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## ECU BONDS LAUNCHED IN THE U.S.

The European Community announced today that it is launching the first public offering in the United States of bonds denominated in European Currency Units (ECUs).

The Community said it intends to offer 12-year bonds amounting to 200 million ECUs on U.S. public markets. The interest rate will be 9-7/8 percent. The bonds are priced at 99.5 percent plus accrued interest from December 6. The Community believes these bonds will be the first non-dollar denominated public offering registered in the U.S.

Gaston E. Thorn, President of the E.C. Commission, will attend the signing ceremony for this loan on December 7 in New York.

The ECU\* is a composite currency unit consisting of specified amounts of the currencies of the 10 E.C. member states. Backed by gold and dollars from the member states' central banks, the ECU plays a key role in the European Monetary System (E.M.S.) and it is the Community's accounting unit. Parallel to its official uses, the ECU is increasingly used by private market operators in the Community.

The U.S. offering is being handled by a group of underwriters headed by The First Boston Corporation; Bear, Stearns & Co.; and Morgan Stanley and Co. Incorporated.

Proceeds from the sale of the bonds will be used by the Community to provide loans for investment projects in E.C. member states. Under the "New Community Instrument" program, these loans are aimed at reducing regional economic imbalances within the Community, particularly in the energy, industry and infrastructure sectors.

The ECU was created in 1979, when the E.M.S. was initiated in an effort to encourage financial cooperation among the E.C. member states and to stabilize the exchange rates of their currencies.

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\*ECU = \$.74 on November 23, 1984

The E.C. Council of Ministers recently revised the ECU's composition following a routine five-year review. The composition is based upon the relative economic importance of the 10 member states, with currencies from large economies having a greater share in the basket than those from small economies.

On the occasion of the revision, the Greek drachma was introduced to the basket as provided for in the May 1979 Treaty of Accession of Greece to the European Community.

The chart below describes the ECU's makeup:

National Currency	Percentage Share in ECU 1984	Specified Currency Amounts 1984	Specified Currency Amounts 1979
German Mark	32.0	0.719	0.828
French Franc	19.0	1.31	1.15
British Pound	15.0	0.0878	0.0885
Italian Lira	10.2	140.00	109.00
Dutch Guilder	10.1	0.256	0.286
Belgian Franc	8.2	3.71	3.66
Danish Krone	2.7	0.219	0.217
Greek Drachma	1.3	1.15	
Irish Pound	1.2	0.00871	0.00759
Luxembourg Franc	0.3	0.14	0.14
TOTAL	100.0	1 ECU	1 ECU

This adjustment did not alter the ECU's value on the day of change. However, the new ECU will react somewhat differently than the old one to

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fluctuations in the participating currencies. The revisions do not affect the "central rates" - the value in ECUs - that are fixed for currencies that participate in the E.M.S.'s "exchange rate mechanism."

Under this mechanism, which is aimed at stabilizing currency fluctuations, margins are set around the bilateral exchange rates for each Community currency against the others. Central banks must take measures to ensure that the currencies do not move beyond these margins. The British pound and the Greek drachma do not participate in this mechanism.

The advantage of the ECU for investors is that, because it is a composite currency, its exchange rate tends to be more stable than those of its component currencies, since changes in the latter may offset each other in the ECU exchange rate.

The first ECU-denominated debt issue occurred in early 1981. By October 1984, however, ECU-denominated securities amounted to almost 6 billion ECUs. This made the ECU the most utilized currency for the issue of bonds on the Eurobond markets after the U.S. dollar and the German mark.

There is a well developed secondary market for ECU-denominated public issues in Europe, and most issues trade on a daily basis on the Eurobond market.

