

A NEW MONETARY TOOLKIT

7 MAY 2020



ON TODAY'S CALL



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AGENDA

- **WELCOME AND INTRODUCTION**
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- **ANSWERING TO THE CHALLENGE OF AN UNPRECEDENTED CRISIS**
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- **A NEW MONETARY TOOLKIT TO HELP COMBAT THE ECONOMIC CONSEQUENCES OF THE CORONA PANDEMIC**
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ANSWERING TO THE CHALLENGE OF AN UNPRECEDENTED CRISIS

PROF. JOSÉ MANUEL GONZÁLEZ-PÁRAMO

A NEW MONETARY TOOLKIT TO HELP COMBAT THE ECONOMIC CONSEQUENCES OF THE CORONA PANDEMIC

ROBERT KOLLER

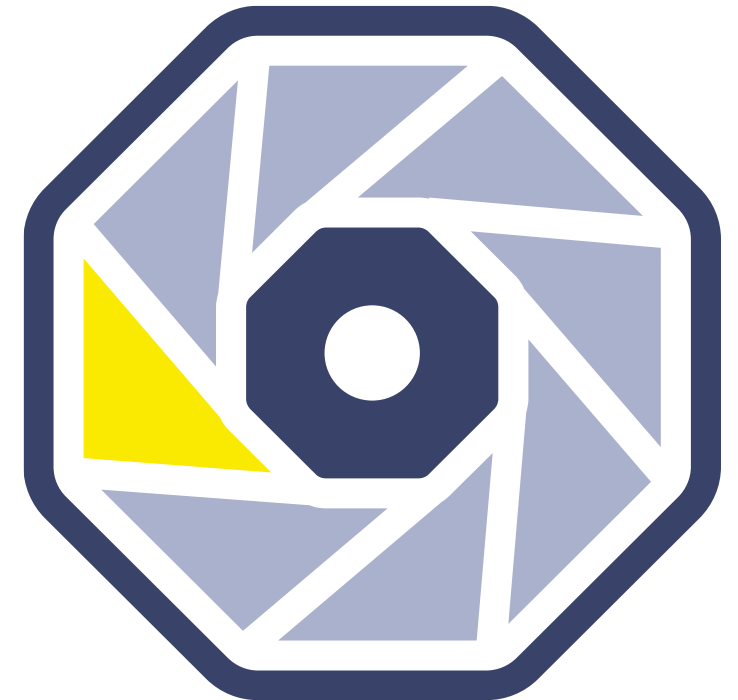
A new monetary toolkit for an unprecedented challenge

Thoughts about financial measures to help combat the economic consequences of the Corona pandemic

Robert Koller, CAIA
Executive Chairman, eppf Group

7 May 2020

Prepared by eppf in cooperation with  **OMFIF**

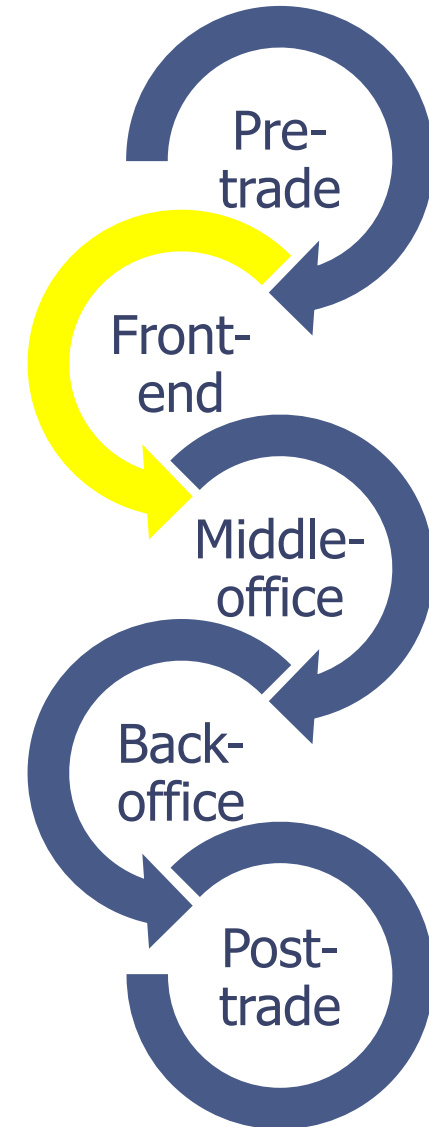


capital markets as a service (CMaaS)

To date, the fixed income space can be seen as the “last bastion” of slow and manual processes and a patchwork of **partial solutions**. We count some 150 steps along the bond value chain. As a result, costs are **multiplied** and efficiencies lost.

Now, market participants can **join eppf and “rent” the full value chain** for fixed income capital markets services.

eppf covers all areas of the “DCM value chain”: **pre-trade, middle- and back office, post-trade, and is implementing a bank-centric front-end** (live in 2020)



Single European debt security® (SEDS)

Single European Debt Issuance Programme® (SEDIP):

- ✓ eppf has developed with many stakeholders an industry standard debt issuance programme
- ✓ it is recognised throughout Europe
- ✓ the SEDIP is a multi-jurisdictional programme
- ✓ it is based on a entirely new modular architecture
- ✓ fully prospectus regulation compliant
- ✓ SEDIP is always up to date with any regulatory requirements without any costs
- ✓ all SEDIP based documents are fully machine readable
- ✓ only eppf clients can use the SEDIP

Single European Debt Security® (SEDS):

- ✓ securities issued under SEDIP
- ✓ all SEDS are built upon the same architecture
- ✓ SEDS increase liquidity
- ✓ for the first time SEDS allow bond compression
- ✓ SEDS can be issued in real-time
- ✓ only eppf clients can issue SEDS
- ✓ both, the SEDIP and SEDS are fully compliant with the EU Capital Markets Union

This document together with the registration document of European primary placement facility (eppf) S.A. dated 14 Germinal 2018 (the "Registration Document") and the registration document of CONTOSO PLLC dated 14 Germinal 2018 (the "Guarantor Registration Document") constitutes a base prospectus of European primary placement facility (eppf) S.A. and CONTOSO PLLC for the purposes of Article 5(4) of Directive 2003/71/EC of the European Parliament and of the Council as amended in respect of non-equity securities within the meaning of Article 22 No. 5(4) of the Prospectus Regulation (EU) No. 2004/39 of 29 April 2004, as amended (the "Commission Regulation") (the "Prospectus").

eppf ***
european primary placement facility (eppf) S.A.
acting for its compartment

CONTOSO PLLC
as Issuer

€ 15,000,000,000
SINGLE EUROPEAN DEBT ISSUANCE PROGRAMME
(the "Programme")

unconditionally and irrevocably guaranteed by

Contoso

CONTOSO PLLC
Redmond, USA
as Guarantor

arranged by

ACME Bank
Stark Bank

Bank of Gotham
Wayne Bank

This Prospectus together with any supplements hereto and all documents incorporated herein by reference will be published in electronic form on the website of the Luxembourg Stock Exchange (www.bourse.lu) as well as on the website of the issuer (www.eppf.eu). The Prospectus is valid for a period of 12 months from its date of approval.



eppf is independent and regulated

Independent



- eppf is neutral to banks, investors, borrowers, rating agencies and law firms
- The neutrality as an important element in eppf's ambition to become new market standard
- Independence is also important as eppf evolves with FinTech solutions (eppf Markets)

Regulated



- eppf is regulated by the CSSF in Luxembourg
- One of 33 licensed entities¹



An unprecedented crisis and many tools used

Financing needs exceeding capabilities of single countries

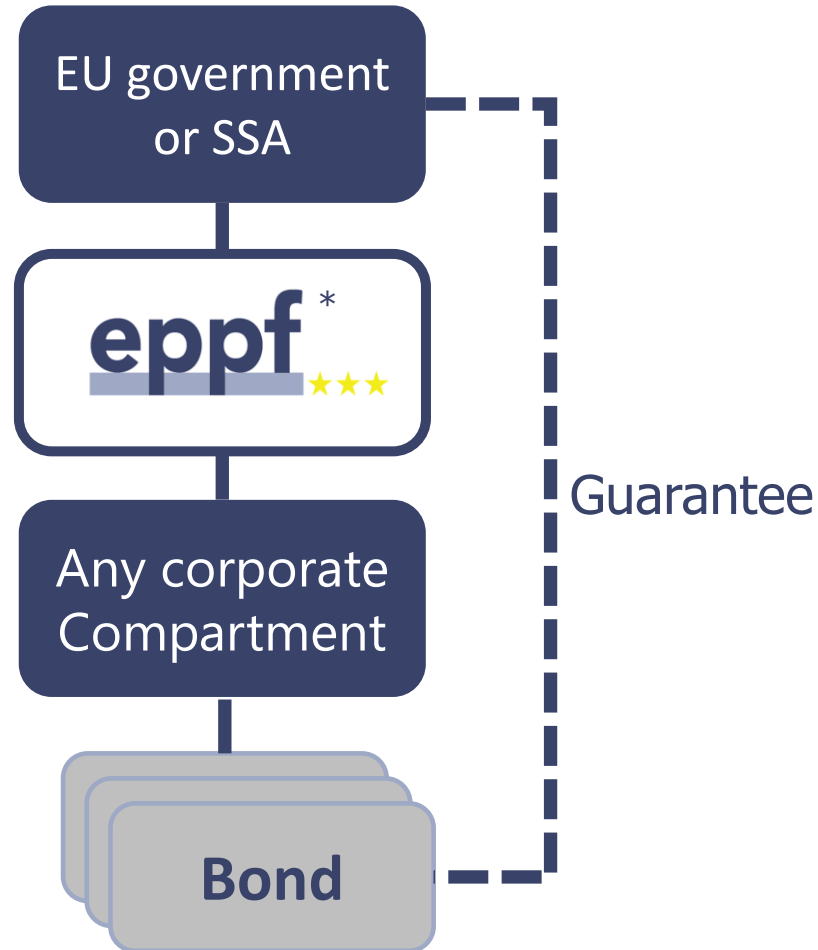
- Financing needs from Corona pandemic will lead to massive expansion of sovereign debt
- International co-operation is required - this crisis is too big for any single country
- ECB's Pandemic Emergency Purchase Programme is a step in the right direction
- An innovative round-the-clock bond trading platform can provide considerable support

Current tools already used

- Traditional tool kit has largely been deployed
 - ZIRP
 - LTRMs
 - Asset purchases, etc.
- This makes innovation necessary for effective action
- Other sectors than banks, like airlines, will need large bail-outs including equity stakes
- Targeting yield curves and outright monetisation might be on the table

Proposal for government guaranteed issuance

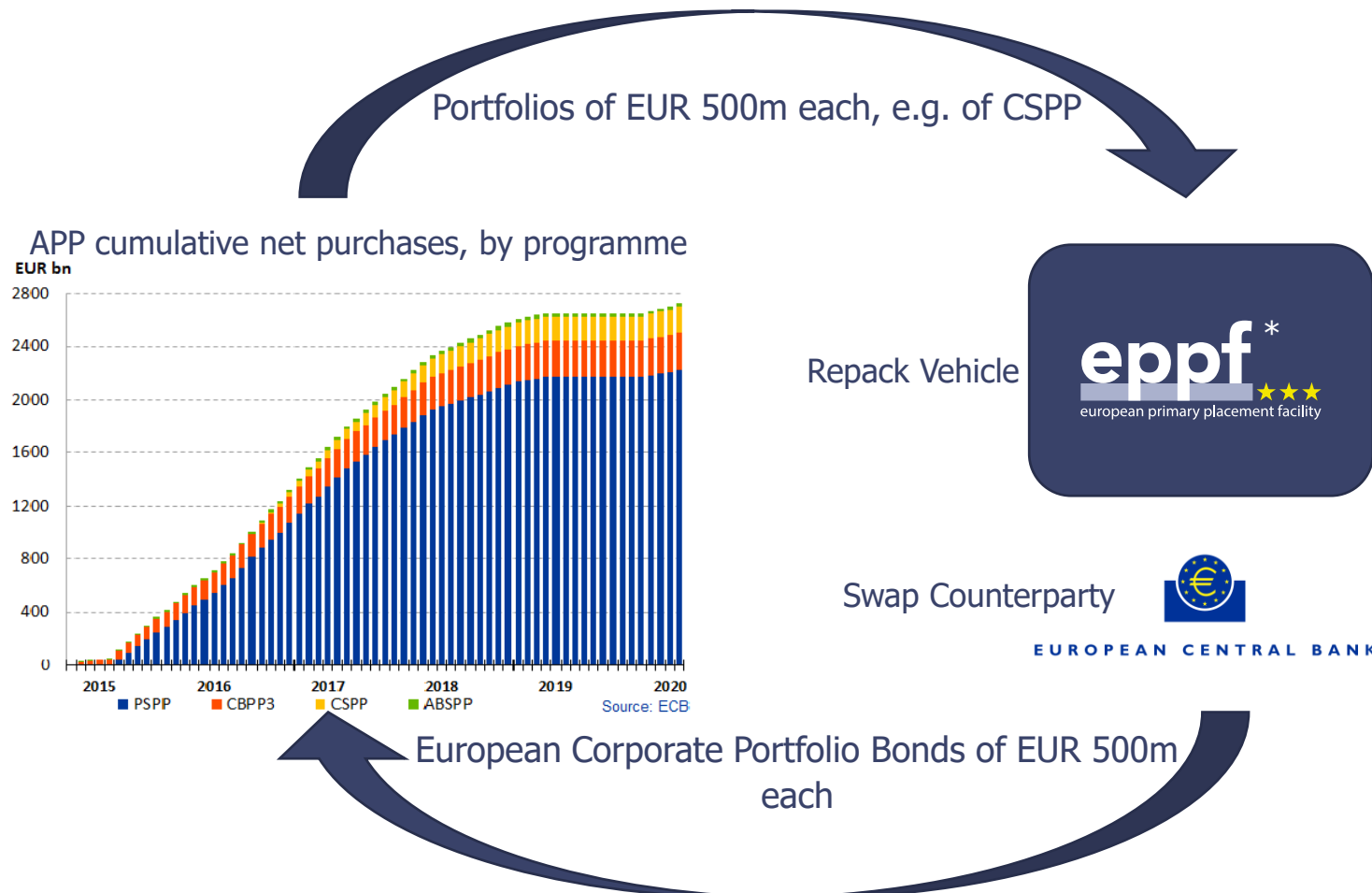
Giving normal corporates the same tools as banks in 2008



- In 2007/2008 governments issued guarantees so that banks could use issue bonds guaranteed by their respective governments, e.g. SOFFIN in Germany
- This possibility does not exist in any large-scale for corporates in Europe (or elsewhere)
- eppf can provide a large-scale, large volume and high-speed issuance facility for any corporate in Europe at infinite scalability
- Given a government guarantee, the prospectus regulation is not applicable and would facilitate issuance for each corporate in a matter of a few hours
- Given that eppf can also provide digital listing with several exchanges, such bonds should also be collateral and purchase programme eligible
- Investor would benefit from additional supply of what are in fact government or agency bonds, e.g. ESM guarantee
- eppf staff and its partners have been heavily involved in 2007/2008 in working with governments and agencies

Large-scale repackaging

Creating new safe assets in scale



- Due to unique technology eppf can convert large portfolios of underlying assets in new bonds
- After grouping similar maturities and diversifying underlyings, eppf can create new bonds of the underlying assets in near real-time
- E.g. ca. EUR 190bn CSPP holding could be converted into 380 500m benchmark bonds in a matter of days (other sizes possible)
- This can also apply to PSPP (> 4,000 new bonds) or CBPP3 (> 500 new bonds) assets

Large-scale repackaging

- There is no need to tranche the assets
- This will create immediately a highly liquid new single asset class that can be increased either by the private sector or the public sector
- Liquidity and safe asset status will be achieved due to single issuer and standardised terms, independently from the underlying, large volume of outstanding securities and complete curve
- New bonds could be called “European Corporate Portfolio Bonds” and will be based on the Single European Debt Issuance Programme
- The ECB would still be the custodian of the underlying and receive interest payments
- The ECB should act as swap counterparty to straighten interest payments of the underlying
- Also tranches in other currencies could be repacked in the same way with other central banks acting as swap counterparty
- The swap counterparty can either make up for losses of the underlying or pass them on to end-investors
- Repackaging as described here does not mean mutualisation of the underlying obligations, subject to swap

Adding to large scale repackaging

Feeding in new safe assets

ECB to launch €750bn bond-buying programme

Pandemic Emergency Purchase Programme will cover sovereign and corporate debt

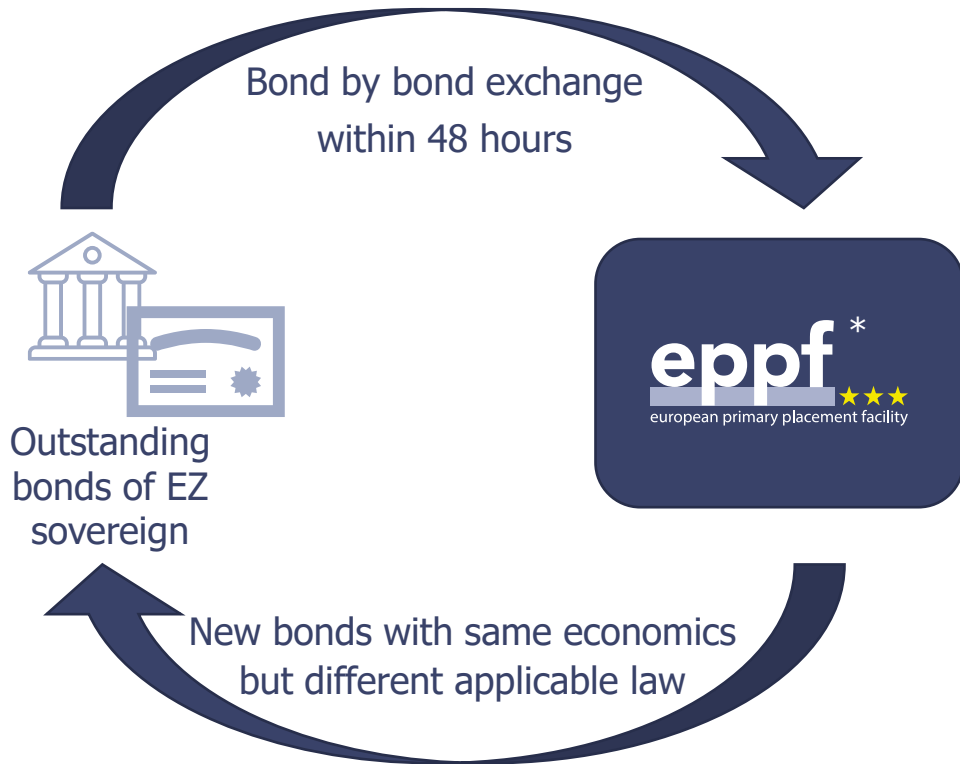
- Currently only buying bonds of large corporates
- Large supply chains only in some industries
- Trickle down effect not achieved
- Concentration on relatively few issuers
- Exacerbated effects on curves of these issuers
- More targeted action needed
- Smaller corporates can't issue bonds because it is too slow and too costly



- eppf provides a unique venue for any corporate to issue bonds at a minimal cost in minimal time (matter of days at large scale)
- Economically feasible from EUR 5m upwards
- Opens up an entire new universe for issuers
- House banks could be responsible for credit assessment
- Banks could warehouse smaller bonds certain until threshold reached
- Purchase programmes could buy these bonds and repack them as described before

Complementing financial assistance

“Too big to rescue” solved



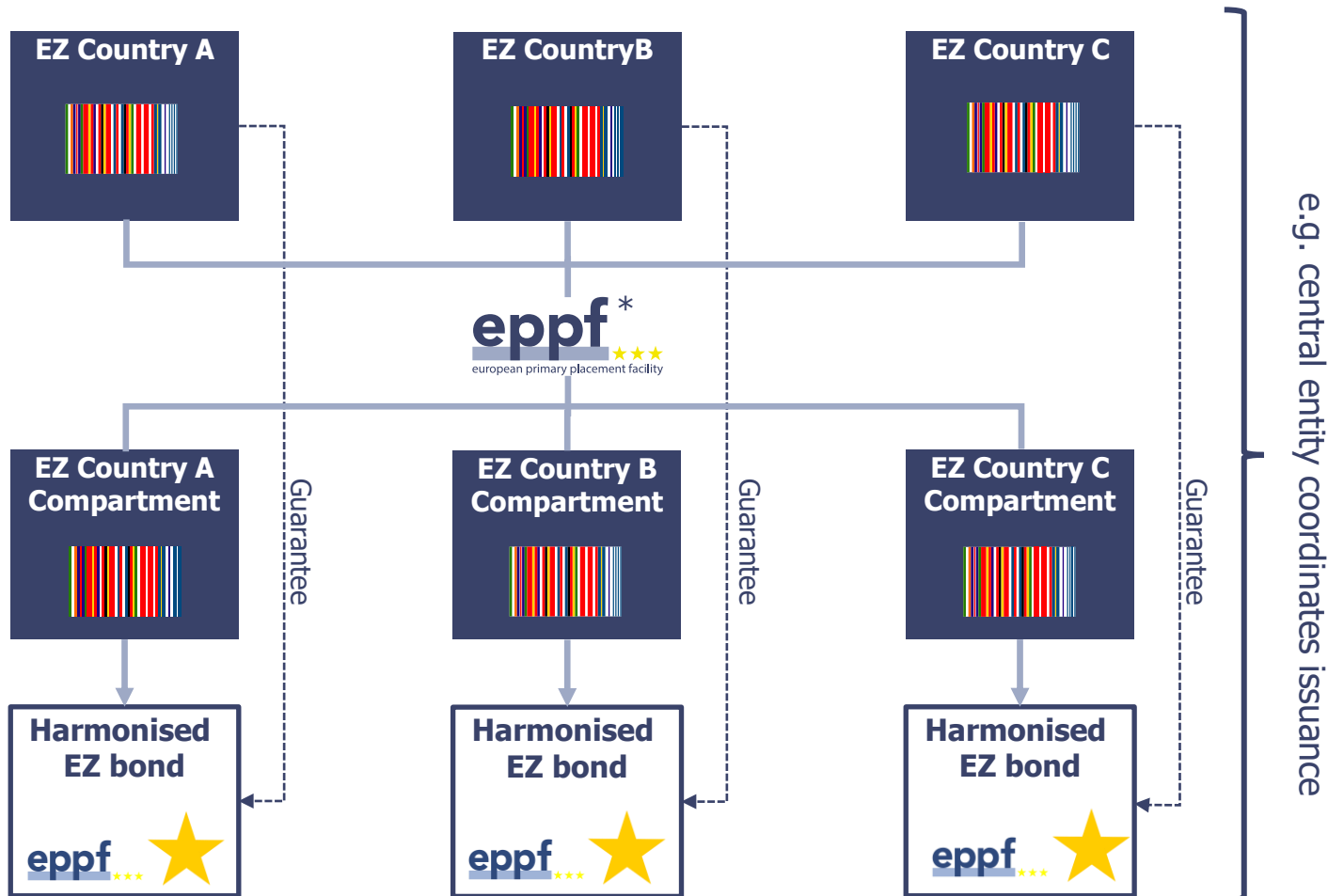
- When preparing a financial assistance package time is of the essence
- Lack of available financing sources is a major constraint
- Markets need certainty and a potential instrument to provide this certainty
- EZ spreads have been diverging because of fear of a break-up of the EZ (“redenomination”) and therefore a worse credit quality and/or a substantial devaluation
- Removing the prospect of a devaluation is therefore critical to calm markets
- This can be achieved by changing the applicable law of sufficiently outstanding bonds
- eppf can achieve this with large portfolios between market closure in the US and opening of the Asian markets during a “weekend”

Complementing financial assistance

- Having credibly and legally binding removed the incentive of leaving the EZ for a devaluation of a (hypothetically re-introduced) national currency markets will reduce spreads considerably
- The experience of Greek English law bonds confirms this view
- Such exchange requires the co-operation of the affected sovereign which can be part of an agreed financial assistance
- Large portfolios of sovereign bonds can be exchanged from several sources
 - ECB, ESCB and non-EZ central banks
 - bank holdings
 - new issuance
 - other investors
- Other investors such as insurance companies or other private sector players can be incentivised by
 - reducing their risk of devaluating assets
 - continued recognition as zero weighted assets where applicable
- eppf can provide not only a fast exchange during a critical weekend but also an ongoing exchange for private sector investors (and others) for any volume of holdings

A new safe asset

An immediate alternative to Treasuries



- EZ member states could use eppf to issue sovereign debt
- This harmonises issuance of sovereign debt
- Based on standardised eppf documentation
- Increases liquidity considerably due to same format of bonds
- **no outright debt mutualisation**, each sovereign receives its own ring-fenced compartment

* eppf is immediately available as regulated vehicle, but it is also possible to set-up a single purpose vehicle

A new safe asset

- All bonds will be from the same issuing vehicle, i.e. the same issuer but different guarantors
- Bonds could use different law than the sovereign's own law thereby preventing incentives to break-up the EZ
- Markets are requiring an additional safe asset to US Treasuries as liquidity dries up
- This structure will also allow to expand reserve currency seignorage income for all EZ sovereigns
- The same structure could be used for EZ SSAs, national and supranational, and also non-EZ countries in the ERM II
- A further step in harmonisation without mutualisation could be the use of a single compartment/SPV for all EZ sovereigns whereas each sovereign would only guarantee the volume of debt subscribed by itself
- Such a step would create a truly single safe asset without outright mutualisation
- Increased liquidity, demand and reserve currency seignorage would benefit all EZ sovereigns

the core team



Fredrik Creutz
Advisor to the Board



Alexandra Fantuz
Non-Executive Director



Aslihan Gedik
Head of International
Business



Axel Hoerger
Advisor to the Board



Robert Koller, CAIA
Executive Chairman



David Laderman
Head of Corporate &
Corporate governance



Chris Lewis
Head of Document
Automation



Marcus Offenhuber
Chief Client Officer

the core team



Julia Ojeda Ochoa
Management Assistant



Christian von Reventlow, Ph.D.
CTO



Wolfgang Stolz
Non-Executive Chairman



Fabian Vandenreydt
Advisor to the Board



Dr. Jonas Poelmans
CIO



Frank Scheidig
Non-Executive Director



Jochen Terpitz
Advisor Energy and
Renewables



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CFOO, Director

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DATAWAREHOUSING BEYOND ABS

DR. CHRISTIAN THUN

A UNIQUE ORGANISATION

ED was created in 2012 as part of the implementation of the European Central Bank ABS Loan Level Initiative. ED became fully operational in January 2013 and is funded and owned by a mix of market participants. ED operates as a utility to respond to the need for improved transparency to investors and other market participants in ABS.

SUPERVISORY BOARD: Consists of currently 13 representatives and is responsible for the strategy and monitoring ED's operations as a market initiative.

PRICING COMMITTEE: Consists of currently 8 members from the ABS industry and is responsible for setting the fee structure for ED clients. The fees are set in line with ED's utility approach



17 SHAREHOLDERS

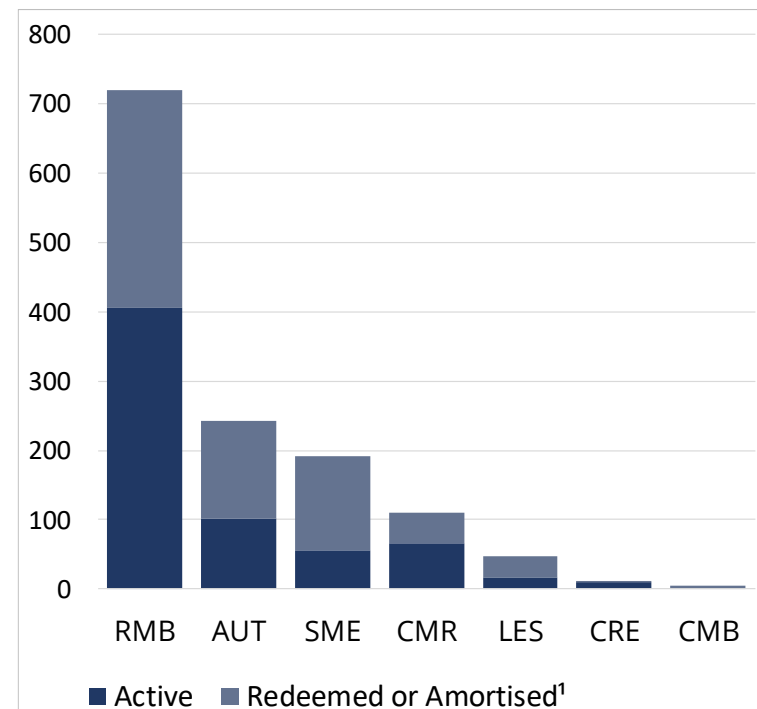


KEY FIGURES

Basic statistics of European DataWarehouse database of Public deals by asset class

Asset Class	Active	Redeemed or Amortised ¹	Total	Number of loans ²
RMB	406	313	719	15.67
AUT	101	141	242	15.22
SME	55	137	192	1.85
CMR	66	44	110	24.27
LES	16	31	47	0.60
CRE	10	2	12	17.69
CMB	0	5	5	12
TOTAL	654	673	1327	75.31

Number of Public Deals



¹ Upload of loan level data has discontinued, typically due to bond redemptions

² based on only the latest LLD submissions (numbers in Millions)

³ based on only the latest LLD submissions (numbers in Millions)

⁴ Number of loan sponsors in whole numbers

COVERED BONDS

A total of 4 Covered Bonds have been uploaded to European DataWarehouse

BPER OBG1

Data Owner:
BPER Banca S.p.A.

ED Code:
CBOMIT000103100420115

Vintage:
2011

Country:
Italy

**Original Deal Size
(in millions):**
7000.0

BPER OBG2

Data Owner:
BPER Banca S.p.A.

ED Code:
CBOMIT000103100620151

Vintage:
2015

Country:
Italy

**Original Deal Size
(in millions):**
5000.0

UNICREDIT OBG S.R.L.

Data Owner:
UniCredit S.p.a.

ED Code:
CBOSIT000061101420129

Vintage:
2012

Country:
Italy

**Original Deal Size
(in millions):**
25000.0

UNICREDIT BPC MORTGAGE S.R.L.

Data Owner:
UniCredit S.p.a.

ED Code:
CBOSIT000061101520084

Vintage:
2008

Country:
Italy

**Original Deal Size
(in millions):**
35000.0

NPLS PRESENT IN RMBS LOAN-LEVEL DATA

CUMULATIVE NUMBER OF LOANS DEFAULTED AND 90 DAYS IN ARREARS FOR RMBS UP TO THE POOL CUT OFF DATE OF 31 OCTOBER 2019

Country	Total		Account Status ever in Default or Arrears ever 90 days or above		Account Status ever in Default	
	Deals	Loans	Borrowers	Loans	Borrowers	Loans
ES	208	2,319,769	138,935	143,619	82,138	85,040
NL	172	5,857,442	40,016	74,392	31,399	45,344
IT	142	2,356,533	117,351	139,503	67,574	78,760
PT	40	842,053	38,196	51,948	26,074	32,704
UK	49	3,290,174	55,361	65,778	6,095	8,298
FR	38	6,280,069	44,105	46,674	17,293	18,758
IE	41	462,971	57,204	60,226	10,490	12,227
BE	21	2,043,587	19,565	25,004	10,998	12,655
Total	711	23,452,598	510,733	607,144	252,062	293,786

Note:

- Account Status of Default is according to the European Central Bank (ECB) taxonomy when "Default or Foreclosure on the loan per the transaction definition" (AS121) is indicated as "Y"
- 90 Days in Arrears is according to the European Central Bank (ECB) taxonomy when "Number of Days in Interest Arrears" (AS116) or "Number of Days in Principal Arrears" (AS118) is greater than or equal to 90

SOLUTIONS AND SERVICES BEYOND ABS

European DataWarehouse offers multiple solutions for data storage and dissemination

PUBLIC

SANDBOX ENVIRONMENT

Create test deals for public transactions

TRANSITIONAL WEBSITE

Adhere to reporting requirements outlined in article 7(2) SecReg

REPOSITORY SOLUTION

Upload structured & unstructured data into the repository.

Data can be viewed by any interested investor or market participant.

PRIVATE

SANDBOX ENVIRONMENT

Test environment for private transactions

TRANSITIONAL WEBSITE

Adhere to reporting requirements outlined in article 7(2) SecReg

PRIVATE AREA SOLUTION

Upload structured & unstructured data into the repository.

Data can be viewed by any designated organisation or institution.

Allows for controlled transmission of data.



Q&A

THANK YOU//CONTACT US

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