

government and supranational funding? And should the EU take on even more of this requirement through an even bigger SAFE programme?

EC: Similar to all other financial support programmes, the maximum size is fixed in the regulation of the SAFE policy – it's €150bn.

The SAFE instrument is one of the three pillars of ReArm Europe Plan/Readiness 2030, designed to use all immediately available levers to mobilise funding for defence investment.

The second pillar is the activation of the national escape clause of the Stability and Growth Pact, which allows a 1.5% of GDP increase in defence budgets and creates nearly €650bn in fiscal space over four years at the member state level.

The third pillar is supporting the European Investment Bank Group in broadening its lending to defence and security projects and accelerating the Savings and Investment Union to mobilise private capital so that the European defence industry is not reliant on public investment alone.

This means that EU member states will remain in the driving seat for defence while benefitting from the added value that the Union offers.

The activation of the national escape clause will facilitate member states' transition to higher defence spending at the national level, while ensuring debt sustainability at the same time, by capping the increase at 1.5% of GDP.

To date, 16 member states have submitted a request to the Commission to activate the national escape clause under the Stability and Growth Pact. The European Council has approved the activation of the 16 requests, based on the Commission's recommendations.

GlobalCapital: The EU wants to be viewed as a sovereign-like issuer in the bond market. Eurex recently launched futures contracts in EU-Bonds, but holding back participation in that market are US rules forbidding their hedge funds from trading them. Will the EU be making representations to be considered a sovereign under US financial regulations, and will it be making further efforts next year to be included in sovereign bond indices?

EC: Well, first let me mention that being viewed as a sovereign issuer is not a goal in itself. Our main objective is to maximise the successful rollout of our issuance programme to the benefit of member states.

In addition, we aim to contribute to the development of the European capital markets.

EU-Bonds have become a liquid and safe asset over recent years. Our outstanding debt has grown from €50bn in 2020 to €700bn now, helping our member states to overcome the pandemic and to make Europe greener, more digital and more resilient.

We became the second largest triple-A rated issuer of public debt in European capital markets and this also supports the European capital markets:

Including EU-Bonds in benchmark indices for strategic asset allocation means making this liquid and safe asset accessible to a wider group of investors. It also improves the credit rating and credit quality of an investor's benchmark. It makes the benchmark and the strategic asset allocation of investors more resilient without compromising returns.

Last year, the Intercontinental Exchange (ICE) decided to create a new index family by adding EU-Bonds to their existing European government bond indices. Comparing these two index families – with and without EU-Bonds – we see that the indices which include EU-Bonds have a higher credit quality, reflected in a higher rating, while returns are almost unchanged.

Historically, the EU has been regarded by the market as a supranational issuer. The institutional set-up of the EU is closer to a sovereign than a traditional supranational issuer.

We have a budget-based financial structure. We have the power to legislate, implement and enforce law.

The EU has a common currency for the eurozone: the euro; and an independent central bank: the ECB.

In terms of our funding structure, we have much more in common with a sovereign bond issuer than we do with a development bank.

Issuing across the curve regularly, including the long end of the curve, and bringing our bonds to sizes of around €20bn using auctions, supported by a primary dealer group – all of this aligns more to a sovereign set-up than a typical supranational set-up.

There has been significant development in the market infrastructure for EU-Bonds and secondary market liquidity. And already an increasing number of market participants treat our bonds like sovereign bonds.

More and more banks are trading us from their sovereign bond desk. And in 2023, the ECB reassigned EU-Bonds under haircut category 1 in their risk control framework for credit, the same category used for instruments issued by central governments.

This development has also been picked up by the market. We saw the launch of ICE index futures at the end of last year and, in September, Eurex launched traditional bond futures on EU-Bonds.

Well-designed futures contracts, accessible to a larger group of market participants, support the objective of further developing the EU bond market ecosystem.

We therefore appreciate efforts like those of Eurex to improve the accessibility of EU bond futures. Making them eligible to a wider group of investors is the responsibility of Eurex. It is not under the Commission's control.

GlobalCapital: Does the EU anticipate shortening its average duration, which I think is about 15 years, in light of curves steepening and higher yields and, in particular, investors like Dutch pension funds moving out of the long end of the curve?

EC: While it's correct that our issuance has a slightly longer average maturity, we have never issued with an average maturity of 15 years. In 2022-2024 the average maturity was around 13 years, and this year it will be around 12 years. We have flexibility in our funding strategy and within this flexibility, we adapt to market needs.

At the same time, we aim at providing liquidity through new issuance across the curve and creating a redemption profile that enables us to have a stable market presence in the long run by rolling over our funding.

EU funding is structured based on budgetary backing and investor demand, with the objective to have funding costs at the lowest possible rates, considering the interest rate risk, and, therefore, preserving the financial strength of the Union while accounting for the absorption capacity of the market.

We will react using our flexibility, and also considering the other objectives I just mentioned.

GlobalCapital: Market participants have commented that investors have rotated out of OATs since the French sovereign downgrade and into other issuers. Has the EU as an issuer been a beneficiary of that?

EC: The EU has seen a large increase in its investor base over the last five years, from around 500 investors at the end of 2019 to almost 2,000 now.

More and more investors from both within and outside Europe take advantage of this asset and appreciate that investing in EU-Bonds avoids exposure to single-country risk.

We have had extremely strong demand with some transactions almost 20 times oversubscribed, even in periods of high uncertainty and market volatility within a single country.

Investors have perceived EU-Bonds and the euro as an anchor of safety and stability. This is something we benefit from, through increased demand from various investors based on their different reasoning.

GlobalCapital: Several SSA issuers have enjoyed greater central bank and official institution participation in their euro syndications this year, and higher participation from Asian investors. Has that been the same for the EU? And if so, what do you think is driving it? And do you think it is part of a rotation out of dollar assets?

EC: As I just explained, we benefit from being seen as an anchor of stability.

The EU's bonds are an attractive investment opportunity for investors seeking stability, credibility, liquidity and safety.

Investors outside Europe also showed this in our last transaction. Around 25% was bought by investors outside the EU and the UK.

In terms of investor type, traditionally we have good relationships with central banks and official institutions, and they continue to represent an important share of our allocation.

Some investors are restructuring their existing euro portfolios, others are changing their currency split. The increased demand we receive is down to a mixture of both. ©

“The EU's bonds are an attractive investment opportunity for investors seeking stability, credibility, liquidity and safety”

The European Commission