

From financial and monetary innovation to Economic and Monetary Union: the European Investment Bank in the Luxembourg ecosystem

Set up by the 1957 Treaty of Rome establishing the European Economic Community (EEC), the European Investment Bank (EIB) was designed to serve as a bank for the Community's regional policy, with the aim of contributing to the growth of the Common Market, boosting socio-economic cohesion and strengthening development cooperation by funding non-profit investments for priority Community projects. Following the merger of the Community executive bodies in 1965, with Luxembourg becoming the European capital for the Community's legal and financial institutions, the EIB relocated to Luxembourg in 1968 and gradually developed into a magnet for international finance and a key player in the country's financial centre, with which it would go on to develop long-term synergies.

In cooperation with Luxembourg-based banking syndicates (already well known on the Euromarket), the EIB issued bonds denominated in the European Unit of Account (EUA) in the 1960s, in the European Composite Unit (EURCO) in the 1970s and in the European Currency Unit (ECU) in the 1980s – for which the Luxembourg Stock Exchange (LuxSE) served as a hub – , as well as granting credits and funding for a variety of transactions in these units. This promoted the development of a specific financial market in Luxembourg, which also proved to be a laboratory for the euro. By means of a **loan** launched in 1996, the EIB became the first financial operator to directly support the 1:1 parity between the ECU and the euro, thereby setting an important precedent for other borrowers and bolstering the confidence of financial markets in the future single currency. It also introduced a strategy of euro-tributary issues, an initiative which enabled issues in various national currencies to be converted into euros and all redenominated issues to be subsequently consolidated into a single euro issue.

Drawing on archives and oral history sources, this paper aims to illustrate the political and regulatory context surrounding the EIB's relocation to Luxembourg, exploring how the EIB became an integral part of the Luxembourg financial ecosystem and how its main stakeholders (banks, LuxSE, other institutions, regulatory authorities, people, networks, etc.) worked together to encourage financial and monetary innovation before the introduction of the European single currency (EUA, EURCO, ECU) and to pave the way for the establishment and consolidation of the euro. Particular attention will be paid to the benefits (and potential pitfalls) of this synergy over the long term for the EIB's partners and how it equipped them to deal with the financial crisis.

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