



Building better markets

DRAFT AGENDA

2ND REGIONAL WORKSHOP ON AFRICAN DEBT MANAGEMENT AND BOND MARKETS

JOHANNESBURG, 9-11 JUNE 2008

THIS MEETING IS SPONSORED BY

**THE MINISTRY OF FOREIGN AFFAIRS OF ICELAND
THE NATIONAL TREASURY OF SOUTH AFRICA, AND
THE BOND EXCHANGE OF SOUTH AFRICA LIMITED**

VENUE:

Michelangelo Hotel, Johannesburg

Questions concerning the agenda can be addressed to Hans J. Blommestein, OECD [<mailto:hans.blommestein@oecd.org>]. Questions concerning local organisation can be addressed to Maria Mahlangu, National Treasury, [<mailto:maria.mahlangu@treasury.gov.za>]

Chairmen: *Mr. Phakamani Hadebe, National Treasury of South Africa, Mr. Hans Blommestein, OECD, and Mr. Garth Greubel, BESA*

Monday, 09 June 2008

17 h 30 – 18 h 30 Registration

18 h 30 Reception hosted by Embassy of Iceland - Pretoria

Tuesday, 10 June 2008

8 h 00 – 8 h 30 Registration

8 h 30 – 9 h 30 **Welcome**

- *Mr. Lesetja Kganyago- Director-General: National Treasury – South Africa*
- *Senior Official OECD*
- *Senior Official Nigeria*
- *Senior Official Tanzania*
- Overview of programme by the workshop chairmen: *Mr. Hans Blommestein, OECD; Mr. Phakamani Hadebe, National Treasury of South Africa; Mr. Garth Greubel, BESA*

9 h 30 – 11 h 00 **Session 1: Liquidity in secondary markets**

This session will identify some of the important drivers and policy issues in liquidity in secondary domestic debt markets in Africa. The session will begin with an overview of experiences and insights from markets.

Moderator: *Mr. Hans Blommestein, OECD*

- **Panel:**
 - *Tanzania*
 - *Rand Merchant Bank*
 - *Zambezi Capital*
 - *Stanbic Africa*
- **General discussion**

11 h 00 – 11 h 15 Morning break

11 h 15 – 13 h 00 **Session 2: Market-making obligations in public debt markets**

This session will consider some of the critical operational issues in market-making obligations in public debt markets.

Moderator: *Mr. Andre Pillay, National Treasury of South Africa*

- **Panel:**
 - *Uganda*
 - *Kenya*
 - *Cameroon*
 - *Deutsche Bank, Primary Dealer*
 - *Iceland*
- **General discussion**

13 h 00 – 14 h 15

Lunch

14 h 15 – 16 h 15

Session 3: Architecture and the (future) role of electronic trading platforms

This session will consider the key critical issues on the shape (architecture) of electronic trading platforms, with a special emphasis on the (future) role of electronic platforms in African markets. To motivate the session, an overview of the role of platforms in the US and EU markets will be provided. Case studies of the experiences of African countries at different stages of market development will also be presented.

Moderator: *Mr. Garth Greubel, BESA*

- **Panel:**
 - *OECD/Bank of Spain*
 - *ICAP*
 - *Danish National Bank*
- **General discussion**

16 h 15 – 18 h 00

Session 4: Discussion of key issues from sessions 2 and 3 in break-out groups

Workshop participants will have the opportunity to discuss the key issues raised during the day in sessions 2 and 3 in break-out groups of around 8 to 10 people. The discussion in the break-out groups complements the general discussion that occurs during each session. In particular, the break-out groups will identify what they see as challenges, priorities, and recommended next steps in the context of

enhancing debt management capacity and developing bond markets in Africa, and report their country perspectives the following day. The break-out groups will be composed so as to reflect a diversity of countries, as well as public and private sector perspectives. The break-out groups will have facilitators (to assist them in discussing the key issues) and a rapporteur (to present priorities and recommended next steps in the plenary session).

Coordinator: *Mr. Johan Krynauw, National Treasury of South Africa*

Break-out groups:

- (a) **Market-making obligations in public debt markets**
- (b) **Architecture and the (future) role of electronic trading platforms**

19 h 00

Dinner hosted by the National Treasury

Wednesday, 11 June, 2008

8 h 30 – 10 h 30

Session 5: Key issues for sovereign issuers in accessing foreign markets

This session will consider the rationale of borrowing by sovereigns in foreign markets. In this context, key issues involved in accessing foreign markets will be discussed.

Moderator: African Development Bank, Mr. Stefan Nallétamby, Group Treasurer

- **Panel:**
 - National Treasury South Africa
 - Ghana
 - Uganda
 - Tanzania

- **General discussion**

10 h 30 – 11 h 00

Morning break

11 h 00 – 13 h 00

Session 6: Discussion of (a) the creation of a database and (b) the role of rating agencies in break-out groups

Workshop participants will have the opportunity to discuss technical issues related to the following two topics in break-out groups:

- (a) The creation of a database on public; and
- (b) The role of rating agencies from the perspective of sovereign issuers

Coordinator: *Mr. Johan Krynauw, National Treasury of South Africa*

13 h 00 – 14 h 15

Lunch

Over a working lunch, break-out groups will reconvene in an informal setting to agree on reports to the plenary session based on the key issues discussed in session 6.

14 h 30 – 17 h 00

Session 7: Conclusions, priorities, and recommendations

Each break-out group will present their reports on the topics discussed in sessions 4 and 6, while emphasising the challenges, priorities, and recommended next steps for developing debt management and bond markets in Africa. After each presentation, there will be a general discussion.

Moderators: *Mr. Phakamani Hadebe, National Treasury of South Africa and Mr. Hans Blommestein, OECD*

17 h 00 – 17 h 15

Session 8: Future work programme and closing remarks

a) Next steps

- OECD-South African Treasury Centre for African Public Debt Management and Bond Markets
- Steering Committee of the OECD Project on African Debt Management

b) Closing

Mr. Phakamani Hadebe, National Treasury of South Africa, Mr. Garth Greubel, BESA, and Mr. Hans Blommestein, OECD

ANNOTATIONS

General

This Regional Workshop series is the second pillar of the OECD policy dialogue with African countries on public debt management and government securities markets. It is related to, but is distinct from, the first pillar, the OECD Forum on African Public Debt Management. The first pillar, the Forum series, focuses on strategic policy issues, whereas the emphasis of the second pillar is on operational and technical aspects of interacting with and developing markets. The two pillars together form an integrated and mutually re-enforcing strategic approach to the design and execution of public debt management policies as well as related policies on bond market development.

The initiative for the start of the Regional Workshop came from the regional participants themselves. Special mention goes to the National Treasury of South Africa and the Bond Exchange of South Africa. The topics for the agenda of the Forum and the Regional Workshops are determined in close consultation with African debt managers, in particular with the members of the Steering Committee of the OECD Programme on African Public Debt Management and Bond Markets ('Steering Committee' for short).

A central objective for the Workshops is to arrive at tangible conclusions, policy priorities, and recommendations regarding the subject of each session. Panellists will address specific topics relevant to each session. Moderators will offer their own perspective on these topics, as well as cross-country examples. In that way, they will assist panellists and workshop participants as a whole, in drawing cross-country linkages and identifying emerging conclusions, priorities, and next steps. This approach is similar to the working method used successfully at the Forum meetings.

In addition to the main sessions, an important, operational feature of the workshop is the use of syndicate or break-out groups to motivate discussion and enhance the networking opportunities for participants. Participants will be formed into smaller discussion groups of around 8 to 10 people, reflecting a diversity of countries and public and private sector perspectives. The discussion in the break-out groups complements the general discussion that occurs during each main session. In particular, with the help of some prompting questions, the syndicates will identify what they see as challenges, priorities, and recommended next steps for developing debt management and bond markets in Africa.

Session 1: Liquidity in the Secondary Markets

This session will identify some of the important drivers and policy issues in liquidity in secondary domestic debt markets in Africa. Questions include the following suggestions:

- Why is liquidity important?
- How to generate liquidity?
- What are the appropriate levels?
- Small broker vs large institutional investor vs Banks vs Inter dealer brokers vs Issuer. Whose function is it to provide liquidity?
- Cost and tax implications on trades
- Role of script lending, REPOS and/or Carries to enhance liquidity
- Broadening the investor base
- Speculating vs buy-and-hold strategies
- Liquidity provided by foreign participation in Local Currency (LCY) Bond Markets?
- Mark-to-market constraints in illiquid markets (see session 2)

Session 2: Market-making obligations in public debt markets

This session will consider some of the critical policy and operational issues in market-making obligations in public debt markets, including via the following suggested questions:

- Who should make a market in government bonds?
- Does obligatory market making lower the costs of funding in the long term?
- Does obligatory market making act as a cushion in volatile markets or does it exacerbate the problem?
- Should market making be paid for and on what basis?
- What capital requirements, if at all, should be imposed on market makers?

Session 3: Architecture and (future) role of electronic trading platforms

This session will consider the key critical issues on the architecture of electronic trading platforms, with a special emphasis on the future role of electronic platforms in African markets. To motivate the session, an overview of the role of platforms in the US and EU markets will be provided. Case studies of the experiences of African countries at different stages of market development will also be presented. Suggested questions/issues for discussion include:

- Different trading platforms: floor vs over-the-counter vs telephone vs electronic trading. Is there a place for each of them?
- Price transparency: screen trading – does it only allow for small trades.
- Inter dealer brokers: high volumes and therefore more liquidity?

- Who should have access to trade information?
- Trading on price or yield?
- Credit lines: Is it important to see who you are trading with? Guarantee funds vs margin on trades?

Session 5: Key issues for sovereign issuers in accessing foreign markets

This session will consider the rationale of borrowing by sovereigns in foreign markets.

Suggested questions/issues for discussion include:

- What is the rationale for government to borrow in foreign markets?
- What kind of instruments?
- What are the processes involved?
 - Ratings (see break-out session)
 - Legal process
 - Investor relations/marketing
 - Identifying objectives for foreign debt
 - Providing market-friendly economic and financial data

Session 6: Discussion of (1) the creation of a database and (2) the role of rating agencies in break-out groups

Workshop participants will have the opportunity to discuss *technical* issues related to the following two topics in break-out groups:

Topic 1: The creation of a database on public debt (facilitator and rapporteur: **Thor Saari**, OECD Consultant). Issues for discussion may include:

- Outline of the OECD database project
- Why do we need a database? (legislation, investors, etc...)
- Understanding the transactions flows / processes followed
- What information to record?
 - Investor information
 - Types of debt
 - Management Information
- Who should be involved in the data gathering process?
- How to record – which systems?
 - Frequency of recording information
 - Volumes of information
 - Level of automation of systems in the market
 - Reporting needs
- Where should register be kept?
 - Security – access to the database.

Topic 2: The role of rating agencies from the perspective of sovereign issuers (facilitator: **Lars Kalderen**, OECD Consultant). Issues for discussion may include:

- How to obtain a rating?
- What is the importance of a rating?
- Which processes are followed by Rating Agencies?
- Statistical data required by Rating Agencies?
- Role of a Rating Agency in different market conditions?
- Do ratings matter (and to whom) and why?

The break-out groups will identify what they see as challenges, priorities, and recommended next steps in the context of enhancing debt management capacity and developing bond markets in Africa, and report their country perspectives the following day. The break-out groups will have facilitators (to assist them in discussing the key issues) and a rapporteur (to present priorities and recommended next steps in the plenary session). **Coordinator:** Mr. **Johan Krynauw**, National Treasury of South Africa.