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REPORT FROM THE COMMISSION TO THE COUNCIL

on the cost benefit analysis of the use of the central account referred to in Article 9(1)(c) of the Council Regulation (EU, Euratom) No 609/2014 of 26 May 2014.

{SWD(2025) 79 final}

1. SECTION I – BACKGROUND TO THE REPORT

This report is issued in accordance with Art. 9 of the Council Regulation (EU, Euratom) No 609/2014 of 26 May 2014 ([1]), hereafter MAR Regulation. The main objective of this document is to present a cost-benefit analysis to the Council regarding the potential implementation of a central account as defined in Art 9(1)(c) of MAR Regulation. This central account would be opened by the Commission in the public financial institution of its choice for the collection of own resources.

This report includes a cost-benefit analysis of the selected treasury models that the Commission evaluated, namely:

- central account model held in the European Central Bank (ECB) in compliance with the new Art. 9(1)(c).
- Optimised Treasury model, which involves three central cash holding accounts held in the chosen national central banks, option outside the scope of the new provisions of Art. 9 MAR.

1.1. Architecture of the European Commission (EC) treasury

The key characteristics of the Commission treasury architecture are determined by the provisions of Art. 9(1) MAR Regulation.

Up until 2022, the MAR Regulation allowed Member States to credit own resources (OR) to two different types of accounts opened in the name of the Commission:

- Type 1: **national treasuries**. In this case, Member States make own resources contributions available to the Commission first in accounting terms and gradually, upon reception of transfer instructions from the Commission in cash.
- Type 2: **national central banks.** In this case, Member States make available the totality of the requested contribution in cash.

The accounts of type 1 and 2 are kept in national currencies.

Council Regulation (EU, Euratom) 2022/615 of 5 April 2022 amending the MAR Regulation, introduced a third type of account which allows for the use of a new **central account** for crediting own resources, opened by the Commission in the **public financial institution of its choice**.

In the period from 2014 to 2022, the EC treasury operations were primary influenced by two key factors:

– formalistic implementation of Art. 14(1) of MAR Regulation,

([1]) Council Regulation (EU, Euratom) No 609/2014 of 26 May 2014 on the methods and procedure for making available the traditional, VAT and GNI-based own resources and on the measures to meet cash requirements (Recast) OJ L 168, 7.6.2014, p. 39, amended by Council Regulation (EU, Euratom) 2022/615 of 5 April 2022 OJ L 115 p. 51.

– the ECB decision to introduce its negative interest rate policy (NIRP) starting from 11 June 2014.

In view of safeguarding the EU assets, the Commission took necessary measures to minimise the impact of negative interests. To this end, between 2014 and 2022, the Commission endeavoured to keep the funds, as far as possible, within the national treasuries and central banks where they were free of any charge or interests. In parallel, in compliance with Art. 14(1) of MAR Regulation, all payment accounts held in commercial banks were replenished daily from the own resources accounts on the basis of the amount of payments to be executed from each of them, The cash buffers held in those banks were kept at the minimum level to avoid excessive overnight balances and thus lower the impact of negative interests while ensuring business continuity of payment transactions.

All these operations generated a considerable number of daily inflows into national treasuries and outflows from other Member States. Moreover, the lack of a bigger cash buffer was also impacting the Commission's ability to execute urgent payments.

Therefore, in view of reducing complexity of the cash flows and addressing Member States concerns, the Commission proposed in 2021 to include in the MAR Regulation the possibility to credit own resources to a **new central account** opened for this purpose by the Commission (Article 9(1)(c) of the MAR Regulation).

In parallel to the central account proposal, the Commission tabled a provision to provide Member States with **forecasts of the cash resources requirements** for the following **4 months** to further increase the predictability of cash movements (Article 9(2a) of the MAR Regulation).

In accordance with Article 9(1) of the MAR Regulation, Member States' participation in the centralised model is to be done on **voluntary basis**. Moreover, the Commission is required to produce **cost benefit analysis** of the use of the central account prior to its implementation.

2. SECTION II- COST BENEFIT ANALYSIS (COMPARATIVE ASSESSMENT OF TWO DIFFERENT OPTIONS FOR TREASURY MODELS)

This exercise aims to compare two models for the European Commission's treasury management within the framework of the current Multiannual Financial Framework (MFF) 2021-2027, considering the existing legal environment.

2.1. New treasury models – scenarios

For the purpose of conducting a cost-benefit analysis on the use of the central account in accordance with the provisions of the MAR Regulation and in line with its counterparty risk policy, the Commission considered only **public financial institutions** as valid alternatives for holding this account.

Two types of public institutions were contemplated:

- **European Central Bank** (ECB) because it already acts as the cash manager of the NGEU liquidity resources and executes the RRF payments to the beneficiary Member States.
- **National Central Banks** (NCBs) as they are vital actors in the existing EC treasury architecture and cash management model.

Based on this assumption the Commission proposed two different options for the central account management.

Option 1: **Central account in the European Central Bank (ECB)**

Based on the provisions of the newly introduced Art. 9(1)(c) MAR Regulation, the model consists in establishing one central account in the ECB for own resources and other revenues paid in EUR and sub-accounts for own resources in each non-EUR currency.

The implementation of this model envisages a gradual phasing out of the existing systems at Member State level. It would imply that making available resources in accounting terms first, as currently practiced by the national treasuries, would be replaced by the system where all participating Member States would provide their own resources by bank transfers on specific days. Amounts in EUR would be pooled in one central account set up by the Commission in the ECB. Non-EUR currencies contributions would be first channelled to the relevant sub-accounts established for this purpose with a Treasury or National Central Bank. The EUR central account would be mainly used to fund daily the bank accounts of the Commission from which it executes its payments in EUR. Moreover, the EUR central account could be used to execute direct payments to Member States, mainly to accounts held at national central banks.

It should be noted that, pursuant to Art. 9(1) MAR Regulation this central account would need to be free of interest. In case of positive renumeration the interest would be distributed to Member States participating in this setup in proportion to their budgetary key. Funds pooled in the account would be also safeguarded from potential negative interests that would need to be covered by the Member State(s) concerned.

The choice of the central account option would mostly impact Member States which make funds available to the Commission first in accounting terms and gradually, upon reception of transfer instructions from the Commission in cash (own resources accounts kept in Treasuries). In this case, Member States would need to transfer funds immediately instead of mobilizing the cash gradually over time. For Member States opting so far to maintain the own resources account in their national central bank, the switch to ECB option would have none to very limited impact.

It should be noted that the ECB has not been formally requested and hence has not given its consent to provide extra services.

Option 2: Optimised treasury model with central cash holding accounts in chosen National Central Banks

This model does not make recourse to the new provisions of Article 9(1)(c) of the MAR Regulation establishing a new central account. Conversely, it builds on existing treasury architecture and already well-established cash flows with the national central banks.

This model activates weekly transfers on designated days from own resources accounts (OR accounts) to cash holding accounts. The cash flows from OR accounts kept in treasuries are channelled in compliance with the budgetary key only in one direction (from OR accounts towards cash holding accounts). Consequently, it should reduce considerably the overall number of cashflows on OR accounts kept in treasuries. The weekly transfers of own resources would be coupled with enhanced and more precise forecasting of the funding needs performed on a weekly basis.

2.2. Methodology and evaluation criteria

Recognizing the importance of effective treasury management for EU policies, the Commission developed qualitative and quantitative criteria to assess two central treasury options. These criteria specifically address Member States' concerns about potential extra costs under the revised MAR Regulation. The chosen option ensures that costs remain equal to or lower than the current setup, while offering simpler cash flows and enhanced operational efficiency.

The chosen criteria consist of:

a) Financial impact, it comprises the following components:

- **Remuneration on cash deposits** (estimation of generated positive and/or negative interests)
- **Service fee** (cost of establishing account(s) and ongoing expenses incurred from day-to-day operations)

b) Technical infrastructure

It examines the connectivity potential of the selected Options with existing technical set-up for the EC Treasury.

c) "Fit for purpose" in line with EC treasury architecture

It explores compatibility of the selected Options with EC Treasury characteristics (euro and non-euro contributions, multiple payments to beneficiaries), reduction of administrative burden, and synergies with existing cash flows patterns.

2.3. Assessment of the options against evaluation criteria

2.3.1. Financial impact

The Commission has evaluated the potential financial impact of the two treasury models.

For **Option 1,** the Commission used as a benchmark the conditions for the NGEU accounts held with the ECB for the purpose of implementation of the European Recovery Instrument.

For **Option 2**, the Commission examined the conditions offered by a selection of five National Central Banks (NCB) in the Eurozone. The ECB Guidance 2019/671([2]) limited the remuneration of all non-monetary policy deposits. In 2024 the ECB guidelines were amended ([3]). Given the conditions in 2022, the Commission focused its analysis on the NCBs of the four biggest economies of the eurozone, namely Germany, France, Italy, and Spain. Moreover, given its geographical proximity essential for the EC Treasury's business continuity, the Commission also considered the National Bank of Belgium.

The two analysis elements taken into consideration were:

- Remuneration on cash deposits:

  The analysis showed that the NCBs' rates were all aligned with the ECB conditions. As a result, remuneration conditions offered in the two options were so similar that this factor would not influence the decision.

- Service fee:

  As the EC already holds accounts with NCBs, they would not charge additional fees for account maintenance. Furthermore, some NCBs would transfer funds for free, while others would charge a reduced transaction fee or charge a fix amount for unlimited transactions. In contrast, the ECB approach could involve an initial set-up fee, and recurring fees for account management and payment-related services.

In conclusion:

- o Both options showed similar conditions for the remuneration on cash deposits. However, Option 1 may entail higher initial setup and operational costs due to the creation of a new account model at the ECB.

- o Option 2 proved more cost-effective, as existing relationships with NCBs meant no additional account maintenance fees or significant operational costs.

2.3.2. Technical infrastructure

Option 1 The European Central Bank (ECB) has built a high-performance and specialized technical infrastructure that is tailored to the monetary framework and regulatory environment of the Eurozone. This design aligns closely with the specific monetary policies, financial systems, and legal statutes of its member states, relying on tools like the TARGET2 payment system to enable large-scale cross-border euro transactions between members of the European System of Central Banks and facilitate wholesale market transactions with large financial institutions. The primary focus of this architecture is to maintain financial stability and support effective transmission of the euro-area monetary

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([2]) Guideline (EU) 2019/671 of the European Central Bank of 9 April 2019 on domestic asset and liability management operations by the national central banks (recast), OJ L 113/11, 29.4.2019.

([3]) Decision (EU) 2024/1209 of the European Central Bank of 16 April 2024 on the remuneration of non-monetary policy deposits held with national central banks and the European Central Bank (ECB/2024/11) OJ L 2024/1209 3.5.2024.

policy. The ECB's infrastructure is not designed to handle directly individual multicurrency cash payments of market actors or institutions such as the European Commission. The layers of functionality needed to provide directly such payment services —such as dynamic multi-currency interoperability and integration with external commercial platforms—are not in place and would need to be further analysed and built entailing costs noting that no such prior request has been made to the ECB. ([4])

Option 2 had no adverse technical impact on the Commission's accounting system. The existing technical solution is well-established, efficient, and seamlessly accommodates the inclusion of the Central Account model without any modifications. The chosen national central banks maintain a commercial layer that enables automated communication with the EC Treasury via Swift services. Consequently, this option would not necessitate additional development by the Commission.

In conclusion:

- Option 1 faced technical challenges because the ECB's infrastructure is not designed to handle directly individual multicurrency cash payments of market actors or institutions such as the European Commission.

- Option 2 posed no technical disruptions, as NCBs use well-integrated systems aligned with the Commission's current infrastructure.

2.3.3. "Fit for purpose" in line with EC treasury architecture

For **Option 1** the analysis revealed that establishing non-euro sub-accounts within the ECB would be challenging. To address the non-euro dimension, the ECB suggested a differentiated approach depending on the nature of the accounts. This scenario foresees one EUR account for all EUR contributions and one account for each non-EUR currencies used (7 accounts). However, this approach would offer only limited simplification of cash flows, particularly due to the voluntary nature of Member States' participation.

Option 2, featuring central cash holding accounts in the selected national central banks. builds on the existing EC treasury architecture. It preserves a well-established model of cash flows and non-euro conversions of own resources while creating synergies for euro-denominated other resources. Therefore, it has no adverse impact for the EC Treasury or Member States in terms of additional administrative or operational burden.

The centralization of flows into just a few cash holding accounts would reduce bank-to-bank transfers between OR accounts in treasuries and central banks' accounts.

In conclusion:

- Option 1 had limitations due to the requirement of separate accounts to accommodate non-euro transactions efficiently.

([4]) The crucial role that the ECB has played since 2020 as fiscal and paying agent for the EU debt issuance and management programme builds on the ECB's infrastructure and capacities in the implementation of monetary policy.

- Option 2 was more coherent with established processes, offering synergies without adding administrative burdens on the EC Treasury or Member States.

2.4. Conclusions: Choice of the treasury model

Both options offer efficiency gains and operational enhancements for the internal processes related to the cash flows and account management.

However, Option 2 stands out as the preferable choice as it builds on the established treasury framework, which minimizes transition costs and operational disruptions. This optimization aligns with sound financial management, ensuring effective asset management aligned with EU policy objectives.

Moreover, Option 2 meets Member State’s expectations by enhancing the predictability and transparency of cash movements in national treasuries. Over the past two years the Commission has implemented Option 2 as a strategic enhancement to its treasury management, addressing Member States’ concerns while strengthening the EU's financial infrastructure.

The Commission recommends maintaining the Option 2 as a cost-effective solution for cash management system. Given the current EU budget structure and operational framework, this remains the most suitable approach. Depending on future budgetary and economic developments, further refinements and assessments may be carried out if necessary, including in the context of the next Multiannual Financial Framework.