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Number 4/ July - August 2018
ISSN 2239-2033

This bimonthly newsletter lists all papers, reports, courses and other events concerning public debt management recently uploaded by the PDM Network Secretariat in the site **www.publicdebtnet.org**. The documents which the PDM Network Secretariat have found most interesting are highlighted with a grey background.

The PDM Network Newsletter is published on January, March, May, July, September and November.

The PDM Network Secretariat welcomes cooperation on information published on the website. Please feel free to **suggest any documents, news and events** that you think are relevant to the management of public debt at the following email address: **publicdebtnet.dt@tesoro.it**.

Contents

Special Focus

Joint World Bank-IMF Debt Sustainability Framework for Low-Income Countries (2018)
IMF and World Bank
Low-income countries (LICs) have often struggled with large external debts. The IMF and the World Bank have developed a framework to help guide countries and donors in mobilizing the financing of LICs' development needs, while reducing the chances of an excessive build-up of debt in the future. The Debt Sustainability Framework (DSF) was introduced in April 2005 and is periodically reviewed. The current framework was approved by IMF and World Bank Executive Boards in September 2017 and has been implemented since July 2018. Read more **TAGS:** Debt Policy; Debt sustainability; Foreign Debt; Multilateral financing; World Bank

To Shorten or to Lengthen? Public Debt Management in the Low-Interest Rate Environment
Alessandro Maravalle and Łukasz Rawdanowicz - OECD Economics Department
With still large government debt and interest payments in many OECD countries, actively adjusting debt maturity can help to minimise debt servicing costs. Temporarily lengthening the maturity of new

debt issuance may lower debt servicing costs in the longer term and reduce rollover risks if interest rates increase gradually over a prolonged period and to a high level. However, if market interest rates increase fast and stay high, shortening debt maturity would be financially more beneficial though at the cost of higher rollover risks. Illustrative scenarios considered in this paper show that adjusting debt maturity may take several years before producing fiscal savings. They are likely to be moderate at best for most G7 countries, ranging from less than 0.1% to ⅓ per cent of GDP per year on average, with the exception of Italy where they could be significantly higher. In countries where debt maturity management has small fiscal effects, lengthening the debt maturity may still be pursued to reduce rollover risks. **Read more** **TAGS:** **Debt Policy**; **Sovereign bonds yields**; **Sovereign risk premia; OECD**

Strengthening public debt transparency: the role of the IMF and the World Bank - G20 note

G20, IMF and World Bank

Accurate and comprehensive debt data are a corner stone in sound borrowing and lending practices. Policy makers in debtor countries require this information to make informed and appropriate borrowing decisions, in order to safeguard debt sustainability and macroeconomic stability. Creditors, donors, analysts, and rating agencies, require it to make accurate assessment of sovereign financing needs and creditworthiness, and to appropriately price debt instruments. **Read more** **TAGS:** **Transparency**; **Accounting, statistics, Reporting and Auditing**; **Debt Policy**; **Debt Statistics**; **Debt sustainability**; **World Bank**

Documents

Cost and Risk

Risk Framework Analysis in the Management of Sovereign Debt: The Argentine Case **(2018)**

Emiliano Delfau – UCEMA

The main objective of this paper is to develop a practical approach to Argentina's sovereign risk management. Through Contingent Claim Analysis (CCA), Gape, Gray, Lim and Xiao (2008) developed a sovereign risk framework whereby they can construct a marked to market sovereign balance sheet and obtain a set of credit risk indicators that can help policy-makers: set thresholds for foreign reserves, design risk mitigation strategies and select best policy options. The main contribution is that instead of using a conventional index such as GBI-EM in order to estimate the volatility of domestic currency liabilities, the authors use 24 sovereign domestic currency bonds to construct an interest rate covariance matrix. That is, an interest rate sensitive sovereign portfolio, whose risk factor variations are represented by a vector of the portfolio PV01 (present value of a basis point change) with respect to each interest rate of the zero-coupon yield curve. Since zero-coupon rates are rarely directly observable, the authors must estimate them from market data. In this paper the authors implemented a widely-used parametric term structure estimation method called Nelson and Siegel. For Argentina the authors generated two yield curves, i.e., sets of fixed maturity interest rates determined by Badlar and CER. **TAGS:** **Cost and Risk**; **Debt sustainability**

Secondary Markets

OTC Intermediaries **(2018)**

Andrea L. Eisfeldt, Bernard Herskovic, Sriram Rajan, Emil Siriwardane - University of California, Office of Financial Research, Harvard University

Over-the-counter (OTC) markets for financial assets are dominated by a relatively small number of core intermediaries and a large number of peripheral customers. In this paper, the authors develop a model of trade in a core-periphery network and estimate its key structural parameters using proprietary credit default swap data from the Depository Trust & Clearing Corporation (DTCC). Using their calibrated model, the authors provide quantitative estimates of: (1) the effect of network frictions on the level of OTC derivatives prices; (2) the key determinants of cross sectional dispersion in bilateral prices; and (3) how prices and risk-sharing change in response to the failure of a dealer. **TAGS: Financial Analysis; Sovereign debt market; Institutional Investors; Sovereign CDS; Derivatives**

Repo market functioning: the role of capital regulation (2018)

Antonis Kotidis and Neeltje van Horen - University of Bonn, Bank of England

This paper shows that the leverage ratio affects repo intermediation for banks and non-bank financial institutions. The authors exploit a novel regulatory change in the UK to identify an exogenous intensification of the leverage ratio and combine this with supervisory transaction-level data capturing the near-universe of gilt repo trading. Studying adjustments at the dealer-client level and controlling for demand and confounding factors, the authors find that dealers subject to a more binding leverage ratio reduced liquidity in the repo market. This affected their small but not their large clients. The authors further document a reduction in frequency of transactions and a worsening of repo pricing, but no adjustment in haircuts or maturities. Finally, they find evidence of market resilience, based on existing, rather than new repo relationships, with foreign, non-constrained dealers stepping in. Overall, their findings help shed light on the impact of Basel III capital regulation on repo markets. **TAGS: Repo market; Market Liquidity; International and Macroprudential Regulations; Institutional Investors**

Local Currency Bond Risk Premia: A Panel Evidence on Emerging Markets (2018)

Oguzhan Cepni, Ibrahim Guney - Government of the Republic of Turkey

This paper investigates the source of variation in emerging market (EM) local currency bond risk premium by employing panel fixed effects regression model. Moreover, the authors use the methodology of dynamic factor model for large datasets to investigate the possible linkages between excess bond return and economic activity. The authors provide evidence that macroeconomic and financial variables contain valuable information in explaining local currency bond excess returns. Additionally, the authors extend their analysis with a panel threshold estimation to investigate how the influence of different factors may vary in different states of the markets depending on the level of global risk appetite. The results show that investors pay more attention to changes in macroeconomic fundamentals when the global risk aversion is high. Also, the influence of exchange rate volatility is more pronounced during the time of market stress. On the other hand, positive credit rating changes decrease the country risk premium which results in lower bond risk premium in tranquil times. Overall, these findings imply that global investors view the local currency debt market as a separate asset class and explore potential diversification benefit from investing in emerging markets by differentiating meaningfully in terms of macroeconomic and financial fundamentals. **TAGS: Sovereign debt market**; **Sovereign risk premia**

Australian Government Bonds' Nominal Yields: An Empirical Analysis (2018)

Tanweer Akram and Anupam Das - Thrivent Financial, Mount Royal University

The short-term interest rate is the main driver of the Commonwealth of Australia government bonds' nominal yields. This paper empirically models the dynamics of government bonds' nominal yields using the autoregressive distributed lag (ARDL) approach. Keynes held that the central bank exerts decisive influence on government bond yields because the central bank's policy rate and other monetary policy actions determine the short-term interest rate, which in turn affects long-term government bonds' nominal yields. The models estimated here show that Keynes's conjecture applies in the case of Australian government bonds' nominal yields. Furthermore, the effect of the budget balance ratio on government bond yields is small but statistically significant. However, there is no statistically discernible effect of the debt ratio on government bond yields. **TAGS: Sovereign bonds yields**; **Debt and fiscal/monetary policies**; **Primary market**

Central Bank-driven mispricing (2018)

Loriana Pelizzon, Marti G. Subrahmanyam, Davide Tomio, Jun Uno - Goethe University Frankfurt, New York University, Darden School of Business, Waseda University

The authors show that bond purchases undertaken in the context of quantitative easing efforts by the European Central Bank created a large mispricing between the market for German and Italian government bonds and their respective futures contracts. On top of the direct effect the buying pressure exerted on bond prices, they show three indirect effects through which the scarcity of bonds, resulting from the asset purchases, drove a wedge between the futures contracts and the underlying bonds: the deterioration of bond market liquidity, the increased bond specialness on the repurchase agreement market, and the greater uncertainty about bond availability as collateral. **TAGS: Financial Analysis**; **Sovereign risk premia; Repo market**

Subnational Debt

Modeling Fiscal Sustainability in Dynamic Macro-Panels with Heterogeneous Effects: Evidence from German Federal States (2018)

Lars P. Feld, Ekkehard A. Köhler, Julia Wolfinger - University Freiburg

In this paper, the authors extend Henning Bohn's (2008) fiscal sustainability test by allowing for slope heterogeneity and cross-sectional dependence (CD). In particular, their econometric approach is the first that allows fiscal reaction functions (FRF) to capture unobserved heterogeneous effects from business and fiscal policy cycles. The authors apply this econometric approach to sub-national public finance data of the German Laender between 1950 and 2015 and find that their fiscal policy only partly meets fiscal sustainability criteria. According to their results, politicians have significantly reacted to increasing debt levels by increasing budget surpluses since 1991. However, time-series evidence for longer periods does not indicate a significant and positive reaction to increasing debt levels in the West German Laender panel. **TAGS: Subnational debt**; **Debt sustainability**; **Debt and fiscal/monetary policies**

Financial Analysis

The Shift from Active to Passive Investing: Potential Risks to Financial Stability? (2018)

Kenechukwu Anadu, Mathias Kruttli, Patrick McCabe, Emilio Osambela, and Chae Hee Shin - US Federal Reserve System

The past couple of decades have seen a significant shift in assets from active to passive investment strategies. The authors examine the potential effects of this shift on financial stability through four different channels: (1) effects on investment funds' liquidity transformation and redemption risks; (2) passive strategies that amplify market volatility; (3) increases in asset-management industry concentration; and (4) the effects on valuations, volatility, and comovement of assets that are included in indexes. Overall, the shift from active to passive investment strategies appears to be increasing some types of risk while diminishing others: The shift has probably reduced liquidity transformation risks, although some passive strategies amplify market volatility, and passive-fund growth is increasing asset-management industry concentration. The authors find mixed evidence that passive investing is contributing to the comovement of assets. Finally, the authors use their framework to assess how financial stability risks are likely to evolve if the shift to passive investing continues, noting that some of the repercussions of passive investing ultimately may slow its growth. **TAGS: Financial Analysis; Financial stability; Institutional Investors**

Sovereign Risk Zones in Europe During and After the Debt Crisis (2018)

Veni Arakelian, Petros Dellaportas, Roberto Savona, Marika Vezzoli - Panteion University of Athens, Athens University of Economics and Business, University of Brescia

The authors employ a machine learning approach to build a European sovereign risk stratification using macroeconomic fundamentals and contagion measures, proxied by copula-based credit default swap (CDS) dependencies over the period 2008-2017, for France, Germany, Greece, Ireland, Italy, Portugal, and Spain. By adopting a recursive partitioning strategy the authors detect specific risk zones varying from safe to high risk based on key predictors, and they construct their specification by assigning specific risk thresholds. While key macroeconomic fundamentals such as Debt/GDP and the unemployment rate remained the same and maintained the same risk thresholds during (2008-2013) and after (2013-2017) the crisis, the CDS spreads contagion dropped significantly over the post-crisis years, lowering the corresponding risk thresholds. The authors estimate an impact on CDS spreads approximately of -150 basis points in the period 2013-2017 due to contagion mitigation. **TAGS: Financial Analysis; Sovereign CDS; Sovereign risk premia**

Government Debt Expansion and Stock Returns (2018)

Tomasz Piotr Wisniewski, P.M. Jackson - Open University, University of Leicester

Using an international dataset, this paper documents a negative association between increases in the central government debt-to-GDP ratio and dollar-denominated stock index returns. Depending on the estimation method, raising the debt ratio by one percentage point diminishes the stock returns by between 39 to 95 basis points. The authors show that this result cannot be explained by changes in the investment risk. Instead, government debt issuance exerts upward pressure on private interest rates and appears to signal a greater tax burden in the future. These two factors coincide to produce a fall in stock market prices. **TAGS:** **Financial Analysis**; **Debt sustainability**

Growth-indexed Bonds and Debt Distribution: Theoretical Benefits and Practical Limits **(2018)**

Julien Acalin - Johns Hopkins University

Sovereign state-contingent bonds, in particular growth-indexed bonds (GIBs), have rarely been issued in practice despite their theoretical benefits. This paper provides support for this apparent sovereign non-contingency puzzle by deriving the impact of GIBs on the upper tail of the distribution of the public debt-to-GDP ratio. Although this impact varies importantly across countries and indexation formulas, empirical estimates show there is almost no reduction in the upper tail of the distribution under the realistic assumption that GIBs only represent 20 percent of the stock of debt. Moreover, a sustained premium of 100 basis points would actually increase the upper tail of the distribution for most countries. **TAGS:** **Financial Analysis**; **Primary market; Bond market development**

Securities financing and Bond Market liquidity **(2018)**

Jean-Sébastien Fontaine, Corey Garriott and Kyle Gray - Bank of Canada

Securities-financing transactions, including repurchase agreements and securities-lending agreements, are essential to market liquidity. They enable dealers to borrow and reuse securities efficiently or to fund purchases of securities. The importance of the securities-financing market for bonds is growing in Canada. Monthly trading volume in the 5-year benchmark Government of Canada bond increased from 5 times its quantity outstanding in 2010 to over 10 times that amount in 2015. The nature of the link between the securities-financing market and bond market liquidity is likely changing as a result of financial sector reforms and the low interest rate environment. The Bank of Canada plays a role in supporting securities financing and will continue to monitor how the market for securities financing is supporting the resilience of the financial system and how this market is adapting to new conditions. **TAGS:** **Market Liquidity**; **Sovereign debt market**; **Repo market**

The demand for Central Clearing: to clear or not to clear, that is the question **(2018)**

Mario Bellia, Roberto Panzica, Loriana Pellizon, Tuomas A. Peltonen - Goethe University Frankfurt, ECB

Focusing on contracts that are eligible for clearing, authors investigate the factors that drive clearing members' decision to clear. First, the authors find that both capital costs and margin costs are relevant for the decision to clear, with some differences among the three sovereign CDS contracts. For the Italian sovereign CDS, the counterparty credit risk exposure is more relevant than the margin costs in the decision to clear, while for the German sovereign CDS contracts margin costs are the most important. Instead, for the French sovereign CDS contract it is difficult to disentangle which of the two main drivers prevails. Second, they find that when a net seller of a specific sovereign CDS buys an additional contract, its propensity to clear increases. This finding is robust across reference entities, indicating that portfolio positions with the CCP also matter on the decision to clear the single contracts. Finally, they find that the counterparty credit risk alone is an important incentive to clear a contract, as this factor is significant for all analyzed reference entities. Their study has several potential policy implications. First, it shows that the indirect clearing of nonclearing members, independently whether they are subject to capital requirements, is very low. Thus, regulators should further investigate reasons for this, and better understand the cost factors and other potential obstacles for client clearing. Second, results show that factors impacting the incentives for central clearing are not the same for all analyzed CDS reference entities. Finally, analysis shows that the decision to clear is also related to net exposure with the CCP, in addition to the characteristics of the contract and the counterparty credit risk. **TAGS:** **Financial Analysis**; **Derivatives**; **Sovereign CDS**

Networks in Risk Spillovers: a multivariate GARCH perspective **(2018)**

Monica Billio, Massimiliano Caporin, Lorenzo Frattarolo, Loriana Pellizon - Ca Foscari University of Venice, University of Padua, Goethe University Frankfurt

The authors propose a spatiotemporal approach for modeling risk spillovers using time-varying proximity matrices based on observable financial networks and introduce a new bilateral specification. They study covariance stationarity and identification of the model, and analyze consistency and asymptotic normality of the quasi-maximum-likelihood estimator. They show how to isolate risk channels and discuss how to compute target exposure able to reduce system variance. An empirical analysis on Euro-area cross-country holdings shows that Italy and Ireland are key players in spreading risk, France and Portugal are the major risk receivers, and the authors uncover Spain's non-trivial role as risk middleman. **TAGS:** **Financial Analysis**

Debt Crisis

The Monetary and Fiscal History of Mexico: 1960-2016 **(2018)**

Felipe Meza - Instituto Tecnológico Autónomo de México (ITAM)

The objective of this paper is to analyze the monetary and fiscal history of Mexico using a model of the consolidated budget constraint of the Mexican government as the framework. The author assumes a small open economy in which the government exports oil. He studies the period 1960-2016. The author evaluates the ability of the model to explain the crises of 1982 and 1994, and while the model can explain the 1982 debt crisis, it cannot explain the 1994 crisis. A constitutional change in the relationship between the federal government and Banco de México, and policy choices made in the aftermath of the 1994 crisis, are consistent with a transition from fiscal dominance to an independent Central Bank. Inflation fell persistently after 1995, reaching values of 3% per year in mid-2016. That number is the target of the Central Bank. After a long transition following the 1982 crisis, Mexico succeeded in controlling inflation. The author discusses forces that reduced inflation over time: a long sequence of primary surpluses, the constitutional change that gave independence and a goal to the Central Bank, and the current inflation targeting regime. On the fiscal side, he observes a change in the downward trend of the total debt-to-GDP ratio, as it fell from the 1980s to 2009, the year in which it started growing persistently until 2016. **TAGS:** **Debt crisis**; **Debt and fiscal/monetary policies**; **Debt sustainability**

Documentation, Settlement and Bookkeping

[Study on public debt management systems and results of a survey on solutions used by debt management offices](#) (2018)
Aslan Cigdem, Ajazaj Artan, Wahidh Shurufa Abdul - World Bank
A debt management system is the backbone of any sovereign debt management office. A robust, well-functioning and user-friendly system allows governments to strengthen their debt management environment. This study aims to contribute to the literature on (i) the essential requirements of a debt management system, (ii) the selection criteria for software that fits the system modernization and integration needs of a debt management office, and (iii) how the solutions currently used by governments meet those requirements. It also contains the results of a survey that shows the current landscape of solutions used by a sample of debt management offices from 31 countries. The target audience is emerging and developing countries that seek to strengthen the information technology platform they use for debt management. The study concludes that it is fundamental for a debt management system to meet the debt management office's evolving needs, while at the same time differentiating among functions and coverage that are mandatory, relevant, and desirable. This differentiation provides a helpful guide for debt managers deciding between building a tailored debt management system from scratch or purchasing an off-the-shelf system. The survey results suggest that current systems can handle the critical functions and instruments of debt management offices. However, if the nature of respondents' debt portfolios evolves over time, system limitations may present challenges. One clear takeaway is that debt managers should consider the ability of their debt management system to interact with external (for example, financial management information system) information technology platforms as an essential characteristic of their information ecosystem. **TAGS:** **Debt Policy**; **World Bank**

International and Macroprudential Regulations

Trade-offs in Bank Resolution (2018)
Giovanni Dell'Ariccia, Maria Soledad Martinez Peria, Deniz O Igan, Elsie Addo Awadzi, Marc Dobler, Damiano Sandri – IMF
This Staff Discussion Note revisits the debate on bank resolution regimes, first by presenting a simple model of bank insolvency that transparently describes the trade-off involved between bail-outs, bail-ins, and larger capital buffers. The note then looks for empirical evidence to assess the moral hazard consequences of bail-outs and the systemic spillovers from bail-ins. **TAGS:** **International and Macroprudential Regulations**; **Financial stability**; **Debt sustainability**

Debt Restructuring

Refocusing on the Objectives: A Critique of the U.K.'s Debt Relief (Developing Countries) Act, 2010 (2018)
Francis Chukwu - University of Amsterdam
This paper is a critique of the “Debt Relief (Developing Countries) Act” (the Act) in force in the U.K. since April 2010. It examines the provisions of the Act in the light of its avowed objectives and the objective of the international community – to curb what has now become known as the “vulture culture”, make debt relief work for the poor and preserve the stability of the international financial system. A brief introduction introduces the problem of debt, debt relief and the vulture culture in developing countries. Later parts of the

paper delve into an examination of the salient provisions of the Act in the light of its objectives, necessary comparisons with the Bill, and recommendations for reforms. **TAGS:** **Debt Restructuring**; **Debt relief**

To Formalize or Not to Formalize: Creditor-Debtor Engagement in Sovereign Debt Restructurings **(2018)**

Michael Waibel - University of Cambridge

Creditor-debtor engagement in one form or another has been a feature of many sovereign debt restructurings. In some cases, debtor-creditor engagement has been formalized and took the specific form of creditor committees (CCs). Views differ considerably on the merits and demerits of CCs, and on the level of prescription and detail that is desirable from a policy perspective. The incentives of the main actors in sovereign debt also differ with respect to creditor engagement, particularly as regards ex ante contractual clauses. The article focuses on the possible content of creditor-debtor engagement. Creditor-debtor engagement can take four main forms: (i) the insertion ex ante of contractual clauses in bond documentation for creditor committees (CCs); (ii) ex ante best practices for formal creditor committees; (iii) ex ante best practices for engagement between creditors and debtors or (iv) ex post agreement between the debtor and creditor on creditor engagement or CCs. **TAGS:** **Debt Restructuring**; **Contract standards**

Sovereign Debt Restructurings: The Case of Venezuela – Issues and Challenges **(2018)**

Michael G. Papaioannou and George Tsetsekos - IMF, Drexel's LeBow College of Business

In November 2017, the Venezuela government announced its intention to restructure its sovereign debt. To address the challenges and issues involved, the authors organized a conference at Drexel University on February 23, 2018, sponsored by the Global Interdependence Center and Drexel University's LeBow College of Business. Internationally recognized experts, academics, and renowned practitioners representing a variety of institutional perspectives presented complex issues related to the anticipated restructuring and touched upon economic, geopolitical, legal, and market-driven conditions that will impact the success of the restructuring. Although the case of Venezuela's restructuring is complicated due to political considerations and the current humanitarian crisis in the country, nevertheless it offers a multifaceted review of a sovereign debt restructuring as more countries are expected to restructure their debt in the near future, given the rising interest rate environment. The estimated $150 billion restructuring of Venezuela's sovereign and Petróleos de Venezuela, S.A. (PDVSA)'s debt will have a major impact on investment portfolios of institutional investors in the years to come. This article serves as an introduction to the topics covered in the conference and as a synopsis of the contributions. **TAGS:** **Debt Restructuring**; **Institutional Investors**; **Financial stability**

Accounting, Statistics, Reporting and Auditing

Fiscal Transparency, Borrowing Costs, and Foreign Holdings of Sovereign Debt **(2018)**

Laurent Kemoe , Zaijin Zhan - International Monetary Fund

This paper explores the effects of fiscal transparency on the borrowing costs of 33 emerging and developing economies (EMs), and on foreign demand for their sovereign debt. Using multiple indicators, including a constructed one based on the published data in the IMF's Government Finance Statistics Yearbook, the authors measure the separate effects of the three dimensions of fiscal transparency: openness of the budget process, fiscal data transparency, and accountability of fiscal actors. The results suggest that higher fiscal transparency reduces sovereign interest rate spreads and increases foreign holdings of sovereign debt, with each dimension of fiscal transparency playing a different role. Availability of detailed cross-country comparable fiscal data, especially for balance sheet items, has shown to increase foreign investors' willingness in holding EM sovereign debt. **TAGS:** **Accounting, statistics, Reporting and Auditing**; **Transparency**; **Sovereign bonds yields**

Macroeconomic Analysis

The Macroeconomic Effects of Macroprudential Policy (2018)

Bjorn Richter, Moritz Schularick, Ilhyock Shim - University of Bonn, Bank for International Settlements

Central banks increasingly rely on macroprudential measures to manage the financial cycle. However, the effects of such policies on the core objectives of monetary policy to stabilise output and inflation are largely unknown. In this paper the authors quantify the effects of changes in maximum loan-to-value (LTV) ratios on output and inflation. The authors rely on a narrative identification approach based on detailed reading of policy-makers' objectives when implementing the measures. The authors find that over a four year horizon, a 10 percentage point decrease in the maximum LTV ratio leads to a 1.1% reduction in output. As a rule of thumb, the impact of a 10 percentage point LTV tightening can be viewed as roughly comparable to that of a 25 basis point increase in the policy rate. However, the effects are imprecisely estimated and the effect is only present in emerging market economies. The authors also find that tightening LTV limits has larger economic effects than loosening them. At the same time, they show that changes in maximum LTV ratios have substantial effects on credit and house price growth. Using inverse propensity weights to rerandomise LTV actions, they show that these effects are likely causal. **TAGS:** **International and Macroprudential Regulations**; **Financial stability**

The financial system and the natural real interest rate: towards a "new benchmark theory model" (2018)

David Vines, Samuel Wills - Oxford University

The 2008 financial crisis revealed serious flaws in the models that macroeconomists use to research, inform policy, and teach graduate students. In this paper the authors seek to find simple additions to the existing benchmark model that might let us answer three questions. What caused the boom and crisis? Why has the recovery been slow? And, how should policy respond to that slow recovery? The authors argue that it is necessary to add financial frictions to the benchmark model. This allows us to study the effects of leveraged financial institutions, and of a yield curve based on preferred habitats. Such features will cause endogenous changes in the natural real interest rate and the spread between that interest rate and the rate which influences expenditure decisions. They are likely to radically change the way in which the model responds to shocks. The authors point to some promising models that incorporate these features. **TAGS:** **Debt crisis**; **Financial Analysis**

[The Macroeconomic effects of Asset Purchases revisited](#) (2018)

Henning Hesse Boris Hofmann James Weber - Goethe University Frankfurt Bank for International Settlements (BIS) Deloitte & Touche GmbH

This paper revisits the macroeconomic effects of the large-scale asset purchase programmes launched by the Federal Reserve and the Bank of England from 2008. Using a Bayesian VAR, authors investigate the macroeconomic impact of shocks to asset purchase announcements and assess changes in their effectiveness based on subsample analysis. The results suggest that the early asset purchase programmes had significant positive macroeconomic effects, while those of the subsequent ones were weaker and in part not significantly different from zero. The reduced effectiveness seems to reflect in part better anticipation of asset purchase programmes over time, since the authors find significant positive macroeconomic effects when they consider shocks to survey expectations of the Federal Reserve's last asset purchase programme. Finally, in all estimations they find a significant and persistent positive impact of asset purchase shocks on stock prices. **TAGS:** **Financial Analysis**; **Debt and fiscal/monetary policies**

Economic Policies

Rising Government Debt and What to Do About it (2018)

Pierre Yared - Columbia Business School

Over the past four decades, government debt as a fraction of GDP has been on an upward trajectory in advanced economies, approaching levels not reached since World War II. While normative macroeconomic theories can explain the increase in the level of debt in certain periods as a response to macroeconomic shocks, they cannot explain the broad-based long-run trend in debt accumulation. In contrast, political economy theories can explain the long-run trend as resulting from an aging population, rising political polarization, and rising electoral uncertainty across advanced economies. These theories emphasize the time-inconsistency in government policymaking, and thus the need for fiscal rules that restrict policymakers. Fiscal rules trade off commitment to not overspend and flexibility to react to shocks. This tradeoff guides design features of optimal rules, such as information dependence, enforcement, cross-country coordination, escape clauses, and instrument vs. target criteria. **TAGS:** **Debt sustainability**; **Debt and fiscal/monetary policies**

The Monetary and Fiscal History of Chile: 1960-2016 (2018)

Rodrigo Caputo, Diego Saravia - New York University (NYU), Central Bank of Chile

Chile has experienced deep structural changes in the last fifty years. In the 1970s a massive increase in government spending, not financed by an increase in taxes or debt, induced high and unpredictable inflation. Price stability was achieved in the early 1980s, after a fixed exchange rate regime was adopted. This regime, however, generated a sharp real exchange rate appreciation that exacerbated the external imbalances of the economy. The regime was abandoned and nominal devaluations took place. This generated the collapse of the financial system that had to be rescued by the government. There was no debt default, but in order to service the public debt, the fiscal authority had to generate surpluses. Since 1990, this was a systematic policy followed by almost all administrations and helped achieve two different, but related, goals. It contributed to reducing the fiscal debt and enabled the Central Bank to pursue an independent monetary policy aimed at reducing inflation. **TAGS:** **Debt and fiscal/monetary policies**; **Structural policies**

The Monetary and Fiscal History of Venezuela: 1960-2016 **(2018)**

Diego Restuccia- University of Toronto

The author documents the salient features of monetary and fiscal outcomes for the Venezuelan economy during the 1960 to 2016 period. Using the consolidated government budget accounting framework of Chapter 2, he assesses the importance of fiscal balance, seigniorage, and growth in accounting for the evolution of debt ratios. He finds that extraordinary transfers, mostly associated with unprofitable public enterprises, and not central government primary deficits, account for the increase in financing needs in recent decades. Seigniorage has been a consistent source of financing of deficits and transfers—especially in the last decade—with increases in debt ratios being important in some periods. **TAGS:** **Debt and fiscal/monetary policies**; **Debt crisis**

The Fiscal and Monetary History of Brazil: 1960-2016 **(2018)**

Marcio G. P. Garcia, João Ayres, Diogo Guillen, Patrick J. Kehoe - Pontifical Catholic University, InterAmerican Development Bank, Itau-BBA Bank, Patrick J. Kehoe

Brazil had a long period of high inflation. It peaked around 100% per year in 1964, and accelerated again in the 1970s, reaching levels above 100% on average between 1980 and 1994. This last period coincided with severe balance of payments problems and economic stagnation that followed the external debt crisis in the early 1980s. The authors show that the high-inflation period (1960-1994) was characterized by a combination of deficits, passive monetary policy, and constraints to debt financing. The transition to the low-inflation period (1995-2016) was characterized by improvements in all those instances, but it did not lead to significant improvements in economic growth. In addition, the authors document a strong correlation between inflation rates and seigniorage revenues, but observing that the underlying inflation rates are too high for the modest levels of seigniorage revenues. Finally, the authors discuss the role of monetary passiveness and indexation in accounting for the unique features of the inflation dynamics in Brazil in comparison to the other Latin American countries. **TAGS:** **Debt and fiscal/monetary policies**; **Debt crisis**

Monetary and Fiscal History of Peru 1960-2010: Radical Policy Experiments, Inflation and Stabilization **(2018)**

César Martinelli, Marco Vega - George Mason University, Central Reserve Bank of Peru

The authors describe Peru's experience of chronic inflation through the 1970s and 1980s as a result of the need for inflationary taxation in a regime of fiscal dominance of monetary policy. Hyperinflation occurred when further debt accumulation became unavailable, and a populist administration engaged in a counterproductive policy of price controls and loose credit. The authors interpret the fiscal difficulties preceding the stabilization as a process of social learning to live within the realities of fiscal budget balance. The credibility of policy regime change in the 1990s may be linked ultimately to the change in public opinion giving proper incentives to politicians, after the traumatic consequences of the hyper stagflation of 1987-1990. **TAGS: Debt and fiscal/monetary policies**

The Monetary and Fiscal History of Bolivia, 1960-2015 (2018)

Timothy J. Kehoe, Carlos Gustavo Machicado, José Peres-Cajías - University of Minnesota, Institute for Advanced Development Studies (INESAD), Escuela de la Producción y la Competitividad

After the economic reforms that followed the National Revolution of the 1950s, Bolivia seemed positioned for sustained growth. Indeed, it achieved unprecedented growth during 1960–1977. Mistakes in economic policies, especially the rapid accumulation of debt and a fixed exchange rate policy during the 1970s, led to a debt crisis that began in 1977. From 1977 to 1986, Bolivia lost almost all the gains in GDP per capita that it had achieved since 1960. In 1986, Bolivia started to grow again, interrupted only by the financial crisis of 1998–2002, which was the result of a drop in the availability of external financing. Bolivia has grown since 2002, but government policies since 2006 are reminiscent of the policies of the 1970s that led to the debt crisis, in particular, the accumulation of external debt and the drop in international reserves due to a fixed exchange rate. **TAGS: Debt and fiscal/monetary policies; Debt crisis**

Money, Sovereignty, and Optimal Currency Areas (2018)

Patrick Bolton, Haizhou Huang - Columbia Business School, China International Capital Corporation Limited

The authors propose a new theory of Optimum Currency Areas (OCAs) based on monetary sovereignty. They consider two economically integrated countries with separate currencies and monetary policies, but with exchange rate underreaction. They show that the two countries are then engaged in a strategic monetization game, which may generate excessive inflation in equilibrium. A monetary union between the two countries can eliminate this excess inflation cost, but also removes a nation's monetary sovereignty. By eliminating the option to monetize debt in times of exigency, a monetary union may give rise to costly debt defaults. Joining a monetary union therefore involves trading excess monetization costs for debt default costs. Allowing for fiscal transfers within the union and for the option of debt monetization in a generalized crisis are optimal features of a monetary union. Their model also provides a coherent analytical framework that helps shed light of the recent history of OCAs. **TAGS: Debt Policy; Sovereign defaults**

Fiscal Policy Conditions for Government Budget Stability and Economic Recovery: Comparative Analysis of Japan and Greece (2018)

Naoyuki Yoshino, Farhad Taghizadeh-Hesary, Tetsuro Mizoguchi - Asian Development Bank Institute, University of Tokyo, University of Economics of Gunma

To secure economic growth, the decline in government expenditure must exceed the increase in tax revenue. In the literature on fiscal sustainability, the Domar condition and Bohn's condition are often used to check whether a government's debt situation is in a dangerous zone. The authors first show that the Domar condition is obtained only from the government budget constraint (namely the supply of government bonds) and does not take into account the demand for government bonds. Second, they reveal that Bohn's condition does not satisfy the condition of economic stability: even if this is satisfied, economic recovery may not be achieved. The authors propose a new condition that satisfies both the stability of the government budget and the recovery of the economy. Their empirical findings from Japan demonstrate that to achieve fiscal sustainability, both sides of the Japanese government budget (expenditure and revenue) must be simultaneously adjusted while the decline in government expenditure has to exceed the increase in tax revenue. In addition, they provide a comparative analysis of Japan and Greece as evidence of the aforementioned condition and prove that although Japan's debt-to-GDP ratio is higher than that of Greece, its bond market remains stable. This is because it comes from the demand side of the market and investors have greater confidence in this economy due to its lower credit risk rooted in the country's macroeconomic strength and more auspicious economic future. **TAGS:** **Debt and fiscal/monetary policies**; **Debt and growth**; **Debt sustainability**

Foreign investment, sovereign debt, and human rights (2018)

Matthias Goldmann - Max Planck Institute for Comparative Public Law and International Law

Foreign investment is perceived as one of the most significant factors for development and it is no accident that a key criterion for determining that an activity qualifies as an investment under the ICSID Convention is whether it contributes to the economic or other development of the host state. Investment tribunals have in recent years examined both the ambit of regulatory powers of the host state in taking measures in response to an existing debt crisis, and the impact of a negotiated sovereign debt restructuring on the rights of non-cooperative creditors. In both respects, investment tribunals have not conclusively, or unanimously, linked socio-economic rights with investment protection. This chapter examines the sovereign debt-related awards of investment tribunals and suggests how the systemic integration of investment law and human rights might prevent investment arbitration from distorting economically and socially beneficial sovereign debt restructurings and other regulatory measures in the context of sovereign debt crises. **TAGS:** **Debt Restructuring**; **Debt sustainability**; **Sovereign debt litigation; Debt crisis**

Economic convergence in the Euro Area: coming together or drifting apart? (2018)

Jeffrey Franks, Bergljot Barkbu, Rodolphe Blavy, William Oman, Hanni Schoelermann – IMF

Authors examine economic convergence among euro area countries on multiple dimensions. While there was nominal convergence of inflation and interest rates, real convergence of per capita income levels has not occurred among the original euro area members since the advent of the common currency. Income convergence stagnated in the early years of the common currency and has reversed in the wake of the global economic crisis. New euro area members, in contrast, have seen real income convergence. Business cycles became more synchronized, but the amplitude of those cycles diverged. Financial cycles showed a similar pattern: sychronizing more over time, but with divergent amplitudes. Income convergence requires reforms boosting productivity growth in lagging countries, while cyclical and financial convergence can be enhanced by measures to improve national and euro area fiscal policies, together with steps to deepen the single market. [...] **TAGS:** **Financial stability**; **Debt sustainability**; **Debt composition**; **Debt and fiscal/monetary policies**

Financial stability and inequality: a challenge for macroprudential regulation (2018)

Pierre Monnin - CEP Council on economic policies

The global financial crisis shed new light on the role that central banks play for financial stability. In response to the financial turmoil, central banks took radical action to stabilize the financial system, by providing liquidity to banks and buying up financial assets. Following these emergency measures, central banks, financial regulators and governments implemented new macro-prudential tools to reduce the risks of future imbalances for financial stability. To design effective macro-prudential policies, central banks and financial regulators must first understand the roots of financial instability. In this context, a growing body of research has highlighted the role of income and wealth inequality as potential factors of instability. This blog briefly surveys the theories and empirical evidence on this link. It then argues that central banks should keep an eye on inequality to spot potential warning signals of financial crises. They should also mitigate potential feedback loops between macro-prudential policy, inequality and financial stability that may weaken the resilience of the financial system. **TAGS:** **International and Macroprudential Regulations**; **Financial stability**; **Structural policies**

Financial frictions, financial regulation and their impact on the macroeconomy (2018)

Daria Finocchiaro, Anna Grodecka - Sveriges Riksbank

In the aftermath of the global financial crisis, increasing attention has been paid to the role played by financial factors in business cycle fluctuations. The crisis also led to the development of economic policies, beyond traditional microprudential regulation, that promote financial stability. Macroprudential policy is one such tool. It fosters a more resilient financial system by directly tackling systemic risk, that is the risk of a breakdown of the entire financial system with significant economic costs. Yet macroprudential policy is still in its 'infancy'. In this article, the authors first emphasize the importance of financial markets for their understanding of the real economy and how they have traditionally been incorporated in macroeconomic models. Then the authors discuss the rationale for macroprudential regulation and present a cost-benefit framework to evaluate the merits of different macroprudential instruments; the benefits include a more resilient financial system and stable economy, and the costs involve forgone lending and lower economic activity. The authors conclude by summarizing some of the remaining challenges in the field. **TAGS:** **International and Macroprudential Regulations**; **Debt Policy**; **Financial stability**

Reports

TRV: ESMA Report on Trends, Risks and Vulnerabilities - No. 2, 2018

ESMA

European Union (EU) securities markets, infrastructures and investors face new risks in the form of high volatility, the European Securities and Markets Authority (ESMA) said today in its latest Trends, Risks, and Vulnerabilities (TRV) Report (No 2, 2018) . ESMA also re-iterated its concerns about cyber risk and Brexit risks for business operations.[…] **TAGS:** **Financial stability**; **Debt sustainability**; **Sovereign debt market**

National Savings and Investments. Annual report and accounts and product accounts 2017–18

National Savings and Investments

2017–18 has been a very successful year for NS&I. The organisation met all of its performance targets and raised £9.8 billion in Net Financing for the Government (against a final target of £8 billion in a range of £5 billion to £11 billion). We have delivered for savers by offering new products and competitive interest rates; and for taxpayers by raising debt financing more cheaply than via gilts, as measured by the Value Indicator. We have also reaffirmed and renewed our purpose, mission and values; and designed a new strategy: Inspire & Invest, which builds on the successes of our Think Ahead strategy.[…] **TAGS:** **Primary market**; **Sovereign bonds yields**; **Debt composition**; **Debt Policy**

Joint committee report on risks and vulnerabilities in the EU financial system – 2018

EBA

Risks that abruptly increasing yields generate substantive asset price volatility and lead to losses across asset classes remain imminent and high. Financial markets experienced a return of market volatility in the first half of 2018 with corresponding episodes of sharp equity price declines and a sizable widening of sovereign and corporate bond spreads. In addition, rising interest rates and political risks could cause capital outflows in emerging market economies, as developments in Turkey in August have demonstrated.[…] **TAGS:** **Market Liquidity**; **Financial stability**; **Debt and fiscal/monetary policies**

Are post-crisis statistical initiatives completed?

Claudia Buch - Deutsche Bundesbank

Statistical initiatives are not an end in themselves: They need to address demand for information among the general public, academics, and policymakers. They need to balance the costs and benefits of collecting information. And they need to make best use of the available technology. Before going into these issues, let me give a quick refresher on post-crisis statistical initiatives.[…] **TAGS:** **Accounting, statistics, Reporting and Auditing**; **Debt crisis**; **Financial stability**

The Journal of Investing, Vol. 27, Issue 3 Fall 2018

The Journal of Investing

The Fall issue of The Journal of Investing focuses on sovereign debt. In November 2017, the government of Venezuela announced its intention to restructure its sovereign debt. To address the challenges and issues involved, the Sovereign Debt Restructurings: The Case of Venezuela Conference, sponsored by the Global Interdependence Center and Drexel University's LeBow College of Business, was held at Drexel University on February 23, 2018. This issue includes contributions from internationally recognized experts, academics, and renowned practitioners discussing the economic, geopolitical, legal, and market-driven conditions that will impact the success of the restructuring. I am grateful to Michael Papaioannou and George Tsetsekos, organizers of the conference, for their work in serving as the guest editors for this special issue.[…] **TAGS:** **Debt Restructuring**; **Institutional Investors**; **Financial stability**

[IOSCO issues recommendations to help trading venues manage extreme volatility](#)

IOSCO

The Board of the International Organization of Securities Commissions (IOSCO) published eight recommendations to assist trading venues and regulatory authorities in the implementation of mechanisms to manage extreme volatility and preserve orderly trading. Following recent extreme volatility events, regulatory authorities and trading venues have been reviewing their approaches to managing extreme volatility, particularly through the use of volatility control mechanisms. Volatility control mechanisms seek to minimize market disruption triggered by events such as erroneous orders, by halting or temporarily constraining trading. IOSCO believes that these mechanisms support the goal of ensuring that markets are fair, efficient and transparent, thereby increasing market integrity and investor confidence.[…] **TAGS: Trading platforms**; **International and Macroprudential Regulations**

Financial Stability Report - June 2018 – UK

Bank of England

The Financial Stability Report sets out our Financial Policy Committee's view on the stability of the UK financial system and what it is doing to remove or reduce any risks to it. **TAGS: Financial stability**; **Financial Analysis**

Reflections on the crisis

IPE Intelligence on European Pensions and Institutional Investment

IPE collected views of leading economists and politicians on the post-Lehman crisis regulatory and policy response, and on the impact of the crisis on the global financial system. **TAGS: Debt crisis** **Financial Analysis**; **Financial stability**

ESMA Risk Dashboard No. 2, 2018

ESMA

EU sovereign debt markets: Liquidity on sovereign bond markets, as measured by bid-ask spreads (R.10) and the ESMA composite illiquidity indicator (R.11) remained relatively low in 1Q18 compared to historical levels. Fiscal fragilities remain at country level and repricing risk in sovereigns following a more general risk premia reversal in global markets still holds. This risk has started to materialise at the beginning of February in equity markets and with increasing sovereign bond risk premia with respect to the DE bund around the equity sell-off, although sovereign bond spreads decreased later on. Sovereign yields decreased across jurisdictions, by 18 bps on average for ten-year bonds since the end of January. **TAGS: Sovereign debt market**; Sovereign bonds yields; **Financial stability**; **Financial Analysis**

Economic and social survey of Asia and the Pacific 2018

Shamshad Akhtar, Hongjoo Hahm, Hamza Ali Malik - ESCAP Economic and Social Commission for Asia and the Pacific

The Economic and Social Survey of Asia and the Pacific 2018 contains an examination of how Governments of countries in the Asia-Pacific region could increase domestic public financial resources and leverage private capital to strengthen their long-term economic prospects. It contains estimates on how much additional finance countries may mobilize from such measures as reforms in tax administration or tax incentives, introduction of carbon taxes, prudent sovereign borrowing from financial markets and creation of an enabling environment for public-private partnerships. **TAGS:** **Structural policies**; **Debt and growth**; **Financial stability**; **Debt sustainability**

CFR Sovereign Risk Tracker

Benn Steil - Council on Foreign Relations

The CFR Sovereign Risk Tracker can be used to gauge the vulnerability of emerging markets to default on external debt. **TAGS:** **Debt crisis**; **Sovereign Credit Ratings; Foreign Debt**

Why EMU requires more financial integration

Vítor Constâncio - Vice-President of the ECB

In short, the history of EMU is marked by an evolving search for the right institutional embedding of financial markets. And in that search, Europe has to be agile to react to changing circumstances. In doing so it has to find a balance: between markets and regulation, between liability and control, and between the European and national level. However, the crucial question is whether we will achieve a sustainable financial integration that is commensurate with a single currency. […]**TAGS:** **Financial stability**; **International and Macroprudential Regulations**

The future of financial market infrastructures: spearheading progress without renouncing safety

Benoît Cœuré - Member of the Executive Board of the ECB

The message speaker would like to convey in his remarks this morning is simple: while we share the excitement around distributed ledgers, blockchain and digitalisation more broadly, and while we believe that, like in the past, central banks should not shy away from potentially disruptive technological innovations, we should be mindful of the potential financial stability consequences and we should start by first picking the low hanging fruit and upgrading our current payment systems. In fact, he believes that an incremental modernisation of our existing retail and wholesale payment systems may well succeed in bringing about many of the benefits promised by the current crop of immature technologies. **TAGS:** **Financial stability**; **Trading platform; Bond market development**

Jamaica & World Bank set disaster risk transfer roadmap towards cat bonds

Artemis

In a recent speech, the Minister of Finance and the Public Service for Jamaica, Dr. Nigel Clarke, explained that the country needs better disaster risk financing structures in place, with catastrophe bonds cited as one option that may be suitable. Cat bonds have come up in government discussion in Jamaica a number of times, as the countries exposure to natural catastrophe risks, particularly hurricanes, is seen as so extreme that a major event could severely impact its economic development and finances. […]**TAGS:** **Primary market; Bond market development; World Bank**

Uruguay Quarterly Reports July 2018

Uruguay's MoF

July 31st, 2018. The Debt Management Unit has released its quarterly reports on Central Government Debt and on the Uruguayan economy: Sovereign Debt Report 07/2018 and Uruguay in Focus 07/2018. **TAGS:** **Debt Statistics**; **Primary market**

Sovereign Green Bonds Briefing

Diletta Giuliani and Beate Sonerud - Climate Bonds Initiative

Green bonds are a key tool for governments to raise capital to implement infrastructure plans in line with national climate targets, as governments move to achieve their Nationally Determined

Contribution (NDC) targets, as set in the Paris Agreement and the international Sustainable Development Goals (SDGs). A sovereign green bond can provide a strong signal of the country's commitment to a low-carbon economy, help bring down the cost of capital for green projects by attracting new investors, and mobilise private capital towards sustainable development. […]**TAGS:** **Primary market**; **Sovereign debt market**; **Sovereign risk premia**; **Debt and growth; Bond market development**

The blockchain catalyst for change

Michael Casey, Jonah Crane, Gary Gensler, Simon Johnson, Neha Narula - MIT Media Lab, RegTech Lab, MIT Sloan School of Management, MIT and CEPR

The idea of a new software system that powers a consensus-driven form of shared record keeping has already had a profound effect, encouraging rapid and substantial investment in what is now commonly referred to as blockchain technology. This column introduces the latest Geneva Report on the World Economy, which assesses the available evidence and likely impact for this technology across a wide range of applications and explores the potential use cases for the financial sector, and the ways in which the organisation of these activities may change over time. **TAGS: Trading platforms**; **Financial stability**; **Transparency; Bond market development**

Philippines SEC Adopts ASEAN Green Bonds Standards

Philippines SEC

The Securities and Exchange Commission has approved on 16 August 2018, the "Guidelines on the Issuance of Green Bonds Under the ASEAN Green Bonds Standards." These Guidelines set out to adopt the ASEAN Green Bond Standards and provide for the rules and procedures for the issuance of ASEAN Green Bonds in the Philippines.[…] **TAGS: Primary market**; **Bond market development**

OECD Economic Outlook, Volume 2018 Issue 1 - May 2018

OECD

The OECD Economic Outlook is the OECD's twice-yearly analysis of the major economic trends and prospects for the next two years. The Outlook puts forward a consistent set of projections for output, employment, prices, fiscal and current account balances. Coverage is provided for all OECD members. **TAGS: OECD**; **Economic Forecasts**; **Debt and fiscal/monetary policies**

OECD Business and Finance Outlook 2018

OECD

The OECD Business and Finance Outlook is an annual publication that presents unique data and analysis on the trends, both positive and negative, that are shaping tomorrow's world of business, finance and investment. Using analysis from a wide range of perspectives, this year's edition addresses connectivity, both among institutions within the global financial system and among countries. Almost a decade on from the 2008 financial crisis, the Outlook examines new risks to financial stability that will put financial reforms to the test, focusing in particular on the normalisation of monetary policy, debt problems and off-balance sheet activity in China. […] **TAGS:**
OECD; **Financial stability**; **Debt crisis**; **Debt and fiscal/monetary policies**

Financial Management of Earthquake Risk

OECD

The financial management of earthquake risk is a key challenge for individuals, businesses and governments in developed and developing countries, and the G20 Finance Ministers and Central

Bank Governors and APEC Finance Ministers have recognised the importance of building financial resilience against these risks. This report applies the lessons from the OECD's analysis of disaster risk financing practices and the guidance in the OECD Recommendation on Disaster Risk Financing Strategies to the specific case of earthquakes. It provides an overview of the approaches that economies facing various levels of earthquake risk and economic development have taken to managing the financial impacts of earthquakes. **TAGS:** **OECD**; **Primary market**; **Debt sustainability**; **Debt Policy**; **Bond market development**

Call for papers for DebtCon3 (by October 31st)

Georgetown University

The call for papers and roundtable submissions are for DebtCon3, the Third Interdisciplinary Sovereign Debt Research and Management Conference. Georgetown's Institute of International Economic Law will host DebtCon3 in Washington, D.C. on April 11-12, 2019. DebtCon is coming back to Georgetown Law after a wildly successful turn at the Graduate Institute in Geneva in October of 2017. […] **TAGS:** **Sovereign debt market**; **Debt and fiscal/monetary policies**; **Debt sustainability**; **Debt crisis; Sovereign debt litigation**

Sustainable finance

European Commission

On 24 May 2018, the European Commission put forward the first legislative proposals to put some of the actions laid out in the action plan on sustainable finance into law. The overall aim of the proposed measures is to move towards a European financial system that supports the EU's climate and sustainable development agenda. This is the second in a series of articles focusing on the specific measures that make up last month's package of proposals. **TAGS:** **Financial stability**

Finance and blockchains

Stephen Cecchetti, Kim Schoenholtz - International Finance, Brandeis International Business School NYU Stern School of Business

This column describes the technology, the problem it is designed to solve, and the impact it might have on finance. Conceivably, a blockchain system could securely track the ownership of every financial instrument and exposure in the global economy. While this is a very tall order, it would be truly revolutionary. In practice, however, we are still a long way off. **TAGS:** **Trading platforms**; **Financial stability**; **Transparency**; **Bond market development**

Debt Management Office Newsletter - July 2018

Cypriot MoF

An overview on updates about Cypriot economy and sovereign debt management. **TAGS:** **Debt Statistics**; **Primary market**

Update on the great public debt issue

Ralph Sueppel - SRSV Ltd

The latest IMF fiscal monitor is a stark reminder of the public finance risks in the world. Public debt ratios have remained stuck near record highs of 105% of GDP for the developed world and a 3-decade high of 50% for EM countries. If one includes contingent liabilities public debt would average over 200% of GDP in advanced economies and 112% in emerging economies. Deficits remain sizeable in the developed and emerging world, notwithstanding the mature stage of the business cycle. […] **TAGS:** **Debt crisis**; **Financial stability**; **Debt sustainability**; **Debt and growth**; **Debt and recession**

[From the global financial crisis to the European Sovereign Debt crisis]()

Simone Romano - Roma Tre University

Financial origins. Main causes: Financial deregulation (from the '80s)! Repeal of Glass; Steagall act, Refusal of imposing regulation upon derivatives, etc.; Lack of supervision (above all macroprudential); Perverse incentives (encouraging to take on too much risk). Consequences: Fragile and over leveraged banking and financial system, extremely high vulnerability to negative shocks. **TAGS: Debt crisis**; **Debt sustainability**

Monthly fixed income monitor - July - August 2018

National Bank of Canada

Assuming some limited further deterioration in trade talks between the U.S. and its major trading partners before year end, we expect the FOMC to be cautious taking the fed funds target range to 2.00%-2.25%. In the longer portion of the yield curve the market will face crosscurrents. International uncertainty will tend to limit rate increases while Fed balance sheet normalization, softer pension-fund demand and large borrowing requirements will tend to pull rates up.[…] **TAGS: Financial Analysis**

News

The **What's new** area of the PDM Network site proposes ***a daily selection of news* on public debt management** from online newspapers and info providers, as well as ***the most recent documents and reports*** uploaded on the website. Subscribers also receive the weekly newsletter ***Emerging Sovereign Debt Markets News*** drafted by the PDM Secretariat and based on ***Thomson Reuters ©*** information services.

Events and Courses

All workshops, courses and events reported by the PDM Network Secretariat on the Bimonthly Newsletter are previously uploaded, on a steady and almost daily basis, on our website **www.publicdebtnet.org** in the dedicated section **"Events"**, as soon as the Secretariat gets information and quite in advance to the related deadline.

A previous and timely information about the events to come is thus allowed to all the website users by checking the above section, also including a **"calendar"** function.

The further publication in the **Bimonthly Newsletter** is intended for a different goal, as a way to provide every two months our subscribers with an at-a-glance list of the events that took place or will take place after they received the previous Newsletter.

However, please note that the **PDM Network Secretariat** is not involved in any programming activity of the courses and events reported on our website and then in the Newsletter, but it offers – at the best of its knowledge - a facility to help to identify, among the huge amount of information available on internet, a more selective view on topics on public debt management and related matters.

18 August 2018; SANEM South Asian Network on Economic Modeling Meeting room, SANEM, Dhaka, Bangladesh
[China's Problems in the Twenty-First Century]

04 - 05 September 2018; OECD, Paris
[OECD Blockchain Policy Forum - Distributed Ledgers: Opportunities and Challenges]

04-05 September 2018; University of Zurich, Switzerland
[Third Annual Conference of the Japan Economy Network (JEN)]

06-07 September 2018; Central Banking, Singapore
[Central Banking FinTech and RegTech Global Summit]

09-11 September 2019; Bank of Italy, Rome
[Central banks' communication]

12 September 2018; IIF, Mexico City, Mexico
[2018 IIF Mexico Economic Forum]

12 – 13 September 2018; World Bank, Kuala Lumpur, Malaysia
[Conference on "Public Policy in a Digital World"]

13 – 14 September 2018; International Monetary Fund Washington DC, USA
[Sovereign Debt: A Guide for Economists and Practitioners]

19 September 2018; London School of Economics
[The economic consequences of Brexit]

20-21 September 2018; INFER International Network for Economic Research, Bucharest - ROMANIA
[INFER workshop on finance and fiscal policy]

25 September 2018; Research Center SAFE at Goethe University Frankfurt and the Deutsche Bundesbank, Frankfurt am Main
[5th SAFE Asset Pricing Workshop]

27 September 2018; IIF, New York City
[Emerging & Frontier Forum: Accessing the World's Fastest Growth Markets]

27 September 2018; IFLR International Financial Law Review (supported by ICMA), Le Meridien Piccadilly Hotel London UK
[9th EU prospectus and primary market issuance conference]

01 – 02 October 2018; SIFMA, Washington, DC
[SIFMA Annual Meeting 2018]

01 – 02 October 2018; Moody's, New York
[Analysis of Sovereign and Country Risk learning solution]

01 – 02 October 2018; AFME – Finance for Europe, etc venues, St Paul's, London
[AFME's European Compliance and Legal Conference 2018]

02 October 2018; GFCMediaGroup, Villa Rosa Kempinski, Nairobi
[East Africa's only annual debt event]

09 – 10 October 2018; MuniNet Guide, Greenwich
[High yield Municipal Bonds conference - Smith's Research & Gradings]

11 - 12 October 2018; Fleming, Hotel Novotel, Amsterdam City, The Netherlands
[Collateral Management Forum]

11 - 12 October 2018; CFA Institute, Boston
[Fixed-Income management conference 2018]

22-26 October 2018; BNP Paribas, New York, USA
[Central bank asset management seminar]

24 October 2018; MuniNet, Philadelphia , PA, USA
[The Bond Buyer Mid-Atlantic Municipal Market Conference]

12 – 14 October 2018; IMF, Bali Nusa Dua, Indonesia
[2018 Annual Meetings of the International Monetary Fund and World Bank Group]

15 – 17 October 2018, IFF, London, UK, Venue TBC
[Advanced Swaps Training Course]

17 October 2018; FTI Treasury, Dublin
Training - Understanding Treasury Management

18-19 October 2018; Department of Economics at Universität Trier, Trier Germany
The future of EU finance

19 October 2018; BNP Paribas, Paris, France
Fix ed income portfolio management

22 – 23 October 2018; The World Bank, Rome, Italy
The Seventh Public Investors Conference

24 - 25 October 2018; The World Bank, Washington, D.C.
2018 Sovereign Debt Management Forum

29 October – 30 November 2018; Unitar, Web based
Principles of Central Bank Reserve Management (2018)

30 October 2018; IIF, Brussels, Belgium
IIF Digital Finance Regulation Symposium

2 - 3 November 2018; Bank of Greece, Hotel Grande Bretagne, Athens
Economic history conference The birth of inter-war central banks: building a new monetary order

06 November 2018 GFCMediagroup, Eko Hotel and Suites, Lagos, Nigeria
Welcome to Bonds, Loans & Sukuk Nigeria 2018

06-07 November 2018; Bonds & Loans the voice of Emerging Market Credit, Shangri-La Bosphorus, Istanbul, Turkey
Bonds, Loans & Sukuk Turkey

7 – 9 November 2018; UNCTAD, Geneva, Switzerland
Debt and Debt Sustainability and Interrelated Systemic Issues

8 November 2018; Moody's, London, Merchant Taylors' Hall
Moody's Global Sovereign Conference 2018

08 November 2018; Latin Finance, Merida, Yucatan, Mexico
The 11th infrastructure & Sub- Sovereign Finance in Mexico summit

12 November 2018; World Bank Sasana Kijang, Kuala Lumpur, Malaysia
Short course: impact evaluation methods

12 - 13 November 2018; AFME, Sofitel Europe, Brussels
European Government Bond Conference 2018

14 November 2018; Bonds & Loans the voice of Emerging Market Credit, MÃ¶venpick, Riyadh
Bonds, Loans & Sukuk Saudi Arabia

15 – 16 November 2018; Global Interdependence Center, Madrid, Spain
Central Banking series: Madrid

27 - 28 November 2018; OECD, Incheon, Korea
6th OECD World Forum on Statistics, Knowledge and Policy

28 – 29 November 2018; EBA, London UK, EBA premises
Reaping the benefits of an integrated EU banking market

03 – 04 December 2018; Moody's, New York
Analysis of Sovereign and Country Risk learning solution

03-04 December 2018; Central Bank of Ireland (in partnership with IBEFA), Dublin, Ireland
2nd Central Bank of Ireland (in partnership with IBEFA) Workshop on Banking, Credit and Macroprudential policy: What Can We Learn from Micro Data?

4 – 6 December 2018; Center of Excellence in Finance (CEF), Ljubljana, Slovenia
Debt Reduction Strategies and Risk Management

07-08 December 2018; Central Bank of Turkey, Adalia, Turkey
Changing global economic landscape and policy implications for Emerging Economies

13-14 March 2019; Bonds & Loans the voice of Emerging Market Credit, Cape Town International Convention Centre, South Africa
Bonds, Loans & Sukuk Africa

21 March 2019; National Bank of Poland, Warsaw
Understanding the monetary transmission mechanism

26-27 March 2019; Bonds & Loans the voice of Emerging Market Credit, Intercontinental Festival City, Dubai
Bonds, Loans & Sukuk Middle East

31 March - 03 April 2019; Bank for International Settlements, Hotel Schweizerhof, Lenzerheide, Switzerland
12th Swiss winter conference on financial intermediation

01-03 April 2019; Bank of Italy, Rome
Audit activities in a central bank

11 – 12 April 2019; Georgetown's Institute of International Economic Law Washington, D.C.
Third Interdisciplinary Sovereign Debt Research and Management Conference (DebtCon3)

12 – 14 April 2019; IMF, Washington, D.C.
2019 Spring meetings of the World Bank Group and the International Monetary Fund

PDM Network in Figures

At 24th September, 2018, total documents, reports and events available on the PDM Network website were 8,541. News uploaded on the website since January 2017 are 7,598. This newsletter is sent to 735 Subscribers from emerging and advanced countries.

Special Thanks

The PDM Secretariat is grateful to Michael G. Papaioannou (IMF), Tanweer Akram (Thrivent Financial), Tadashi Endo (IMF), Cypriot MoF, Uruguayan MoF for information on new documents and reports.

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