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Deutsches Aktieninstitut on an potential European mechanism for the issuance and initial distribution of debt securities (EDDI)

Dear Sir or Madam,

Deutsches Aktieninstitut appreciates the opportunity to respond to the ECB's consultation on an potential European mechanism for the issuance and initial distribution of debt securities (EDDI). Our remarks are based on discussions in working groups of Deutsches Aktieninstitut representing mainly large German non-financial issuers.

Overall, the feedback we have received so far does not indicate that there is any major deficit in the pan-European primary market processes that needs urgent action and/or public intervention.

Non-financial issuers issue debt securities in order to satisfy financing needs resulting from operative business and/or specific situations (such as M&A activity). However, depending on the size of the issuer, the business model and other factors, there may be large differences regarding the frequency and volume of issuances and regarding terms and conditions (e.g. currency, maturity, type of debt instrument used, preferred time of settlement...).

Against this background, issuers regard primary markets as efficient when they provide broad access to international investors with a narrow time span between the announcement of an issuance and the closing of the order books, offer flexible solutions for individual companies' needs and provide for a substantial level of competition between intermediaries that allows for innovation.

All these criteria are more or less already met in the current setting. The issuance process for debt instruments is well structured and organized. At least the issuers represented by Deutsches Aktieninstitut do not face any problems when issuing bonds. They are able to attract investors and do not have the feeling that the market is fragmented. For example, already in the current setting it is common practice to announce a new issuance and decide the allocation of the newly issued bond based on the order book in one single day.

Furthermore, the regulatory regime governing the issuance of securities has been widely harmonised across the EU (e.g. Prospectus Regime, EU passporting, MiFID) which grants issuers access to the European capital

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markets with a single documentation and allows issuers' banks to offer their services across borders, which is the essence of a single market from the issuer perspective.

Nevertheless, this is not to say that some kind of consolidation in some areas (e.g. issuing platforms, digitalization of processes) could be helpful from a transaction cost perspective. But we do not see why this couldn't be achieved without public intervention. The same holds true for harmonisation in orderbook processes and reliability and regarding term sheets (data field structure, terms used) which might accelerate the issuing process. However, it should be noted that this kind of harmonisation is not essential for corporates and corporates are in favour of at least some degree of competition (and thus some differences in tools and processes) as a prerequisite of innovation.

Overall, you may understand against the background of the above why the issuers we represent are rather sceptical whether EDDI will be able to improve an already well-functioning process even further. For the same reason we strictly support that its use should only be voluntary if it was to be implemented at some point in time. Note also that we do not feel comfortable to comment on the post-trading landscape in detail or the very specific questions of the consultation paper. Also, our remarks should be understood as preliminary given the fact that the final shape of EDDI is not yet clear and discussion has just started.

In any case, we would appreciate if the issuers' perspective was well-reflected in the upcoming process and we stay at your disposal for any questions. Please feel free to contact my colleague Gerrit Fey (fey@dai.de, +49 69 929 15-41) in charge of the project here at Deutsches Aktieninstitut.

Yours faithfully,

A handwritten signature in blue ink that reads "Franz-Josef Leven". The signature is written in a cursive, flowing style.

Dr. Franz-Josef Leven
Deputy Managing Director