

COMMISSION IMPLEMENTING DECISION (EU) 2021/1095**of 2 July 2021****establishing the methodology for allocating costs related to borrowing and debt management operations under NextGenerationEU**

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to the Treaty establishing the European Atomic Energy Community,

Having regard to Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility ⁽¹⁾, and in particular Article 15(4) thereof,

Having regard to Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom ⁽²⁾, and in particular Article 5(3) thereof,

Whereas:

- (1) In the context of the response to the COVID-19 crisis, the NextGenerationEU ('NGEU') recovery package was adopted to finance recovery initiatives, while facilitating the green and digital transition of the European Union economy. In this respect, NGEU programmes are those financed under Article 2(2) of Council Regulation (EU) 2020/2094 ⁽³⁾, in so far as they implement measures referred to in Article 1(2) of that Regulation.
- (2) Under Article 5(1) of Decision (EU, Euratom) 2020/2053, the Commission is empowered to borrow funds on capital markets on behalf of the Union up to EUR 750 000 million in 2018 prices, out of which up to EUR 360 000 million in 2018 prices may be used for providing loans and up to EUR 390 000 million in 2018 prices may be used for expenditure.
- (3) Under Article 5(2) of Decision (EU, Euratom) 2020/2053, the repayment of the principal of the funds borrowed to be used for expenditure and the related interest due is to be borne by the Union budget.
- (4) In accordance with Article 15(3) of Regulation (EU) 2021/241 and with Article 220(5), point (e), of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council ⁽⁴⁾, costs related to the borrowing of funds for the loans provided under Regulation (EU) 2021/241 are to be borne by the beneficiary Member State.
- (5) With the implementation of the Commission diversified funding strategy for the implementation of NGEU borrowing operations and NGEU debt management borrowing operations, capital is no longer raised on a transaction-by-transaction basis. Under that model, costs of funding were clearly identifiable and linked to a specific borrowing transaction and the related costs could be transferred to the loan beneficiary along with the proceeds of the borrowing transaction. By contrast, with the NGEU diversified funding strategy, disbursements under NGEU are to be financed through recourse to a single funding pool, composed of short and long-term funding instruments, from which resources are drawn when disbursements need to be made to beneficiaries. The diversified funding strategy ensures the most advantageous terms when borrowing significant amounts of funds with different maturities. Consequently, a tailored approach is needed to calculate and assign the shared costs linked to each disbursement on a fair, equitable and transparent basis.

⁽¹⁾ OJ L 57, 18.2.2021, p. 17.

⁽²⁾ OJ L 424, 15.12.2020, p. 1.

⁽³⁾ Council Regulation (EU) 2020/2094 of 14 December 2020 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis (OJ L 433I, 22.12.2020, p. 23).

⁽⁴⁾ Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1).

- (6) In order to ensure this fair, equitable and transparent approach, the Commission should implement a common and unified methodology for costs, applicable to both the disbursements relating to loans and to the ones relating to external assigned revenue under Article 3(1) of Regulation (EU) 2020/2094.
- (7) A new methodology for the allocation of costs that ensures that there is no cross-subsidisation of costs by one category of beneficiary by another should be used. Costs of borrowings attributed to loans should be fully imputed to Member States who benefit from loans under Regulation (EU) 2021/241. Costs of borrowings attributed to external assigned revenue under Article 3(1) of Regulation (EU) 2020/2094 shall be fully imputed to the Union budget based on actual costs incurred for raising and disbursing the respective share of proceeds to the different beneficiaries. The methodology should cover all the costs incurred by the Commission for borrowing under NGEU, including all administrative costs, and should ensure that different categories of costs be calculated for each disbursement.
- (8) This cost calculation and allocation methodology should distinguish between three categories of cost. First is the cost of funding, which derives from interest and other charges that the Commission must pay on the different instruments issued to finance the disbursements in question. Second are the costs of liquidity management that are the costs incurred as a result of amounts held temporarily on liquidity accounts as reserves to meet upcoming payments. Third are the administrative costs of building and maintaining the technical and operational capacity to implement a diversified funding strategy.
- (9) The calculation of the cost of funding that results from long-term borrowing transactions should be derived from the costs arising from all borrowing operations carried out during the six-month time period into which, as a rule, falls the date of the disbursement. The compartmentalisation into six-month periods is justified by the need to ensure that the cost of funding charged to the disbursement is closely linked to the prevailing market rates at the time at which it is made, and not based on funding costs incurred in some distant time-period. This way, the funding instruments, and the related costs, are allocated to relevant compartments. The precise pool of funding instruments is fixed only at the closure of the six-month time-compartment. This should permit the application of the same cost of funding to any simultaneous disbursement attributed to the same time-compartment and should ensure fair, equitable and transparent approach between Member States in particular. Member States and the Union budget for the external assigned revenue under Article 3(1) of Regulation (EU) 2020/2094 should pay their respective share. This avoids the arbitrariness or chance that characterised the traditional back-to-back system where the costs for any particular beneficiary were the terms that could be obtained on the particular day that the borrowing took place. Except the first time-compartment, which should cover the period from 1 June 2021 to 31 December 2021, each time compartment should cover a period of six months starting on 1 January or on 1 July. The last time compartment's active period should end on 31 December 2026, which results in eleven time compartments. Time compartments should cease to exist once full repayment of financed disbursements is achieved.
- (10) While interest rates charged to loan beneficiaries will be stable, there will be periodic and marginal recalculation of rates when maturing instruments in the funding pool need to be replaced. The Commission will develop its capacity to use derivatives such as swaps to manage any remaining interest risk and offer the option of fixed interest rate loans to Member States. The costs of this fixed interest rate facility should be borne fully and exclusively by the Member States exercising this option.
- (11) The amounts of disbursements in a time-compartment should equal the amount of long-term funding instruments attributed to that time compartment. In most cases, the disbursements of proceeds will occur in and be attributed to the same time-compartment as the issuance of the long-term funding instruments used to raise the proceeds. However, unforeseen delays in making disbursements may result in situations where the proceeds of the long-term funding have been raised but cannot be disbursed as initially scheduled. In that case, the disbursement may be delayed and take place during the period of the following time compartment. However, if the funds for these particular funding needs have already been raised and attributed to the previous time compartment, they cannot be used for other needs in this time compartment. Under these circumstances, it should be possible to attribute the

related disbursements to the time-compartment to which the funding instruments have been attributed. It should equally be possible to attribute long-term funding instruments of the following time-compartment to the previous time-compartment in case the amount of long term funding instruments of that time-compartment is not sufficient to cover the amount of disbursements.

- (12) The Commission will also need to anticipate, in the preceding time-compartment, disbursement needs arising early in the life of the next time-compartment. To cater for such situations and ensure that the Commission has the resources available on advantageous terms to make disbursements taking place close to the transition between time compartments, the Commission should have the possibility to attribute long-term funding instruments to the following time compartment.
- (13) The ability to manage liquidity of the funding operations by accessing short-term borrowing and holding cash for prudential purposes is a central and defining feature of the diversified funding strategy. This liquidity management will enable the Commission to meet all payment needs and adapt issuance to market conditions. This capacity gives rise to costs of raising proceeds through the issuance of short-term paper, and holding some proceeds on a temporary basis on a liquidity account in order to guarantee the ability to make all payments on demand. This Decision should establish a basis for calculating these liquidity costs and charging them on a fair and equitable basis to all relevant beneficiaries of proceeds over the course of the year in question.
- (14) Higher disbursement needs than the amount of long-term funding instruments allocated to the respective time compartment or interest payments, may result in a liquidity deficit of a time compartment. Lower disbursement needs than the amount of long-term funding instruments allocated to the respective time compartment or redemption payments received by NGEU in relation to the outstanding disbursements allocated to the compartment may result in a liquidity surplus. Compensating these liquidity surpluses or deficits are unavoidable requirements of the implementation of the NGEU funding strategy. These costs should not be borne by the respective time-compartments, but should be isolated and managed as part of distinct liquidity management costs. It is necessary to establish a mechanism to disentangle costs arising from liquidity deficits or surpluses so that they can be absorbed by the wider funding programme in the form of liquidity management costs. The Commission should use the liquidity management compartment to level any positive or negative cash balances in the time compartments to the total amount of disbursements.
- (15) Implementing the diversified funding strategy requires acquisition of new capacities needed to obtain the most advantageous access to capital markets and ensure the maintenance of such infrastructure in a continuous and effective manner. This includes the costs needed to maintain liquidity accounts, to acquire capacity to run auctions for EU-Bills and bonds and to implement new internal data-processing capacities. Such costs that result directly from the implementation of NGEU borrowing and disbursement operations should be treated as overheads that distinguish costs related to the set-up and to the maintenance of NGEU borrowing and payment infrastructure. These costs should be captured by the cost of service for administrative overheads.
- (16) The cost of service for administrative overheads combines all administrative costs incurred directly in the implementation of NGEU. These costs are to occur either as set-up costs, relating to one-off costs of building certain operational capacities or as recurring costs which are unavoidable costs directly attributable to NGEU operations and which occur over time.
- (17) While the recurring costs should form the main part of the regular annual costs charged to the disbursements that take place in a given year, the set-up costs should be imputed as one-off charges.

- (18) Administrative costs included in the cost of service for administrative overheads should be confined to a closed list of costs directly related to NGEU. Aggregate cost of service for administrative overheads represents a very limited share of aggregate costs from NGEU operations. The Commission would conduct appropriate consultation, including with Member State's experts, before extending the list of administrative costs should a justified need arise in the future. Such consultation would also be undertaken prior to modification of other aspects of this methodology that will influence the costs to be borne by the Union budget or Member States.
- (19) The ex post invoicing process should be designed so as to ensure that costs are recovered starting from 2022 and until the moment costs are no longer generated by NGEU borrowing and debt management operations.
- (20) The Commission should issue a confirmation notice in respect of each disbursement, be it for external assigned revenue under Article 3(1) of Regulation (EU) 2020/2094 or for loans given to Member States under Regulation (EU) 2021/241 ("RRF loans").
- (21) The loans under Regulation (EU) 2021/241 are to be implemented on standard financial terms (maturity and repayment profile) for each disbursement made to Member States. For disbursements for external assigned revenue under Article 3(1) of Regulation (EU) 2020/2094, the confirmation notice should be the main supporting element determining these financial terms for the EU Budget. The confirmation notice is to determine the claim for cost on the basis of its financial terms. These terms should include the date of disbursement, the amount of financial support, the date of payments of cost of funding external assigned revenue under Article 3(1) of Regulation (EU) 2020/2094.
- (22) Appropriate references in the loan agreements signed by the Member States will clarify that the costs of disbursements are determined by the application of the methodology set forth by this Decision.
- (23) The cost allocation methodology determines the method of calculation of costs of borrowing borne by both the budget in accordance with Article 5(2), first subparagraph of Decision (EU, Euratom) 2020/2053 and by the Member States in accordance with Article 15(3) of Regulation (EU) 2021/241. Accordingly, it constitutes an arrangement for the administration of the borrowing and lending operations within the meaning of Article 5(3) of Decision (EU, Euratom) 2020/2053 and of Article 15(4) of Regulation (EU) 2021/241.
- (24) In order to ensure uniform allocation of costs under NGEU recovery package, this Decision should apply from 1 of June 2021. As this Decision should apply to borrowing transactions and disbursements under the NGEU programme that have occurred prior to its entry into force, it should enter into force on the day following that of its publication in the *Official Journal of European Union*. The application of this decision to loans under Regulation (EU) 2021/241 with Member States should take place upon the entry into force of the relevant loan agreements,

HAS ADOPTED THIS DECISION:

SECTION 1

SUBJECT MATTER, DEFINITIONS AND GENERAL RULES

Article 1

Subject matter and governing principles

1. This Decision establishes a single and unified methodology to allocate costs of funding, liquidity management and service for administrative overheads incurred as a result of borrowing and debt management operations conducted under programmes financed under Article 2(2) of Regulation (EU) 2020/2094, in so far as they implement measures referred to in Article 1(2) of that Regulation.

2. The implementation of the cost allocation methodology shall be guided by the principles of fairness and equity of treatment, by ensuring costs are allocated on the basis of the relative share of support received.

Article 2

Definitions

For the purposes of this Decision, the following definitions apply:

- (1) 'funding instruments' means bonds, notes, commercial paper, T-bills or any other appropriate short and/or long term financial transactions issued under the Commission's funding strategy for the implementation of NGEU borrowing and debt management operations;
- (2) 'RRF loan agreement' means an agreement between the Commission and a Member State in accordance with Article 15(2) of the Regulation (EU) 2021/241;
- (3) 'disbursement' means any disbursement to a Member State under RRF loan agreement under Article 2(2)(b) of Regulation (EU) 2020/2094 or as external assigned revenue under Article 3(1) of Regulation (EU) 2020/2094;
- (4) 'interest period' means period of twelve (12) months, or such other period which may be specified in the confirmation notice, commencing on the date of disbursement or the precedent interest payment date;
- (5) 'liquidity management' means management of cash flows related to funding instruments and disbursements;
- (6) 'NGEU borrowing operations' means operations on the markets, in particular debt issuances, to borrow an amount of up to EUR 750 000 million in 2018 prices, pursuant to Article 5(1) of Decision (EU, Euratom) 2020/2053, including roll-over borrowing;
- (7) 'NGEU debt management operations' means market operations related to the debt resulting from the NGEU borrowing operations to optimise the structure of outstanding debt and to mitigate interest risk, liquidity and other financial risks;
- (8) 'short term funding instrument' means funding by NGEU borrowing operations for a term below or equal to one year;
- (9) 'long term funding instrument' means funding by NGEU borrowing operations for a term of more than one year.

SECTION 2

COMPARTMENTS AND CALCULATION OF COSTS

Article 3

Time compartments

1. A time-compartment shall be active during a period of six months starting on 1 January or on 1 July. However, the first time-compartment shall cover the period from 1 June 2021 until 31 December 2021. The last time-compartment activity period shall end on 31 December 2026.

2. The time-compartment shall be constituted by the disbursements made during its active period and the related funding instruments allocated to it. Any disbursement shall be attributed to the time compartment active on the date of that disbursement.

By derogation from the first subparagraph, in case the amount of proceeds of long term funding instruments attributed to the previous time-compartment exceeds the amount of disbursements attributed to that previous compartment in accordance with the first subparagraph, the disbursements shall be allocated to that previous time compartment until the total amount of disbursements of that previous time-compartment reaches the amount of proceeds of the long-term funding instrument attributed to it.

3. Long-term funding instruments other than those referred to in paragraph 4 shall be attributed to the time compartment active at the moment of the conclusion of the NGEU borrowing operation generating them.

By derogation from the first subparagraph:

- (a) funding instruments raised with a view of funding a disbursement in the following time compartment may be attributed to that time compartment;
- (b) in case the amount of disbursements at the end of the active time compartment exceeds the amount of proceeds of long term funding instruments, the long term funding instruments generated from the NGEU borrowing operations concluded after the end of the active period of the time compartment shall be attributed to that time compartment until the amount of proceeds of long term funding instruments reaches the amount of disbursements of that time compartment.

4. Long term funding instruments replacing maturing long term funding instruments shall be attributed to the same time compartment.

Article 4

Liquidity management compartment

1. The liquidity management compartment shall operate until the funds referred to in Article 5(1) of Decision (EU, Euratom) 2020/2053 are fully repaid.
2. The liquidity management compartment shall be constituted by short term funding instruments.

Article 5

Calculation of costs

The costs of funding, costs of liquidity management and costs of service for administrative overheads shall be calculated in accordance with the Annex to this Decision.

SECTION 3

INVOICING

Article 6

Confirmation notice

1. In relation to each disbursement, the Commission shall issue a confirmation notice setting out the terms of the cost claim.
2. The confirmation notice shall determine the terms for payment of the costs of funding and of the principal repayment in relation to each disbursement.
3. The confirmation notice referred to in paragraph 1 shall in particular contain the following elements:
 - (a) the amount of the disbursement;
 - (b) the maturity;
 - (c) the repayment schedule;
 - (d) the attribution of the disbursement to a time compartment;
 - (e) interest period and the indicated payment date of cost of funding.
4. The confirmation notice for loans shall also contain additional elements indicated in the RRF loan agreements.

*Article 7***Invoicing of the costs of funding**

The Commission shall invoice the costs of funding at the end of the interest period referred to in Article 2(4). In relation to disbursements as external assigned revenue under Article 3(1) of Regulation (EU) 2020/2094, the invoices may be grouped per quarter of the calendar year.

*Article 8***Invoicing of the costs of liquidity management**

The Commission shall invoice the costs of liquidity management at the beginning of each calendar year for the costs incurred during the previous calendar year.

*Article 9***Invoicing of the costs of service for administrative overheads**

The Commission shall invoice the Member States who benefit from RRF loans for the cost of service for administrative overheads incurred during the previous calendar year.

SECTION 4

FINAL PROVISIONS*Article 10***Entry into force and application**

This Decision shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 1 June 2021.

Done at Brussels, 2 July 2021.

For the Commission
The President
Ursula VON DER LEYEN

ANNEX

1. Calculation of the cost of funding

The cost of funding shall be calculated in the following steps:

Step 1: Calculation of the daily total costs of an individual funding instrument in a time compartment or in liquidity management compartment

The daily accruals shall be calculated:

$$ACC_{daily} = (notional:100) * coupon * (1:days p.a.)$$

For each funding instrument, the agio/disagio shall be linearly distributed over the lifetime of the instrument:

$$agio/disagio_{daily} = (100 - issuance price) : (maturity date - issuance date)$$

where Issuance price = All-in Price (including bank fees)

For each funding instrument, the daily total costs shall be calculated:

$$CoF_{daily \text{ per instrument}} = ACC_{daily} + agio/disagio_{daily}$$

Step 2: Calculation of the aggregate daily total costs of funding

For each time compartment (TC1-TC11), the daily total costs for the compartment before the levelling of liquidity balances shall be the sum of all daily total costs of each funding instrument attributed to the time compartment:

$$CoF_{dailyTC(x)pre-levelling} = \sum CoF_{daily \text{ per instrument allocated to the TC}(x)}$$

For the liquidity management compartment the daily cost of funding shall be:

$$CoF_{dailyLMCpre-levelling} = \sum CoF_{daily \text{ per instrument allocated to the LMC}}$$

Step 3: Calculation of the daily liquidity balance in the time compartments

The level of daily liquidity balance in a time compartment shall be calculated on daily basis as follows:

$$Liquidity_{dailyTC(x)} = \text{Inflows [Issuance proceeds + Interest}_{loans/grants} + \text{Repayments}_{loans/grants}] - \text{Outflows [Disbursements + Coupons}_{outstanding \text{ debt}} + \text{Debt Redemptions]}$$

Step 4: Calculation of the daily cost of the share of funding instruments as liquidity surplus of a time compartment

The daily costs of funding related to the share of funding instruments of a positive result of step 3 ('liquidity surplus') shall be calculated as follows:

$$CoF_{dailyLiquidity \text{ surplusTC}(surplus)} = CoF_{dailyTC(surplus)pre-levelling} * Liquidity_{dailyTC(surplus)} : TC(surplus)$$

Step 5: Calculation of the cost of funding of a time compartment and cost of liquidity management compartment in case of time compartment with liquidity surplus

The liquidity surplus shall be transferred from the respective time compartment to the liquidity management compartment.

The costs of funding of that time compartment from which the liquidity surplus is transferred shall be calculated as follows:

$$CoF_{dailyTC(surplus)post-levelling} = CoF_{dailyTC(surplus)pre-levelling} - CoF_{dailyLiquidity \text{ surplusTC}(surplus)}$$

The cost of liquidity management compartment receiving the liquidity surplus shall be calculated as follows:

$$CoF_{dailyLMCpost-levelling} = CoF_{dailyLMCpre-levelling} + \sum CoF_{dailyLiquidity \text{ surplusTC}(surplus)}$$

Step 6: Calculation of the cost of funding of the time compartment with liquidity deficit

Negative result of step 3 ('liquidity deficit') in a time compartment shall be levelled with a transfer of liquidity from the liquidity management compartment at its daily costs of funding (Step 5).

$$\text{CoF}_{\text{dailyLiquidity transfer from LMC}} = \text{CoF}_{\text{dailyLMCpost-levelling}} * \text{Transfer amount : LMC}$$

$$\text{CoF}_{\text{dailyTC(deficit)post-levelling}} = \text{CoF}_{\text{dailyTC(deficit)pre-levelling}} + \text{CoF}_{\text{dailyLiquidity transfer from LMC}}$$

Step 7: Calculation of the daily cost of funding of a disbursement

The daily cost of funding of disbursement shall be the daily cost of funding of the time compartment post levelling multiplied by the relative share of the disbursement in relation to the time compartment to which it is allocated.

$$\text{CoF}_{\text{disbursement in TC(x)}} = \text{CoF}_{\text{dailyTC(x)post-levelling}} * \text{outstanding amount of disbursement} : \sum \text{outstanding disbursements in TC(x)}$$

2. Calculation of Cost of Liquidity Management

The costs of liquidity management (LIQM) shall be calculated per quarter of the calendar year as follows:

$$\text{LIQM}_{\text{quarter}} = \sum \text{CoF}_{\text{dailyLMCpost-levelling over the quarter}} - \text{RoI of liquidity holdings}_{\text{quarter}}$$

By derogation from the first subparagraph, the costs of liquidity management over the period from 1 June 2021 to 31 December 2021 shall be calculated for that entire period as follows:

$$\text{LIQM}_{2021} = \sum \text{CoF}_{\text{dailyLMCpost-levelling 2021}} - \text{RoI of liquidity holdings}_{2021}$$

The LIQM per quarter shall be attributed to each disbursement as follows:

$$\text{LIQM of disbursement} =$$

$$\text{LIQM}_{\text{quarter}} *$$

$$\text{outstanding disbursement}_{\text{end of quarter}} : \sum \text{outstanding disbursements}_{\text{end of quarter}}$$

3. Calculation of Cost of Service for administrative overheads

The costs of service for administrative overheads shall comprise recurring administrative costs and set-up costs for RRF loans.

3.1. Calculation of recurring administrative costs

Recurring administrative costs shall comprise any costs incurred by the Commission in the execution of the NGEU borrowing and debt management operations, comprised of the following type:

- (a) legal fees, including fees incurred for legal opinions;
- (b) account management recurring costs;
- (c) costs for external audit;
- (d) auction platform maintenance fees;
- (e) rating agency fees;
- (f) fees for listing, taxes, registration, publication and settlement;
- (g) fees for information-technology;
- (h) expenses related to market research.

To the extent that such costs are common to NGEU borrowing operations implemented for other financial assistance programmes, the costs included in the calculation shall be calculated as the pro rata share attributed to NGEU borrowing operations and NGEU debt management operations in the relevant calendar year. Such costs shall not be due in respect of RRF loans for the year 2021.

Recurring administrative costs shall be calculated as follows:

$$\text{annual recurring administrative costs}_{\text{total}} = \sum \text{recurring administrative cost items for calendar year}$$

Recurring administrative costs shall be allocated as follows:

$$\text{annual recurring administrative costs}_{\text{per beneficiary}} = \text{annual recurring administrative costs}_{\text{total}} *$$

$$\sum \text{disbursement outstanding towards beneficiary}_{\text{end of year}} : \sum \text{outstanding disbursements}_{\text{end of year}}$$

3.2. Calculation and allocation of set-up costs

The set-up costs shall comprise any costs incurred by the Commission in conducting NGEU borrowing operations and debt management operations or as technical assistance in relation to those operations, including the cost related to:

- (a) the establishment of NGEU accounts;
- (b) the establishment of an auction platform;
- (c) the establishment of an investor management tool;
- (d) other information-technology costs;
- (e) market research;
- (f) consulting fees.

The set-up costs per beneficiary of RRF loans shall be calculated in the following steps:

- (i) The set-up costs for RRF loans shall be calculated as follows:

$$\text{set-up costs}_{\text{for RRF loans}} = 48\% * \sum \text{set-up cost items}$$

- (ii) The set-up costs for RRF loans shall be allocated for the years 2021, 2022 and 2023 to each Member State having signed an RRF loan agreement, on the year of its signature, as follows:

$$\text{set-up costs}_{\text{per RRF loan signed}} = \text{set-up costs}_{\text{for RRF loans}} *$$

amount of loan signed per Member State_{end of year} : total maximum amount of RRF loans available for all Member States

- (iii) As of 1 January 2024, any unallocated set-up costs shall be calculated as follows:

$$\text{unallocated set-up cost for RRF loans} = \text{set-up costs}_{\text{for RRF loans}} - \sum \text{allocated set-up cost items to RRF loans}_{\text{in 2021, 2022 and 2023}}$$

They shall be allocated as additional set-up costs to disbursements to Member States under RRF loan agreement as follows:

$$\text{additional set-up costs}_{\text{per beneficiary}} = \text{unallocated set-up cost for RRF loans}_{\text{end 2023}} *$$

$$\sum \text{amounts of loan signed per beneficiary}_{\text{end 2023}} : \text{total amount of loans under signed RRF loan agreements}_{\text{end 2023}}$$

3.3. Calculation of Cost of Service per beneficiary

$$\text{ADMIN CoS}_{\text{Annual}} = \sum \text{Recurring administrative cost items} + \sum \text{Set-up administrative cost items}$$

4. Glossary of acronyms

ACC _{daily}	Accrued interest costs each funding instrument broken down by day
ADMIN CoS _{Annual}	sum of administrative costs during the calendar year
agio/disagio _{daily}	agio or disagio based on the all-in issuance price broken down by day

Beneficiary	Member States receiving disbursement for RRF loans and the Union's budget receiving disbursement as external assigned revenue under Article 3(1) of Regulation (EU) 2020/2094
CoF of an individual claim in TC(x)	CoF of a claim in time compartment X
CoF _{daily} per instrument	CoF per day per funding instrument
CoF _{dailyLMC} post-levelling	CoF per day for the LMC after the levelling
CoF _{dailyLMC} pre-levelling	CoF per day for the LMC before the levelling
CoF _{dailyTC} (deficit)post-levelling	CoF per day after the levelling for the compartments with an initial liquidity deficit
CoF _{dailyTC} (surplus)post-levelling	CoF per day after the levelling for the compartments with an initial liquidity surplus
CoF _{dailyTC} (x)pre-levelling	CoF per day before the levelling of compartment X
CoF _{dailyLiquidity surplusTC} (surplus)	CoF per day related to the liquidity surplus in the time compartment
CoF _{dailyLiquidity transfer from LMC}	CoF per day related to the liquidity that is transferred to the LMC
Coupon	Interests paid by the issuer on the bond
Liquidity _{TC} (x)	Amount of liquidity in the time compartment X
LMC	Liquidity management compartment
LIQM _{quarter}	Costs of the liquidity management over a quarter
notional	Nominal amount
RoI of liquidity holdings _{quarter}	Return on investment of the liquidity holdings over a quarter
TC(x)	Total sum of claims and liquidity of time compartment X