

EFSF places inaugural benchmark issue

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Press releases

EFSF

Frankfurt am Main – European Financial Stability Facility (EFSF) today placed its inaugural bond for an amount of €5 billion as part of the EU/IMF financial support package agreed for Ireland. The issuance spread was fixed at mid-swap plus 6 basis points. This implies borrowing costs for EFSF of 2.89%. Investor interest was exceptionally strong, a record breaking order book of €44.5 billion from more than 500 investors. Investor demand came from around the world and from all types of institutions. Very strong demand came from Asia. The Government of Japan purchased over 20% of the issue, reflecting its early commitment with the intention of contributing to European financial stability.

Klaus Regling, EFSF's CEO commented "I am delighted with the outcome of our inaugural issue. The huge investor interest confirms confidence in the strategy adopted to restore financial stability in the euro area". Citi, HSBC and Société Générale acted as lead managers for this first EFSF issue and Deutsche Finanzagentur, the German Debt Management Office, acted as Issuance Agent. Klaus Regling expressed his gratitude to all participants for the successful placement of EFSF's first issue.

The funds will be disbursed to Ireland on 1 February (5 business days settlement). This will match Ireland's request for a loan of €3.3 billion. The difference between the amount raised on the markets and the amount disbursed to Ireland is due to EFSF's credit enhancements using a cash reserve and loan-specific cash buffer to secure a triple A rating. The cash reserve comprises a margin rate and a one-off service fee. It is also explained by EFSF's structure which requires both the principal and interest to be covered by guarantees. The final cost charged to Ireland and the exact loan amount will only be known once the cash reserve and the loan specific

cash buffer, which are retained by EFSF, have been reinvested.

This is the second transaction in support of the financial assistance programme for Ireland. On 5 January 2011, the European Union (EU), under the European Financial Stabilization Mechanism (EFSM), successfully placed a €5 billion bond issue at mid swap plus 12 basis points. Over 2011 and 2012 EFSF will in total raise up to €26.5 billion in the capital markets as part of the Irish support programme which will include two further benchmark bonds of €3-5 billion per transaction in the current year. In 2011 the EU under the EFSM will raise up to €17.6 billion and in 2012 up to €4.9 billion.

The Eurogroup and the EU's Council of Economics and Finance Ministers decided on 28 November 2010 to grant financial assistance in response to the Irish authorities' request. The financial package will cover financing needs up to €85 billion. The EU will provide up to €22.5 billion and the EFSF up to €17.7 billion¹ over 2011 and 2012. Further support will be made available through the International Monetary Fund and bilateral loans from UK, Sweden and Denmark.

About EFSF:

The European Financial Stability Facility (EFSF) was incorporated in Luxembourg under Luxembourg law on 7 June 2010. Its objective is to preserve financial stability of Europe's Economic and Monetary Union by providing temporary financial assistance to euro area Member States in difficulty. In order to reach its objective EFSF can - with the support of the German Debt Management Office (DMO) - issue bonds or other debt instruments on the market to raise the funds needed to provide loans to countries which submit a request. Issues are backed by guarantees given by euro area Member States of up to €440 billion.

EFSF is part of a wider safety net. Its funds are combined with loans of up to €60 billion coming from the European Financial Stabilisation Mechanism (EFSM), i.e. funds raised by the European Commission and guaranteed by the EU budget, and up to €250 billion from the International Monetary Fund (IMF) for an overall rescue package worth up to €750 billion. Any financial assistance by EFSF, EFSM and IMF to a country in need is linked to very strict policy conditions.

¹ Due to its structure using an over-guarantee and cash buffer to secure triple A rating the effective lending of EFSF does not correspond to the funding volume.

For further information also see [FAQ](#).

Contacts



[Cédric Crelo](#)

Head of Communications and Chief Spokesperson

+352 260 962 205

c.crelo@esm.europa.eu



[Anabela Reis](#)

Deputy Head of Communications and Deputy Chief Spokesperson

+352 260 962 551

a.reis@esm.europa.eu



[Juliana Dahl](#)

Principal Speechwriter and Principal Spokesperson

+352 260 962 654

j.dahl@esm.europa.eu