

European Investment Bank (EIB) issues its first ever digital bond on a public blockchain

- The EIB spearheads market developments in the digitalisation of capital markets
- The EUR 100m 2-year bond, placed with key market investors, represents the market's first multi-dealer led, primary issuance of digitally native tokens using public blockchain technology
- Project selected by Banque de France as part of its Central Bank Digital Currency (CBDC) sphere
- Similar to the EIB's role in green bonds or risk free rates, the new digital bond issuance may pave the way for market players to adopt blockchain technology for the issuance of financial securities

On 27 April 2021, the EIB launched a digital bond issuance on a blockchain platform, deploying this distributed ledger technology for the registration and settlement of digital bonds, in collaboration with Goldman Sachs, Santander and Societe Generale.

In a partnership with Banque de France, the payment of the issue monies from the underwriters to the EIB has been represented on the blockchain in the form of CBDC.

The EIB believes that the digitalisation of capital markets may bring benefits to market participants in the coming years, including a reduction of intermediaries and fixed costs, better market transparency through an increased capacity to see trading flows and identity asset owners, as well as a much faster settlement speed.

Comments on the Issue:

Vice President Mourinho Félix, European Investment Bank (EIB): "Innovation at the EIB goes beyond the projects we are supporting. As a global leader in the green and sustainability bond markets, the EIB is clearly well-placed to lead the way now in the issuance of digital bonds on blockchain. These digital bonds will play a role in giving the Bank a quicker and more streamlined access to alternative sources of finance to boost finance for projects across the globe."

Bertrand de Mazières, Director General Finance at the EIB: "In another testimony of EIB's leading position in capital markets' innovation, this transaction marks the EIB's first step as a pioneer in the use of blockchain technology for the issuance of financial securities. By helping to create a framework for a new market ecosystem, the EIB believes this will bring value added for both issuers and investors, while contributing to an innovative, efficient and secure market infrastructure."

Christoph Hock, Head of Multi-Asset Trading, Union Investment: "It is an honour for us at Union Investment as a leading European asset manager to participate in this landmark transaction with the renowned high quality issuer EIB. We expect the use of blockchain in combination with tokenization to become a game changer for the industry. We have been working on this innovative technology for several years and see a chance that it will be established as a market standard in the future. The close internal teamwork and the cooperation with DZ Bank as a depository, the EIB and the joint lead managers were key for us to realize this deal in a very short period of time."

Frédéric Oudéa, Chief Executive Officer at Societe Generale: "This pioneer bond issuance on a public blockchain settled with a central bank digital currency involved Societe Generale – FORGE, three international banks and two major institutions: the EIB and Banque de France. It demonstrates the appeal of Distributed Ledger Technology-based projects in the developing EU digital capital markets. This is a new milestone for Societe Generale – FORGE which completes Societe Generale recognized expertise in Capital Markets with a full Digital Asset offer."

José M. Linares, SEVP and Global Head of Santander Corporate & Investment Banking (Santander CIB): “Santander CIB is delighted to work with the EIB and the other joint lead managers on this ground-breaking transaction. We are pushing to be at the forefront of capital markets innovation and look forward to working with the EIB on its next innovative issuances.”

Richard Gnodde, Chief Executive Officer of Goldman Sachs International: “With this transaction, the EIB confirms its position as a pioneer in the market. This is an important step in the adoption of this innovative technology and the potential efficiencies that can be derived across the life cycle of the debt issuance. Goldman Sachs is honoured to have worked on this transaction and to contribute to further innovation in this sector.”

Michael Voisin, Capital Markets partner at Linklaters: “We are delighted to have been involved in this first of its kind transaction. It raised novel issues and we provided capital markets, data protection, fintech, outsourcing, tax, technology and US federal securities law advice to our valued client EIB across a range of jurisdictions.”

Blockchain is a digital and distributed ledger of transactions using advanced cryptographic techniques and the contribution of a network of participants to jointly validate the said transactions by blocks in an ordered and immutable sequence (hence the name ‘Blockchain’). This combination of features primarily aims at providing enhanced security and operational efficiency.

This transaction consists in the issuance by the EIB of a series of bond tokens on a blockchain, where investors purchase and pay for the security tokens using traditional fiat. The Joint Lead Managers will then settle the underwriting against the issuer using a representation of central money, the Central Bank Digital Currency (CBDC). The principal is expected to be repaid in commercial fiat at maturity. The transaction will use Ethereum, a public blockchain protocol.

Summary Terms and Conditions for the new bond issue

Issue Amount	EUR 100m
Pricing Date	27 April 2021
Settlement Date	28 April 2021
Maturity Date	28 April 2023
Coupon	0.000%, annual
Re-offer Yield	-0.601%
Re-offer Price	101.213%
Governing Law	French law
Joint Lead Managers	Goldman Sachs, Santander, Societe Generale
Registrar, Fiscal Agent, Settlement Agent and Platform Manager	Societe Generale - FORGE
Adviser	Linklaters LLP
Blockchain	Ethereum public blockchain

Background information:

The European Investment Bank (EIB) is the long-term lending institution of the European Union owned by its Member States. It makes long-term finance available for sound investments in order to contribute towards EU policy goals. As of 28th April 2021 and including this transaction, the EIB has raised EUR 33.4bn this year, around 56% of its announced EUR 60bn programme.

Societe Generale – FORGE, a fully integrated subsidiary of Societe Generale Group licensed as an investment firm under MiFID regulation, has built an open, secure and institutional-grade framework for Security Token operations, underpinned by full banking level safety and regulatory compliance. Societe Generale – FORGE provided the issuer, the lead managers and the investors its end-to-end services to issue and manage the digital-native security tokens registered on the blockchain.