Council of the European Union

Brussels, 11 April 2025
(OR. en)

7980/25
ADD 1

RESPR 9
FIN 409
CADREFIN 31

COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	10 April 2025
To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
No. Cion doc.:	SWD(2025) 79 final
Subject:	Commission staff working document Accompanying the document "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"

Delegations will find attached document SWD(2025) 79 final.

Encl.: SWD(2025) 79 final

EUROPEAN
COMMISSION

Brussels, 10.4.2025
SWD(2025) 79 final

COMMISSION STAFF WORKING DOCUMENT
Accompanying the document

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

{COM(2025) 161 final}

Table of Contents

INTRODUCTION

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 the 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.

In 2020, against the backdrop of the growing 'galaxy' of financing instruments (new external assigned revenues, UK contributions, NGEU etc.) and the ensuing complexity of the budgetary flows, the Commission undertook internal reflection on simplification of the Commission treasury architecture and optimisation of the treasury management model. This effort culminated in 2021 during the revision of MAR Regulation, with the Commission proposing that Member States have the option to credit own resources to a new central account established by the Commission.

In 2022, the new provisions on the voluntary central account for own resources were adopted. In parallel, the Commission was requested to produce a report on the implementation of the said account within 3 years of the entry into force of the Regulation.

This report includes a cost-benefit analysis of the selected treasury models that the Commission evaluated to determine an optimal solution to implement the central account model, 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 (NCBs), option outside the scope of the new provisions of Art. 9 MAR.

The report lays out the advantages of the chosen Optimised Treasury model from the perspective of the EC Treasury and Member States.

Finally, the report outlines the key developments related to implementation of the Optimised treasury model highlighting its main achievements in the context of the Member States' expectations, new economic environment, and political challenges.

([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 report consists of three sections:

Section I presents the EC treasury architecture and major cash flows patterns. It also describes the EC treasury architecture in the period 2014- 2022 and implications of the negative interest environment. Furthermore, it outlines the context of the MAR Regulation revision in 2021 against the backdrop of the Member States' concerns.

Section II contains cost benefit analysis of two new treasury models assessed against the chosen criteria.

Section III outlines the key developments in implementation of the Optimised treasury model.

1. SECTION I -BACKGROUND TO THE REPORT

1.1. EU budget its role and structure

The EU budget plays a crucial role in delivering on EU priorities and addressing the political, social, and economic challenges the EU faces. It is largely financed through Own Resources, which comprise Member States' contributions based on their gross national income, value-added tax-based resources, customs duties and non-recycled plastic.

Over the last two decades, the EU's public finances have been bolstered by the introduction of new off-budget financing mechanisms in response to various political and economic developments. Consequently, the array of financing instruments has become increasingly complex.

Under Article 317 TFEU ([2]) the Commission is responsible for implementing the budget in accordance with the Financial Regulation and within the limits of the appropriations, adhering to the principles of sound financial management.

The current EU long-term budget 2021-2027 has been established for **€2.07 trillion** in current prices including **€807** billion under the extraordinary recovery instrument Next Generation EU financed through borrowing operations.

In 2024, during the budget implementation process, the EC Treasury made approximately **2.800.000 payments** to third parties.

To manage its treasury operations effectively the Commission has established elaborate systems for cash flows (receipts and payments), the opening and running of bank accounts, cash forecasting and liquidity management.

1.2. Architecture of the EC treasury

The key characteristics of the Commission treasury architecture are determined by the provisions of Art. 9(1) MAR Regulation granting Member States the possibility to credit own resources twice per month 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 requested contribution in cash.

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

The third option, introduced in 2022, is a **central account** opened by the Commission for crediting Own Resources in the public financial institution of its choice. It has not yet been applied and will be discussed further on in this paper.

([2]) Treaty on the Functioning of the European Union, consolidated version: OJ C 202, 7.6.20

Member States implement variations of these models, such as:

- Maintaining EUR accounts at the central bank,
- Holding EUR accounts at both the national treasury and the central bank,
- Using national non-EUR currency accounts at the central bank, with external currency conversions,
- Operating both national currency and EUR accounts at the central bank or treasury, where currency conversions occur centrally,
- Relying on a single EUR account at the national treasury.

The complexity of the Commission treasury system also arises from the need of keeping the available funds in Own Resources (OR) accounts to comply with the provisions of the MAR Regulation on not drawing funds in excess of payment needs (Art. 14(1)) and ensuring a fair distribution of weighted balances among the Member States to respect the budgetary key principle (Art. 14(4)).

The major cash flows are mostly related to the execution of payments in EUR and non-EUR currencies, to third party beneficiaries and to Member State public authorities. 99,8% of payments, representing 24,9% of the total value, are executed through accounts held by the Commission with commercial banks. The remaining 0.2% of payments, representing 75.1% of the total value, are executed directly from OR accounts held in national treasuries or via central banks.

Apart from the transfers needed to meet payment requirements, a considerable number of treasury movements are triggered by the rebalancing exercise, conversion of non-euro currencies, and receipt of off-budget revenues.

Despite this complexity, the Commission has consistently ensured effective treasury management in compliance with the existing regulatory framework, continuously delivering on its key objectives:

- Timely and secured execution of payments,
- High degree of reliability and automation of operations,
- Sound cash and financial management,
- None of the accounts opened in accordance with the Financial Regulation is in debit

1.3. Treasury model 2014-2022

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

One of the key principles of sound financial management of the EC treasury is to preserve the EU financial assets. Pursuant to Art. 9(1) of the MAR Regulation the own resources contributions credited in national treasuries and central banks are kept free of any charge or interest. Where negative interest is applied to those accounts, the Member State

concerned shall credit the account with an amount corresponding to the negative interest applied.

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 compliance with Art. 14(1) of MAR Regulation all payment accounts held in commercial banks were replenished daily from the OR accounts based on the number 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.

Furthermore, to comply with Art. 14(4) of MAR Regulation, the EC Treasury used to perform twice per month, after the execution of European Agricultural Guarantee fund (EAGF) payments and around the middle of the month, the alignment exercise consisting in rebalancing the overall assets, as far as possible, in proportion to each Member State contribution to the budget.

All these operations generated a considerable number of daily inflows into National Treasuries and outflows from other Member States. The consequence of those transfers was a high number of transactions within the complex Treasury architecture resulting in an insufficient predictability and limited transparency of cash flows for Member States.

Moreover, the lack of a bigger cash buffer was also impacting the Commission's ability to execute urgent payments due to regulatory limitations of payment instructions execution by Member States. Pursuant to Article 15 of MAR Regulation, the transfers from and to OR accounts should be done within three days' notice. In case of an urgent payment that needed to be executed within one day, and exceeded the existing operational balance, the EC Treasury struggled to meet the deadline.

1.4. Revision of MAR

The traditional treasury model applied until 2022 has undoubtedly proven its value in effective management of the EU funds. However, the growing number of various financing resources (new external assigned revenues, UK contributions, NGEU etc.), coupled with challenging negative interest conditions, rendered the existing model increasingly complex and thus required significant operational efforts on part of the Commission to manage it effectively.

Moreover, as described in Section 1.3, this model was generating a considerable number of daily cash flows on OR accounts kept in the national treasuries. It also required some of the national treasuries to hold a larger cash surplus buffer to meet the Commission's cash requirements. In this context, several Member States voiced their concerns about insufficient predictability of cash movements and considered improvements in this area as a priority.

Therefore, the Commission proposed to include in the MAR Regulation the possibility to credit own resources to a **new central account** opened for this purpose by the Commission.

This proposal aimed to achieve:

- Clear predictability and transparency of cash movements for Member States (i.e. cash movements = call for funds),
- Shorter payment delays and alignment with standard treasury practices,
- Ability to operate with lower overall treasury balance leading to decreased needs for calling advanced twelfths.

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.

Member States' participation in the centralised model would be done on **voluntary basis**. Moreover, Member States requested that the Commission prepares a **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 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:

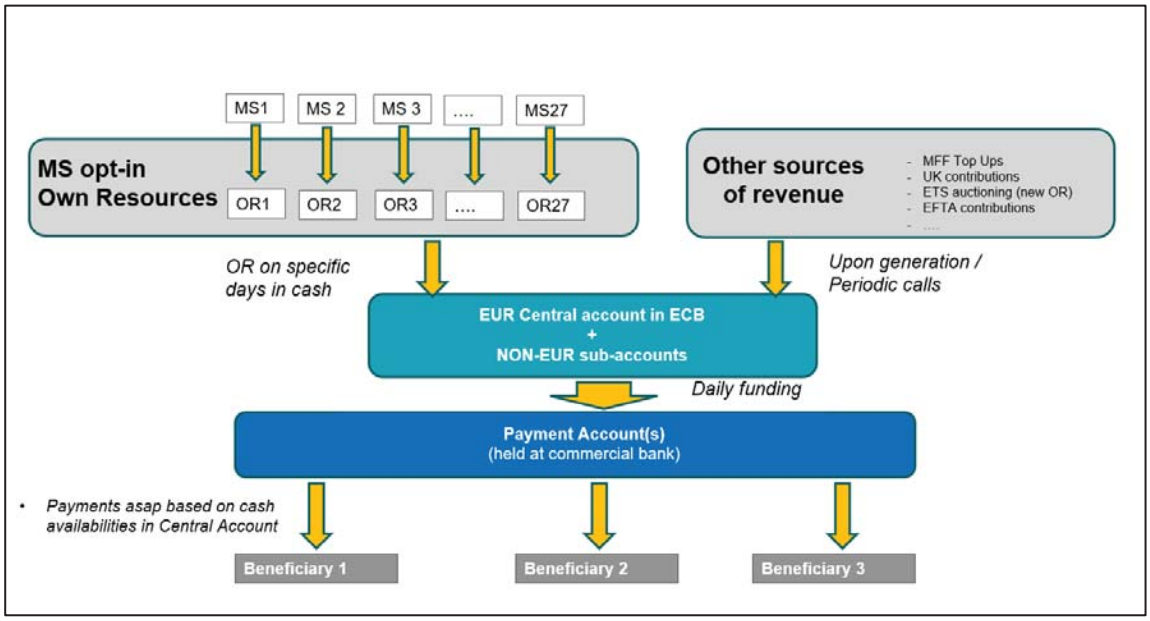
- **European Central Bank** (ECB) because it already acts as the cash manager of the NGEU liquidity resources and executes the RRF payments to the beneficiary Member States.
- **National Central Banks** (NCBs) as they are vital actors in the existing EC treasury architecture and cash management model.

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 currencies. Opting in for this centralised account would be voluntary for Member States.

Figure 1. Central account in ECB.



The model's implementation calls for a gradual elimination of the current dual system—namely, the OR accounts held by treasuries or central banks—at the Member State level. This would mean replacing the current practice—where national treasuries make resources available in accounting terms—with a system in which each participating Member State contributes its own resources via bank transfers on specified dates, in line with Art. 6(3) MAR. Under this model amounts in EUR would be pooled in one central account set up by the Commission in the ECB and 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. Based on that funding, the Commission would instruct its banking partners to execute the payments to its beneficiaries.

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 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 could mostly impact Member States which make funds available in accounting terms first, as instead of mobilizing the cash gradually over time, funds would need to be transferred immediately. 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.

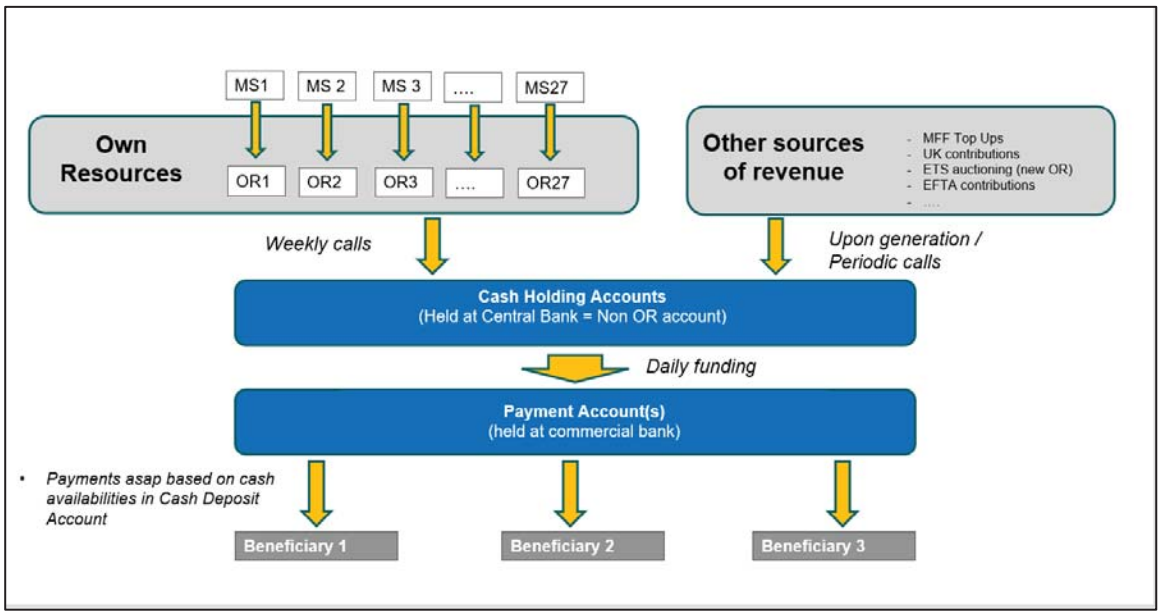
Option 2: Optimised treasury model with central cash holding accounts in chosen National Central Banks

This solution does not make recourse to the new provisions of Article 9(1)(c) 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.

It notably envisages reengineering existing processes by:

- channelling part of Own Resources and other revenues to non-Own Resources cash holding accounts in the selected national central banks,
- enhancing cash needs forecasting,
- reinforcing cash management component in the rebalancing exercise,
- simplification of the existing complex treasury architecture.

Figure 2. Optimised treasury model with central cash holding accounts.



This model activates weekly transfers on designated days from OR accounts to cash holding accounts, tailored to meet Commission payment requirements. 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.

It should be noted that this centralisation of cash flows is achieved outside the scope of the new provisions of Art. 9 MAR Regulation. Therefore, the central cash holding accounts kept in the chosen central banks are not OR accounts. Consequently, they can generate interests in the positive interests' environment that would be returned to the budget, whereas in the reverse economic conditions, they may be subject to negative interests that are not covered by Member States.

2.2. Methodology and evaluation criteria

Given the importance that effective treasury management plays in the implementation of EU policies, the Commission established criteria to make a qualitative and quantitative assessment of the two chosen central treasury options. The criteria have been calibrated specifically to address the Member States' concerns regarding any potential additional costs that the new models might entail, as voiced during the process of adopting the revised MAR Regulation. In the **selected option**, the overall costs for the EC Treasury should be **equal to or lower than those in the current setup**, while also **generating additional benefits** of simplification of cash flows and enhanced operational efficiency.

The chosen criteria consist of:

a) Financial impact that 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 in the Eurozone. The ECB Guidance 2019/671([3]) limited the remuneration of all non-monetary policy deposits at the level of 0.04 % of the GDP of its Member State. In 2024 the ECB guidelines were amended ([4]) Given the conditions in 2022, the Commission focused its analysis on the NCBs of the four biggest economies

([3]) 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.

([4]) 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.

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 (cost of operational and system set-up for establishing account(s) and costs incurred from day-to-day transfer operations)

  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, 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. Therefore, **Option 2 turns out to be a more cost-effective solution** as it does not involve any additional costs for the Commission or Member States.

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 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 prior request has been made to the ECB. ([5])

Option 2 had no adverse technical impact on the Commission's accounting system. The existing technical solution is well-established, efficient, and seamlessly accommodates

([5]) 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.

the inclusion of the Central Account Model without any modifications. The chosen NCBs maintain a commercial layer that enables automated communication with the EC Treasury via Swift services. Payment messages are generated directly from the Commission's Accounting system. Consequently, this option would not necessitate additional testing or development by the Commission.

In conclusion, given the challenges in establishing new layers of connectivity, **Option 2 turned out to be much less resource and cost demanding comparing to Option 1**.

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 proposed opening specific accounts in the respective central banks. This scenario foresees one EUR account for all EUR contributions and one account for each non-EUR currencies (7 accounts). As there would be only 8 accounts to manage in total versus currently 27 OR accounts it would entail less bank-to-bank transfers hence less potential manual reconciliations of bank transfers. 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 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.

Moreover, this model could even enhance efficiency of operations. As the Member States' treasuries do not use the SWIFT connectivity 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. It would in turn lead to less manual bank statements and increased automation.

In conclusion, both options would generate operational efficiencies in the account management by the EC treasury. However, for Option 1 the analysis reveals that establishing non-euro sub-accounts in the ECB would be challenging. Hence this solution would not advance a real simplification of cash flows.

2.4. Conclusions: Choice of the treasury model

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

The Commission believes that significant benefits under Option 1 would only be achievable if many Member States participate, ensuring that the majority of OR are pooled in the centralised account.

A differentiating factor is cost, which is significantly lower for Option 2 compared to the fees the ECB may charge for establishing a new account model and providing operational services under Option 1. The impossibility of opening non-euro accounts at the ECB is an obstacle to achieving a simplification of cash flows.

Moreover, the technical infrastructure for the cash flows management in the ECB is not "fit for purpose".

Therefore, based on the above analysis of the two scenarios, the chosen solution is **Option 2 - Optimised treasury model**. This option developed over the past two years capitalises on existing, well-established processes while bringing forward incremental changes to further optimise the Commission's treasury management and effectively respond to Member States expectations.

It is a cost-effective solution, compliant with the principle of sound financial management, allowing for efficient asset management with the possibility for additional returns if market conditions allow.

3. SECTION III-IMPLEMENTATION OF THE OPTIMISED TREASURY MODEL

3.1. Context

The internal assessment of various scenarios for a more efficient treasury model coincided with external factors that reinforced the EU Commission's determination to pursue its project of the centralized treasury model.

In autumn 2022, the market conditions for deposits changed following the Decision 2022/1521 of ECB of 12 September 2022 on temporary adjustments to the remuneration of certain non-monetary policy deposits held with national central banks and the European Central Bank ([6]). The remuneration of deposits in NCBs became positive for the first time since 2014.

Furthermore, the political situation of war in Ukraine demanded increased financial effort on EU part and swift disbursement of funds in response to ensuing civilian and military crisis. For EC treasury it implied the necessity to create a cash buffer that would make the EU funds instantly available to execute urgent payments.

In addition, the creation of a cash buffer became even more important for business continuity reasons in the event of a potential system's disruption in the climate of heightened geopolitical tensions and increased risk of systemic cyberattacks.

3.2. Milestones for implementation of the Optimised treasury model

3.2.1. Selection of three banks for cash holding accounts

In September 2022, the Commission decided to proceed with the selection of central banks for the centralization of flows. As explained in Section 2.3.1, in terms of the remuneration all considered banks were in line with the ECB's guidelines. In view of a selecting cash holding accounts, there was therefore no incentive in spreading the cash flows across

([6]) Decision (EU) 2022/1521 of the European Central Bank of 12 September 2022 on temporary adjustments to the remuneration of certain non-monetary policy deposits held with national central banks and the European Central Bank (ECB/2022/30), OJ L 2361, 13.09.2022.

multiple NCBs. Consequently, the Commission decided to pursue with two banks with the best operational conditions and additionally retain one more geographically closest bank for the business continuity reasons.

The following conditions were considered in the bank selection process:

- established treasury cash flows,
- technical compatibility,
- cash deposit capacity,
- business continuity.

Given the above-mentioned criteria, the Commission has decided to entrust the management of cash holding accounts to: Deutsche Bundesbank, Banque de France and National Bank of Belgium, whose business and technical profiles best correspond to the critical requirements for the EC Treasury.

Deutsche Bundesbank is the central bank of the biggest contributor to EU budget. It implies processing large part of EU funds and handling high amount of cash flows, on average 934 transactions for an amount of EUR 139 billion per year. Its broad connectivity with EC banking partners around Europe historically facilitated channelling most transfers from Member States' national banks through it. Moreover, considerable amount of the EC external revenues (ETS, NGEU top-ups) is routed through the flows established with Deutsche Bundesbank.

Banque de France as the central bank of the second biggest contributor to EU budget, is involved in processing large part of EU funds and significant amount of cash flows. They amount to approximatively 436 transactions on average for an amount of EUR 25 billion per year. Banque de France has been historically used for conversions of non-euro currencies. Furthermore, over many years, the European Development Fund has been routed through it. Since 2020, to diversify the risk exposure, the UK contributions have also started to being channelled to EU budget through Banque de France.

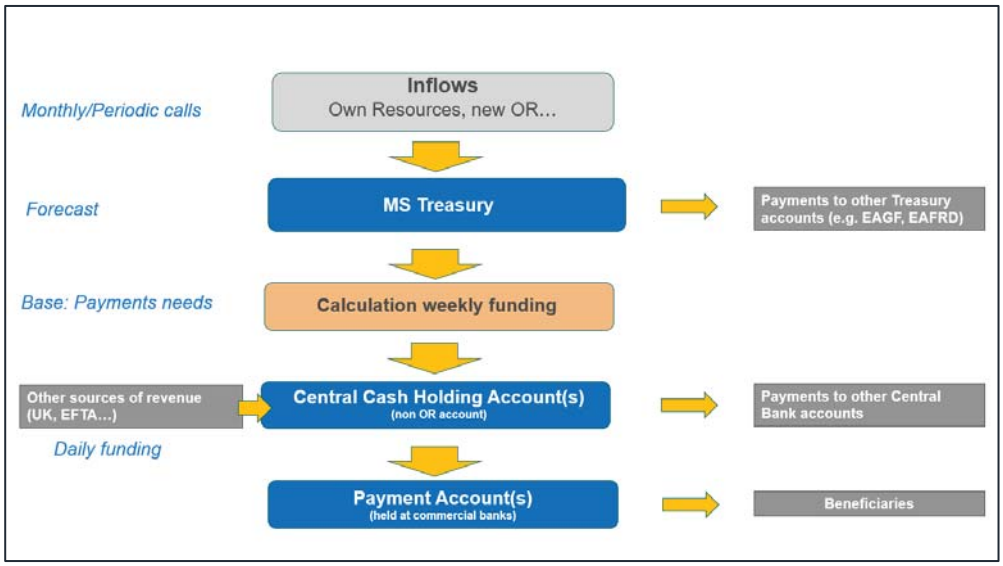
The geographic proximity of **National Bank of Belgium** ensures business continuity for the EC treasury in the event of any IT/SWIFT system disruptions, which supported the decision to select this bank for holding a cash-holding account. Furthermore, the bank handles high amount of cashflows with commercial banks executing payments and receiving receipts other than Member States' contributions (approx. 213 transactions on average for an amount of EUR 49 billion per year).

Since October 2022 the Commission has started depositing non OR receipts (UK contribution, NGEU top-ups, ETS) in the central cash holding accounts to fund the paying accounts in the commercial banks.

3.2.2. Weekly transfers

To reduce the frequency of cash movements, the Commission has implemented a system of weekly transfers from OR accounts to cash holding accounts, based on the payment needs for that week. These **transfers are scheduled on fixed days** and adhere to the principle of the budgetary key of each Member State. This system has replaced the daily transfer model previously used by the Commission.

Figure 3. New optimized model of weekly funding.



The alignment of cash balances focuses on minimizing transfer outflows and reducing the number of inflows into the OR accounts. Funds are called from Member States' treasuries based on other revenue sources (non-Own Resources) held in the cash holding accounts.

3.2.3. Four months forecasts of the cash resource requirements

Since mid-2022, the Commission has been transmitting monthly forecasts of cash resource requirements for the upcoming four months to Member States electronically via the CIRCABC platform. Hence, it successfully fulfilled its regulatory obligations set in Art. 9(2)(a) of the amended MAR Regulation. These forecasts are produced based on statutory contributions of Own Resources and Other Revenues and monthly estimates of structural spendings coupled with historical trends.

The improvements in forecasting capability have significantly enhanced the predictability of the amounts and timing of cash transfers on OR accounts for Member States.

3.2.4. Building trusted relationship with the Members States' Treasuries

In parallel to these activities, the Commission decided to initiate a pilot project with a single Member State. The primary objectives were:

- Test feasibility and effectiveness of the new Optimised Treasury model for cash management,
- Establish a reliable framework for forecasting and managing cash transfers,
- Gather detailed feedback to carry on with broader implementation of the model with all Member States,
- Assess the model's impact on operational efficiency.

In the context of bilateral consultations, the Treasury of Spain expressed its willingness to participate in this project with the EC Treasury.

Consequently, the Commission established an open communication channel with the ES Treasury. Over a period of nine months, the Commission was exploring the possibility

of producing monthly forecasts of the cash requirements based on historical outflows and inflows and the projections for the structural funds spendings. Moreover, the Commission carried out tests of the weekly forecasts of movements on OR accounts and applied adequate adjustments based on Member States feedback.

Close cooperation and regular communication with the pilot Member State yielded positive results.

The positive results and feedback from Spanish treasury paved the way for establishing close cooperation with some other Member States. Until the date of this report, the Commission has engaged in an **open dialogue** with the National Treasuries of **Germany**, **Belgium**, **France**, and **Italy**.

Open communication enabled a smooth transition to the Optimised treasury model, allowing the Commission to address Member States' concerns promptly and ensure transparency in cash management changes. The positive feedback from Member States' treasuries highlighted the high level of trust and strong cooperation.

3.3. Outcomes

The Optimised treasury model delivered positive outcomes for both Member States and the EC treasury operations.

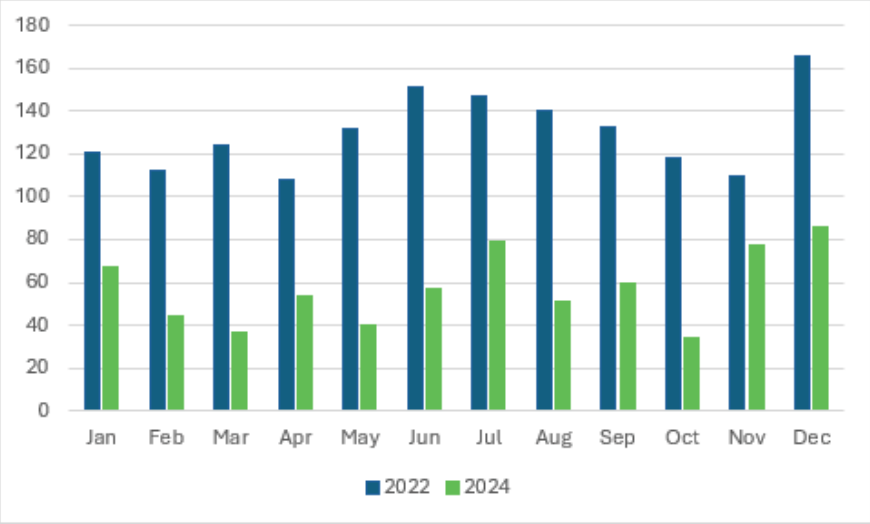
- **More predictability.**

The enhanced regular forecasting, combined with weekly transfers executed on fixed dates, has increased the level of **predictability and visibility of cash management** activities for Member States.

This model has led to a significant reduction in the number and amounts of outgoing transfers from OR accounts.

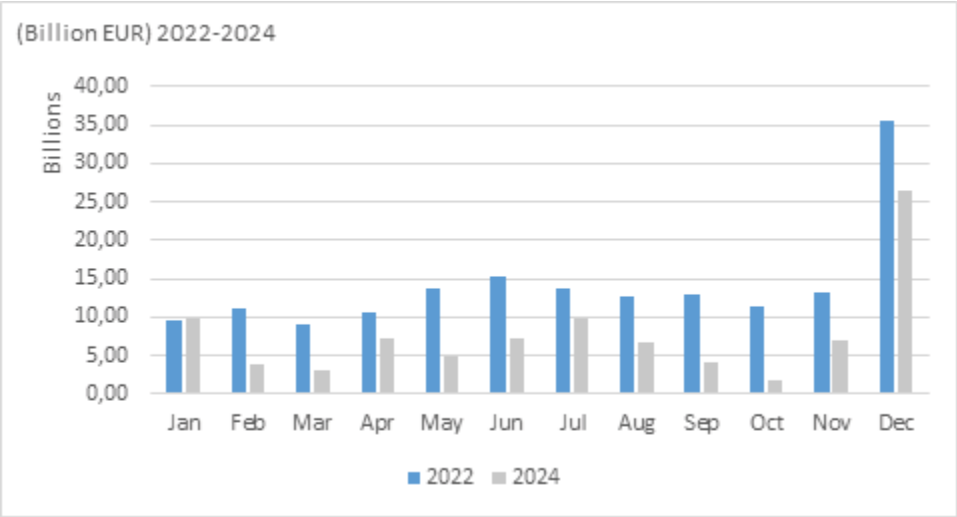
The **number of outgoing transfers** in the OR accounts decreased on average by 60 % between 2022 (previous model) and 2024 (Optimised Treasury model).

Figure 4. Number of outgoing transfers in OR accounts.



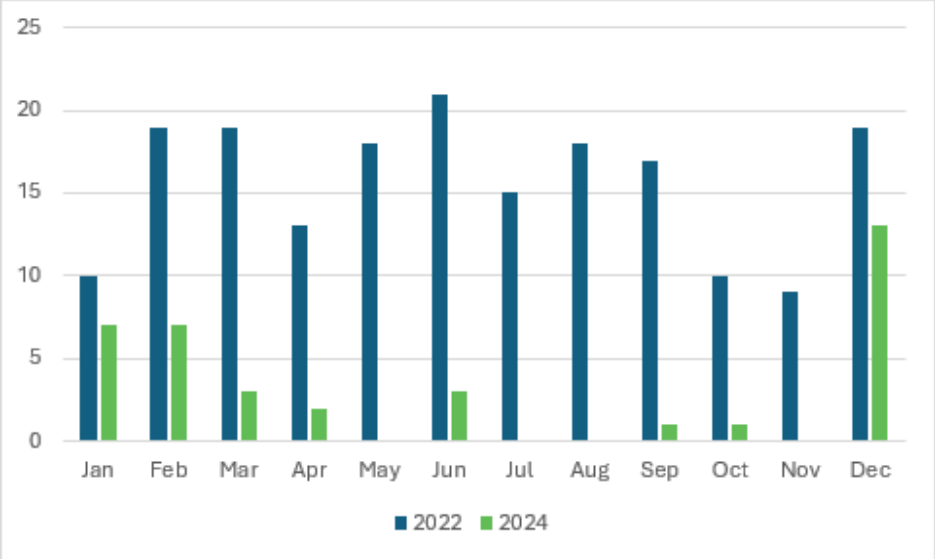
In terms of **volumes**, the average reduction amounted to **48%** in 2024 comparing to the previous model in 2022.

Figure 5. Volumes of outgoing transfers in OR accounts.



The alignment of the Member States' contributions with the cash outflows implemented in the Optimised Treasury model, have reduced the **inflows to OR accounts** held in **treasuries** by 80% from 2022 to 2024 (figure 8).

Figure 6. Number of cash inflows in OR accounts held in Treasuries.

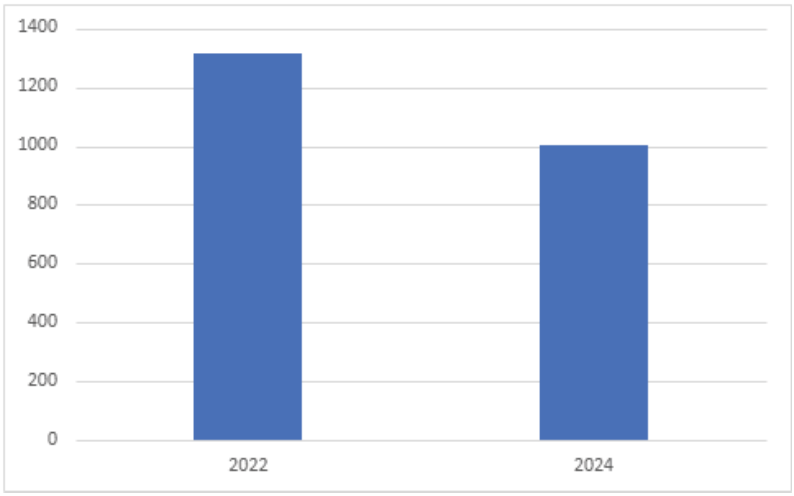


- **Efficiency gains**

There are also considerable **operational efficiencies**. As the Member States' treasuries do not use the SWIFT connectivity, their bank statements are sent via other means and require a manual processing. Thanks to the centralization of flows into three cash holding accounts, bank-to-bank transfers between OR accounts in treasuries and central banks' accounts have been reduced.

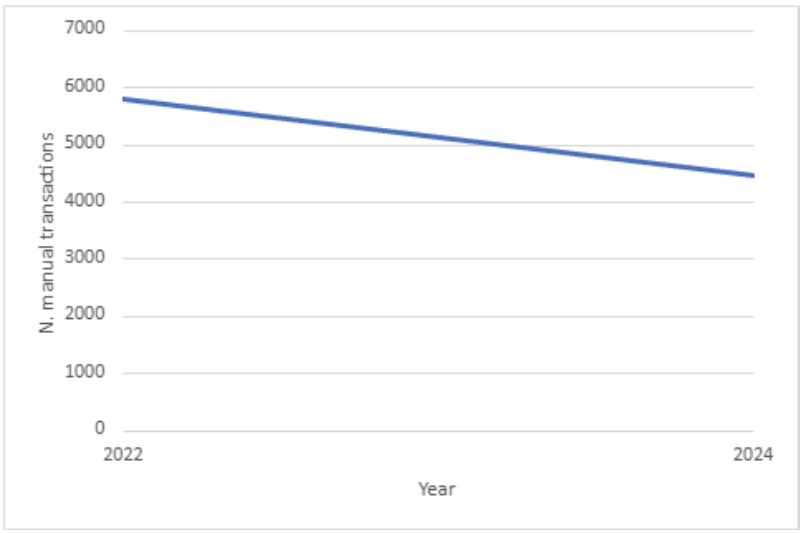
In 2024 **the manually processed statements dropped by 23%** compared to 2022.

Figure 7. Number of manual statements.



Reduction in the number of manual bank statements has led to a decrease of the need for manual reconciliation of the bank transfers. The **manual operations dropped by 23% over the period 2022-2024.**

Figure 8. Manual reconciliation of bank transfers.



- **Higher returns**

Furthermore, the **favourable market conditions** have allowed for the new Optimised treasury model to generate substantial positive interests that will be returned to the EU budget. The turning point could be observed in the month of September of 2022 when the ECB deposit facility rate became positive. In the following months, the first positive interest was paid by the central banks based on their specific conditions. As of May 2023 all banks concerned agreed on ESTR ON minus 20 basis points as recommended as ceiling by the Governing Council of the ECB in February 2023. This rate reached its highest level (with ESTR of around 3,9%) from 20/09/2023 until 12/06/2024. The rate has decreased since then, while being still largely positive (around 2,7% at 07/02/2025).

3.4. Final considerations

In compliance with the requirements of Art. 9 MAR Regulation the Commission has conducted analysis of different treasury models that could effectively respond to political and economic challenges while safeguarding the principle of sound financial management.

The Optimised treasury model is the most cost-effective solution that streamlined the disbursement of funds and brought internal efficiencies. It has significantly rationalised cashflows on OR accounts held in treasuries. The simplification and automation of treasury operations has led to a more robust and effective cash management system.

In parallel, it effectively responds to Member States expectations in terms of enhanced predictability and transparency of cash movements in Member States' treasuries. It has also proven effective in addressing political challenges.

Furthermore, the favourable market conditions have allowed for the new Optimised treasury model to generate substantial positive interests that will be returned to the EU budget.

Given the specificities of the Commission and the Member States treasury management, the Commission recommends maintaining Optimised treasury model, solution outside the scope of the new provisions of Art. 9 MAR, as an overall the most viable and efficient option.

The Optimised treasury model remains the most suitable approach given the current structure and operational framework of the EU budget. 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.