Working Party on Debt Management

EIGHTEENTH OECD GLOBAL FORUM ON PUBLIC DEBT MANAGEMENT

Draft Agenda

3-4 December, 2008

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EIGHTEENTH OECD GLOBAL FORUM ON PUBLIC DEBT MANAGEMENT

3-4 December, 2008

OECD Conference Centre
2 rue André Pascal, 75016 Paris
Room CC1

Held under the aegis of the OECD Working Party on Public Debt Management
www.oecd.org/daf/publicdebtmangement

In co-operation with the OECD-Italian Treasury Network for Public Debt Management in Emerging Markets
www.publicdebtnet.org

Sponsored by the Government of Japan

Forum Chairman: Mr. Ove Jensen, Head of Government Debt Management, Danish Central Bank, and Chairman of the OECD Working Party on Debt Management
Wednesday, 3 December 2008

8 h 00 – 9 h 30   Registration

Note: Delegates who are also attending the 3rd OECD Forum on African Public Debt Management on 4-5 December, may register for both events at the same time.

9 h 30 – 9 h 45   Welcome and overview of programme

• Dr. Hans J. Blommestein (Head of Bond Market and Public Debt Management Unit, OECD)

09 h 45 – 13 h 00 Session 1: The impact of the global financial crisis on borrowing strategies in different regions

09 h 45 – 10 h 00 Overview of highlights from recent Working Party on Debt Management (WPDM) discussions and introduction of main issues:

• Summary of the discussions at the last WPDM sessions on the implications of the crisis for debt management by Mr. Ove Jensen (Chairman of the OECD Working Party on Debt Management)
• Introduction of main policy issues by Dr. Hans Blommestein (Coordinator WPDM, OECD)

10 h 00 – 11 h 00 Regional Round Table Discussion

• Mr. Bernd Braasch (Director, Deutsche Bundesbank/Coordinator G8 Action Plan), “An assessment on the financial stability in the emerging market economies: challenges and medium-term perspectives”
• Prof. S. Ghon Rhee (Dean, SKKU Business School/OECD External Consultant, Bond Markets and Public Debt), “Overview Asian Bond markets under Stress”
• Mr. Danfeng Cheng/Mr. Kai Li (Chinese MoF), “The impact of the crisis on China’s borrowing strategy”
• Mr. Andre Pillay, (Chief Director: Liability Management, Asset and Liability Management division, National Treasury, South Africa), “The impact of the crisis on South Africa’s borrowing strategy”
• Prof. Boris Alekhin (MoF, Russia), “The impact of the crisis on Russia’s borrowing strategy”

11 h 00 – 11 h 20 Coffee Break

11 h 20 – 11 h 50 Comments by OECD debt managers

11 h 50 – 12 h 45 General discussion
12 h 45 – 13 h 00  **Policy conclusions** [Rapporteur: Ms. Fatos Koc Kalkan (OECD Consultant, Bond Markets and Public Debt), Prof. S. Ghon Rhee (OECD External Consultant), Dr. Suk Hyun (OECD External Consultant, Bond Markets and Public Debt)]

13 h 00 – 17 h 45  **Session 2: Sovereign Asset and Liability Management (SALM)**

13 h 00 – 14 h 30  Lunch hosted by the OECD

14 h 30 – 14 h 45  **Introduction of main issues**

- **Moderator:** Dr. Hans Blommestein (OECD)

14 h 45 – 15 h 45  **Panel discussion**

- Mr. Udaibir Das (Head of Sovereign Asset-Liability Management, IMF) and Dr. Hans Blommestein (OECD), “Key Findings of Joint OECD-IMF study on SALM”
- Mr. Philip Combes (Treasurer, New Zealand Debt Management Office), “The New Zealand Experience”
- Mr. Emre Balibek (Head of Market Risk Management Department, Undersecretariat of the Treasury, Turkey), and Ms. Fatos Koc Kalkan (OECD), “How to take financial assets into account in designing government borrowing strategies?”

15 h 45 – 16 h 15  Coffee and tea break

16 h 15 – 16 h 45  **Comments by Non-OECD debt managers**

- Mr. Johan Krynauw (Director, Debt Operations, Asset and Liability Management division, National Treasury South Africa)
- Mr. Tada Phutthitada (Director, Bond Market Development Bureau, MoF, Thailand)

16 h 45 – 17 h 30  **General discussion**

17 h 30 – 17 h 45  Policy conclusions and next steps by Rapporteurs Ms. Allison Holland (IMF) and Ms. Fatos Koc Kalkan (OECD)
Thursday, 4 December 2008

9 h 00 – 13 h 00  Joint Session 3: Changes in the use of short-term securities by debt managers

Note: This session of the Global Forum is held jointly with the Africa Forum on Public Debt Management

9 h 00 – 9 h 15  Opening of Africa Forum

• Moderator: Andre Pillay, opening on behalf of the Deputy Director-General, National Treasury, South Africa

9 h 15 – 09 h 45  Introduction of main issues

• Dr. Hans Blommestein (OECD), “Assessment of the latest structural changes in the use of short-term government paper” (based on a summary of the latest WPDM discussions)

• Mr Andras Rez (DMO, Hungary), “Main conclusions from OECD Survey on changes in the use of short-term paper”

09 h 45 – 11 h 00  Panel discussion

• Mr. Livingstone Bumbe, Senior Economist (MoF, Kenya)
• Mr. Mohammed Amrani, Director (MoF, Morocco)
• Ms. Judith Ndiss, Deputy Director (National Bank, Tanzania)
• Mr. Wasswa Kajubi, Director, Trade & External Debt (National Bank Uganda)
• Mr Thor Saari (OECD Consultant, Bond Markets and Public Debt Management Unit), “Policy implications of OECD liquidity study for the use of short term government paper”

11 h 00 – 11 h 15  Coffee Break

11 h 15 – 12 h 00  Comments [Mr. Matthew Rutherford/Ms. Lorie Logan (New York Federal Reserve, USA), Mr. Marco Oviedo Cruz (General Director of Public Debt, MoF, Mexico), Mr. Philippe Mills (Director General, Agence France Trésor), Mr. Tada Phutthitada (Director, Bond Market Development Bureau, MoF, Thailand)]

12 h 00 – 12 h 45  General discussion

12 h 45 – 13 h 00  Policy conclusions

13 h 00 – 14 h 30  Lunch
The OECD Global Forum on Public Debt Management brings together debt managers from all over the world to discuss viewpoints and experiences relating to public debt management. Its focus is on policies, techniques, and experiences in the field of government debt management. The forum is organised under the aegis of the OECD Working Party on Debt Management, in co-operation with the OECD-Italian Treasury Network for Public Debt Management, and is sponsored by the government of Japan. The working party is a policy forum for senior government debt managers from OECD member countries to exchange views, experiences, and policies in the field of government debt management and development of government securities markets. With its unique and up-to-date pool of knowledge in this specialised field of government policy and operations, the working party has achieved singular international status in the global community of public debt managers and financial policymakers more generally. The leading practices identified by the working party serve, therefore, as a global standard.

Global forums are round-table meetings where public debt managers from the OECD area discuss in an in-depth fashion OECD practices, experiences, and policies in the field of government debt management and the development of government securities markets with their counterparts from non-OECD countries. Often forum meetings serve as opportunities for follow-up discussions of key topics that have been discussed by the OECD Working Party on Debt Management by extending and deepening the earlier or initial policy dialogue. Examples from the recent past include the assessment of auction methods; the management of market, credit, and operational risk; the role of the debt manager in managing guarantees; the role of electronic trading systems; and cash management. The interface of debt management operations with primary and secondary government securities markets is also covered by discussions in global forums.

The relevance of global forums has increased over the years, as debt managers from emerging market economies increasingly face challenges similar to those of their counterparts from advanced markets due to pressures from global finance and the related need to implement OECD leading practices in this policy area. Moreover, emerging markets have become more important from an international perspective, both as suppliers of debt instruments and as sovereign and private investors in OECD markets. At the same time, OECD governments, investors, and financial intermediaries stand to gain from emerging market countries making progress in these areas by adopting the leading practices from the OECD area.

Specific Annotations

Session 1: The impact of the global financial crisis on borrowing strategies in different regions

This session will assess the implications of the credit/liquidity crisis for government debt managers. The discussion will build on and extend discussions by the OECD Working Party on Public Debt Management.

Participants are invited to address one or more of the following suggested issues:

1. Major developments in their financial markets (higher spreads; implication of discussions about the methodology of calculating LIBOR; disappearance of swap transactions in some smaller markets; decrease in secondary market liquidity in the different segments of the government securities market; etc.);

2. Impact on primary market operations; changes in funding sources and borrowing strategies of countries (dollar-issuance by EU countries; issuance of linkers; implications of very high swap prices; risk management; implications of demise of Fanny and Freddy; impact of Northern Rock and other bankrupt financial institutions on issuing amounts and calendar; implications of the bankruptcy of major primary dealers such as Lehman for the operation of primary dealer systems; etc.);

3. Impact of recent developments on the shape of the yield curve (monetary policy actions; increasing government expenditures, falling tax receipts; higher deficits; and an increase in inflationary expectations, financial turmoil, etc.);

4. Potential implications for the size and maturity of the sovereign debt stock and its composition (strong rise in borrowing requirements, increase in bills-issuance);

5. Implications for debt strategies of the increase in governments’ contingent liabilities (both in explicit and implicit forms);

6. Impact on borrowing strategies of the rescue or wind-down of failed banks (recapitalisation; etc.);

7. The need for enhanced co-operation of sovereign debt managers with central bankers and other financial policymakers prompted by the liquidity crisis.

Participants are also invited to provide their views on how the latest budgetary developments are likely to influence (or has impacted on) the level of interest rates and the shape of the yield curve. They are not expected to present numerical “guestimates” but to give their (personal) assessments how recent budgetary developments are likely to affect (or has influenced) the direction of change of rates and yield curve. In addition, the representatives of emerging countries are invited to make assessments on contagion effects of latest financial crisis on their countries and comment on the so-called decoupling thesis -- the notion that merging market economies are more “decoupled” than before from the turmoil and slowdown originating in other countries/regions.

Against this backdrop, the session will start with a brief intervention by the chairman and co-ordinator of the OECD Working Party on Debt Management (WPDM) summarising the highlights of recent
WPDM discussions and setting the stage for the discussion of the suggested main policy implications of the crisis for DMOs (with a focus on borrowing strategies).

The **first panel** will be opened with a brief intervention by **Mr Bernd Braasch** (Director Bundesbank and co-ordinator of the G8 Action plan on emerging bond markets) on the challenges and medium-term perspectives for selected (but key) emerging markets. This outlook will set the stage for an assessment of the impact of the crisis (including capital outflows) on borrowing strategies in the various regions and countries.

**Prof Ghon Rhee** (Dean SKKU Business school and senior consultant OECD) will complement Mr Braasch’s intervention by focusing on recent developments and challenges in Asian government bond markets setting in turn the stage for an assessment by Asian debt managers about challenges (and changes) in their borrowing strategies. Accordingly, **Messrsr. Danfeng Cheng** and **Kai Li** (Chinese Ministry of Finance) will discuss “the impact of the crisis on China’s borrowing strategy”.

**Mr. Andre Pillay** (Chief Director: Liability Management, Asset and Liability Management division, National Treasury, South Africa) will discuss “the impact of the crisis on SA’s borrowing strategy”, while **Mr Paulo Valle** (Brazilian Ministry of Finance) will discuss the implications for the Brazilian borrowing strategy.

The **second panel** focuses on interventions from OECD debt managers reacting to the interventions in panel but also providing their a market perspective on their borrowing strategy. These discussants are also invited to indicate to what extent (and why) they think a change in longer-term borrowing strategies is needed, or, will it be “business as usual” after the crisis stabilises?

**Session 2: Sovereign Asset and Liability Management (SALM)**

In recent years, financial assets, representing in particular foreign exchange reserves, sovereign wealth funds, public pension funds, and structural cash surpluses, have become an increasingly important component of the sovereign balance sheet. On the liability side, the market value of sovereign debt represents a major claim against most sovereigns with the ongoing crisis a major driver in expanding the stock of outstanding government debt. Also the increase in contingent liabilities (an off-balance sheet item) is a major source of concern. On the other side of the balance sheet, in particular in countries where the financial crisis had a strong and direct impact, sovereign financial assets in the form of new holdings in the form of bank shares and securities related to failed financial institutions have increased.

These trends and developments have increased the potential importance of taking financial sovereign assets into account when designing borrowing strategies. Sovereign balance sheets have become larger and more complex than before. As a result, the adverse implications of mismatches on the sovereign balance sheet have increased.

In light of these developments, this session will examine policy questions related to the (potential) use of SALM by DMOs, an exploration of the practical obstacles related to a balance sheet approach to
risk management (including the limits to a centralised and integrated approach to risk management). In
sum, an important objective of the session will be to identify (i) potential benefits of the use of a
comprehensive balance sheet risk analysis on borrowing strategies; (ii) practical constraints of
implementing of the SALM approach; (iii) risk preferences of the government as a whole; (iv) practical,
governance, and political constraints that determine the degree of centralisation of the management of
balance sheet risks.

Against this backdrop, the discussion will start with a brief introduction summarising OECD’s
activities, in particular as part of the joint project with the IMF. The IMF and OECD have circulated a joint
Survey among OECD and non-OECD governments aimed at getting an overview of the use of SALM. The
OECD has processed the responses from OECD countries while the IMF has done so for non-OECD
governments. Both the main findings from OECD countries and perspectives and questions concerning
non-OECD jurisdictions will be summarised. We are still awaiting the responses from a number of OECD
debt managers and in particular those from non-OECD jurisdictions.

Panel interventions will also include an SALM perspective from a New Zealand point-of-view and a
Danish perspective on centralising sovereign risk in a balance sheet framework. The final panel
intervention will discuss some ideas on how to take into account sovereign assets in designing
borrowing strategies. A recent study (circulated separately) provides background on a number of
analytical but also practical (implementation) considerations. The Secretariat has also circulated as Room
Document 2.b a list with suggested questions/issues (prepared by the OECD and IMF). The list is far from
exhaustive but is meant to provide structure to the policy debate. However, panel members and other
delegates are free to address additional issues.

Session 3: Changes in the use of short-term securities by debt managers

This session (joint with the Africa Forum) will consider practices, policies and experiences concerning
(changes in ) the use of short term papers for funding and liquidity purposes, both from a short-term
危机 perspective and from a longer-term, structural point-of-view. The session will examine recent
developments in the changing use of Treasury Bills and their role in response to the ongoing financial
crisis. The Asian crisis from the 1990s was a catalyst for many emerging markets to move towards the
more extensive use of fixed, local currency bonds with longer maturities. Is this trend being interrupted
by to-day’s liquidity crisis? Many OECD countries facing a strong increase in funding needs have been
issuing large amounts of short-term paper. Against this backdrop, debt managers from both OECD and
Non-OECD jurisdictions are invited to address the following issues:

1. What are the short-term implications of the liquidity crises on the use of the type of funding
   instruments (e.g. the strong rise in the use of treasury bills in response to the immediate needs
   of the crisis)?

2. What are the long-term structural changes in borrowing strategies (e.g. countries with low
   budget deficits or budget surpluses have been reducing the use of short-term bills, while some
   countries have been moving towards floating instruments)?

3. What is the role of short-term instruments in optimal issuance strategies in the post-crisis
   situation of both mature and emerging economies?
The session will begin with an overview of the main policy issues on the role of Treasury Bills in primary and secondary markets on the basis of (i) a recent OECD Survey, (ii) discussions within the OECD WPDM; and (iii) the policy implications from the insights from an OECD study on liquidity in secondary markets in both the OECD area and selected African markets. The session will then proceed with a panel discussion.