The growing importance of transparency in debt management & government securities markets

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- Session 1: Recent trends on public debt management in emerging markets
- The growing importance of transparency is a worldwide trend
- Transparency is directly linked to accountability, disclosure policies and accounting standards
Increased transparency

- Increased transparency in: (a) the institutional set-up and formulation of public debt management policy, (b) primary public debt markets and (c) secondary public debt markets.
Impact of transparency

- Transparency is an issue that touches all layers and institutions involved in the management and administration of public debt -- debt office, Minister of Finance, Parliament, markets, the media and the general public.
Increased accountability

- Transparency and accountability: Siamese twins
- Accountability needs to be supported by a adequate legal framework, reforms in financial legislation and new budget procedures
- Accountability reflection of greater demand for openness and a more critical attitude
Impact on organisation DMOs

• More operational autonomy for debt office operations
• Specific reasons for more autonomy: (1) more accountability and greater transparency; (2) greater sophistication of debt management (control of risk); and (3) to overcome problems of recruiting and retaining staff
Performance evaluation: transparency & accountability

- Transparency and disclosure functional criteria to assess performance DMOs
- Greater emphasis on sophisticated risk-adjusted performance systems, with transparency of risk guidelines
- Disclosure about risk-adjusted performance frameworks, has enhanced the credibility of debt managers
Higher transparency & greater accountability ongoing process

- Recent areas of discussion: which items of the government balance sheet transparent and be part of mandate debt managers
- Transparency off-balance sheet items such as direct contingent liabilities
- Some OECD DMOs play a role in managing guarantees
Primary market transparency(1)

• Degree of openness and fairness in treating dealers and investors essential for good rating
• Lower financing costs
• Provide all potential buyers of government securities simultaneously with the same information
Primary market transparency(2)

- Auctions most commonly used by OECD DMs
- Publication of (annual/quarterly/weekly) auction calendars and prompt dissemination of auction results
- DMO as professional market player with operational autonomy in better position than a more traditionally organised DO
Secondary market transparency(1)

- Transparency in secondary market pricing important for liquid and efficient government securities market
- The number of ETS have grown
- Forces shaping the use of ETS: (1) technological change; (2) cost-reduction; (3) transparency
- In the past: fixed-income markets were not highly transparent
Secondary market transparency(2)

- ETS improve access to information, reduce information asymmetries, and allow market-wide integration of real-time trading information.
- Before introduction ETS: focus on post-trade transparency
- To-day: focus on pre-trade transparency for wholesale trading
Secondary market transparency(3)

- Market participants linked to international information vendors for real-time information on pre-trade prices and other market information.
- OECD government bond markets much more transparent.
- Post-trade information (and regulation of post-trade transparency) less important for overall transparency and liquidity.
Secondary market transparency(4)

- Link to liquid bond futures contracts and electronic market-making of government securities means pricing very transparent.
- Price transparency less policy issue; instead emphasis on level-playing-field
- After pricing of bond, press release with information about average price, average yield, volume raised and outstanding volume