



**“XIII OECD Global Forum on Public Debt Management and
Emerging Government Securities Markets”
Roma, ITALY
November 27-28, 2003**

On November 27-28, 2003, for the second consecutive year, the Italian Public Debt Directorate of the Ministry of the Economy and Finance hosted, within the collaboration to the activities of the OECD Working Party on Public Debt Management, the XIII edition of the “*Global Forum on Public Debt Management and Emerging Government Securities Markets*”.

This annual Forum is traditionally tailored to respond to informative needs of emerging and transition countries debt managers. However, from the previous editions’ experience, the Forum has proved to be of wide interest even for advanced countries, as to further enhance the quality and the role of their debt management policies.

The Forum was held under the aegis of the newly constituted *OECD/Italian Treasury Multilateral Network on Public Debt Management*. Around 90 participants were present at the Forum, including debt managers from more than 30 countries, as well as supranational, international institutions representatives and market practitioners.

The two sessions (four panels) of the Forum covered the following issues:

Session I

“Challenges and prospects of European Debt Markets related to the EU enlargement”

This session was examined via two panels: a) “*European Public Debt Markets in an enlarged EU*”, and b) “*The role of Repo markets for the development of government bond secondary markets of new EU members and other emerging markets*”. The main aim of the session was to go through the near-term implications of EU enlargements for accession countries from a debt management perspective.

During the first panel ([European Public Debt Markets in an enlarged EU](#)) public debt policies pursued by the new EU members, as well as the consequences of the enlargement for the current EU members and non-EU countries was extensively analyzed. The different presentations covered various angles and aspects of the challenges and prospects of European public debt markets related to the EU enlargement. The various problems addressed, as well as the considerations and strategies discussed showed how significantly euro area debt policies, instruments and techniques are rapidly converging, resulting in a potential growth of the size of the euro area government bond market. However, from the current EU members perspective, despite the closer integration among financial European markets and the elimination of the currency risk – for those who adopted the Euro- still a truly pan-European government benchmark yield curve does not exist. Credit risk differences and other factors are still an issue. For debt managers of small countries, on the other side, entering the euro area has proved to be beneficial where some important adjustment to their issuance policy have been assessed. For accession countries the convergence process of debt policies, techniques and instruments could effectively provide some useful guidelines for restructuring and revising their public debt management framework as well as their funding strategies, selling techniques, sizes of the issuance, modalities of risk management and structures of their trading systems. To the extent these reforms are carried out, borrowing conditions will definitely change by entering the euro area, as the increased competition for capital, the convergence of interest rates and the lower volatility would sensibly affect their debt servicing costs.

As foreign investors play a significant role in affecting debt managers’ strategies, a brief overview was given of who these investors are and their motivations for buying transition countries’ government debt.

Presentations and discussions were held by the OECD, the Swedish National Debt Office, the Portuguese Government Debt Agency, Citigroup, the Hungarian Government Debt Agency and the Finland State Treasury.

The second panel ([The role of repo markets for the development of secondary government bond markets of new EU members and other emerging markets](#)), dedicated to the role of the *repo* markets for debt management purposes in the new EU countries and in the emerging markets more in general, pointed out how crucial is the introduction - or the further development - of these markets for the liquidity of government securities. After giving useful insights about the general characteristics of the European *repo* markets, including the main regulatory and operational features, the legal standards in use on the international financial markets, as well as primary dealers’ practices, the panel focused on various policy aspects such as the use of the *repo* market for the ECB monetary policy operations – and the necessity of

these being carried out keeping separate public debt management and monetary policy -, the types of repo contracts more frequently in use in Europe - and the related advantages for debt issuers, primary dealers, end investors, money market treasurers, and central banks -, the role of central banks for their development and the controversial impact in boosting the liquidity of the public debt market of emerging countries that have recently introduced repo transactions.

Presentations and discussions were held by ECB, UK DMO, Bank of Spain, JP Morgan Chase, Moscow Interbank Currency Exchange, Bank of Latvia, National Bank of Slovakia.

Session II

“The launch of the OECD-Italian Treasury Multilateral Public Debt Management Network”

This session was the occasion to informally launch the new Multilateral Network on Public Debt Management, a new entity born from the initiative and the joint collaboration of the OECD and the Italian Treasury, intended to provide, especially to debt managers from emerging countries, with a permanent technical centre for the diffusion of debt management techniques, experiences and information, with the aim of further improving the quality and the effectiveness of debt management practices and strategies, while reducing the vulnerability of emerging countries to external financial shocks or debt crisis contagion. The Network, the main external evidence of which will be a Network dedicated Website to be released in 2004, has officially started its activity with the organization of this second session, addressing topics of interest for transition and emerging economies’ debt managers.

The two panels (panels n. 3 and 4) covered the following issues: a) *“The efficiency of governments bonds issuance methods”* and b) *“Innovations in the fixed-income sector and their use for the design of government debt instruments in emerging markets”*.

The third panel ([The efficiency of government bonds issuance methods](#)) reviewed theoretical insights and empirical findings on the state-of-the-art of the various government securities issuing procedures (auctions, syndications, non-competitive taps and so on), by examining advantages and disadvantages experienced by several OECD and emerging countries. Taking into account different institutional frameworks for the primary market, such as those characterized by the existence of an effective primary dealership system and those that are not, presentations and discussions highlighted the role of auctions as efficient channels for the placement of public debt instruments, both in advanced and emerging countries; syndications, on the other hand, as well other issuing procedures, are nonetheless valuable complementary channels for launching new debt instruments and reaching new markets, or when sufficient information on market demand for a given instrument is not available. The panel even focused on the consequences in terms of cost savings (for the issuer) of different types of auctions for issuing different types of securities in advanced countries. Moreover the choice of different selling techniques for an emerging country facing different levels of competition – number of bidders – on the primary market was deeply examined.

Presentations and discussions were held by the Italian Public Debt Directorate, the Polish Public Debt Directorate, the Moscow Interbank Currency Exchange, the Chinese Ministry of Finance and Philippines Bureau of the Treasury.

The fourth panel ([Innovations in the fixed-income sector and their use for the design of government debt instruments in emerging markets](#)) of the session focused on the usefulness of new debt instruments for public debt management in emerging markets. The last decade saw several innovative instruments in the fixed-income markets introduced by corporations and some supra-national institutions. These new instruments allow debt managers to better meet their borrowing needs and/or provide a better fit with the characteristics of their asset side, on the basis of an ALM approach. In the presentations and discussions some of these debt instruments were examined such as securities linked to different price indexes, GDP-linked bonds, callable bonds, step-up bonds, catastrophe bonds and other structured products. Pros and cons were discussed. A specific presentation on the funding policy by the EIB was held in order to give an overview of the strategic character of several innovative transactions pursued by this issuer in recent years. Some market participants pointed out the importance of introducing new instruments by sovereign and supras as a result of the competitive pressure in the interest rate markets that requires them to focus on investors diversification. However the necessity to better assess the potential impact of different issuance alternatives on the liability management was underlined. Several issuers analyzed more specifically the GDP-linked bond, by highlighting its anti-cycling effects and its potential contribution to portfolio diversification but also its drawbacks in terms of product design and pricing difficulties as well as the lack of international standardization, so far.

Presentations and discussion were held by EIB Capital Markets Department, Deutsche Bank Capital Markets Group, Israel Ministry of Finance and French Treasury Agency.

At the end of the Workshop, the Secretariat of the OECD Working Party on Debt Management and the Italian Treasury received appreciations from participants for the organization and quality of the discussion, the preparation of documents and the arrangement of the whole event.

All the Forum presentations and papers are freely downloadable from the OECD Financial Markets, Insurance and Pension Department Web site (www.oecd.org/daf/fin), by first clicking on “Public Debt Management” section on the left hand column, and then “Events” on the opening page.

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Forum Agenda

All sessions are chaired by Mr. Ove Sten Jensen,
Chairman of the OECD Working Party on Public Debt Management

**DAY 1: November 27, Thursday
Morning**

First session

***"Challenges and prospects of European Public Debt Markets
related to the EU enlargement"***

Panel I:

European Public Debt Markets in an enlarged EU

- **Hans Blommestein** (Head of Emerging Financial Markets Programme, OECD),
"Overview of implications of convergence in Euro area government debt markets".
- **Lars Boman**, (Deputy Head of Portfolio Management, Swedish National Debt Office),
"Key issues in reshaping the public debt management framework of the new EU members".
- **Fernando Coelho**, (Head of Issuing and Markets Unit IGCP - Portuguese Government Debt Agency),
"The Portuguese experience in developing a more liquid, efficient and transparent secondary market"
- **Philip Brown**, (Managing Director debt capital market, CitiGroup),
"Issuance strategy alternatives for EU Accession: an international perspective".

Lead discussants : **András Réz** (Government Debt Agency, Hungary),
Anna von Knorring, (Senior Financial Advisor, State Treasury, Finland)

**DAY 1: November 27, Thursday
Afternoon**

Panel II:

**The role of repo markets for the development of secondary
government bond markets of new EU members and other emerging
markets**

- **Denis Blenck** (Head of the Operations Analysis Division , Directorate General Operations of the ECB):
"The repo market, the public debt management and the implementation of the ECB/Eurosystem monetary policy"
 - **Martin Dufnell** (UK DMO):
"Exploring the benefits of a well-functioning repo market".
 - **Jose Ramon Martinez** (Director, Bank of Spain):
"European repo markets:a necessarily and temporarily diverse "ecosystem"?"
 - **Stefano Bellani** (European Head of Repo & Short Bonds Market Making, JPMorgan-Chase):
"The Repo Market in Europe: a Market Maker point of view".
 - **Eddie Astatin** (Head of Government Securities Market Department, Moscow Interbank Currency Exchange -- MICEX):
"Repo and the Government Bond Market in Russia".
- Lead discussants: **Eriks Abolins** (Bank of Latvia)
 Juraj Janosik (National Bank of Slovakia).

DAY 2: November 28, Friday
Morning

Second session
"The launch of the OECD/Italian Treasury
Multilateral Public Debt Management Network"

- Brief presentation on the state-of-play of the new Network.

Panel III:
The efficiency of government bonds issuance methods

- **Stefano Scalera** (Head of Domestic Funding, Italian Treasury):
"Government bond issuance techniques: an overview based on the Italian experience"
- **A. Kaminski** (Director public debt, Ministry of Finance, Poland):
"Challenges for setting-up bond-issuance procedures in emerging primary markets"
- **Boris Alekhin** (Adviser to the Moscow Interbank Currency Exchange -- MICEX):
"Russia's Issuance Policy: Still Much Work to Do".

Lead discussants: **Tong Zhang** (Director General Public Debt, Ministry of Finance, Beijing, China)
 Sergio Edeza (Treasurer, Bureau of the Treasury, Manila, Philippines)

**DAY 2: November 28, Friday
Afternoon**

Panel IV:

Innovations in the fixed-income sector and their use for the design of government debt instruments in emerging markets

- **Nicola Mercusa and Aldo Romani** (Capital Markets Department, EIB):
"Innovation and Debt Management in European Perspective"
- **Chris Clegg** (Director of Debt Capital Markets Group, Deutsche Bank):
"Developments in Issuance by European Sovereigns and Supras"
- **Adi Rivlin/Adi Shahaf** (Ministry of Finance, Israel):
"Developments of Index-linked instruments"

Lead discussant: **Edouard Pinot** (Co-head of market operations, French Treasury Agency)

Final session with concluding remarks