

**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
Committee on Financial Markets**

Working Party on Debt Management

TWENTY-THIRD OECD GLOBAL FORUM ON PUBLIC DEBT MANAGEMENT

AGENDA

**19-20 February 2014
Paris
Room CC10, OECD Headquarters**

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TWENTY-THIRD OECD GLOBAL FORUM ON PUBLIC DEBT MANAGEMENT

DRAFT AGENDA (Version of 13 February 2014)

19-20 February 2014

*OECD Conference Centre
2 rue André Pascal, 75016 Paris*

Room CC 10

Held under the aegis of the

OECD Working Party on Public Debt Management
www.oecd.org/daf/publicdebtmanagement

Sponsored by the

Government of Japan

DAY 1

WEDNESDAY, 19 FEBRUARY 2014

08:00 - 09:00

Registration

09:00 - 09:20

Introductory Session

09:00 - 09:05

Welcome by **Chair: Mr. Teppo Koivisto**, Director of Finance, Finnish State Treasury and Chairman of the OECD Working Party on Public Debt Management

09:05- 09:15

Overview of programme by **Dr. Hans J. Blommestein**, *Head of Bond Market and Public Debt Management Unit, OECD*

09:15 – 12:30

Session 1: Enhanced Transparency in Public Debt Management

Moderator: **Mr. Teppo Koivisto**, Director of Finance, State Treasury, Finland

9:15 – 9:45

Introduction and overview of main issues by **Mr. Thomas Olofsson**, Chair OECD Task Force on Transparency, *and* Director, Debt Management Department, Swedish National Debt Office, SNDO Sweden

9:45 – 10:45

Comments by other members of the OECD Task Force on Transparency of Debt Statistics, Operations and Policies:

- **Mr. Sigurdur Sturla Palsson**, Senior Manager, Treasury and Market Operations, Central Bank of Iceland
- **Ms. Wendy Chan**, Principal Analyst, Debt Management, Bank of Canada
- **Ms. Fatos Koc**, Head of Market Risk Management Department, Undersecretariat of Treasury, Turkey
- **Mr. Ove Sten Jensen**, Head of Government Debt Management, Danmarks National bank, Denmark

10:45 - 11:00

Coffee Break

11:00 – 11:45

Interventions by selected G20 countries: **Brazil** (*Mr. Fernando Garrido*); **India** (*Mr. Ravi Rajendra Kumar*); **South Africa** (*Mr. Johann Krynauw*).

11:45 - 12:25

General discussion

12:25 - 12:30

Suggested conclusions

12:30 - 14:00

Lunch break

14:00 - 18:00

Session 2: The Impact of Tapering and Exit on Public Debt Management

Moderator: Mr. Teppo Koivisto, Director of Finance, Finnish State Treasury

14:00 - 14:15

Introduction and overview main issues by **Dr Hans J. Blommestein**, OECD

14:15 – 15:45

Comments by panel

- **Mr. Luc Everaert**, Assistant Director, Monetary and Capital Markets Department, International Monetary Fund (IMF)
- **Mr. Fabrizio Zampolli**, Senior Economist, Bank of International Settlements (BIS)
- **Mr. Johan Krynauw**, Director, Debt operations, National Treasury, South Africa
- **Mr. Fernando Eurico de Paiva Garrido**, Head of Public Debt Operations, Brazilian National Treasury / Ministry of Finance, Brazil

15:45 - 16:00

Coffee Break

16:00 - 17:45

Session 2 (continued): The Impact of Tapering and Exit on Public Debt Management

16:00 – 16:30

Interventions by **France** (*Mr. Ambroise Fayolle*) and by the **United States** (*Mr. Zhang Xiaopeng*)

16:30 – 17:30

General Discussion

17:30 – 17:45

Suggested conclusion

18:00 - 20:00

Reception hosted by the OECD

Address by Mr. Rintaro Tamaki, OECD Deputy Secretary-General

DAY 2

THURSDAY 20 FEBRUARY 2014

9:00 – 13:00

Session 3: The role of DMO's in centralised or integrated risk management

9:00 - 9:15

Introduction and overview main issues by *Mr. Teppo Koivisto*, Director of Finance, Finnish State Treasury

9:15 - 10:30

Round Table

Moderator: *Mr. Teppo Koivisto*

- *Mr. Taşkın Temiz*, Director General, Undersecretariat of Treasury, Turkey (**SALM perspective**)
- *Mr. Magnus Thor*, Head of Guarantees Department, Swedish National Debt Office, Sweden (**Contingent Liabilities perspective**)
- *Mr. Ove Jensen*, Head of Government Debt Management, Danish National Bank (**Derivatives perspective**)
- *Mr. Ramiro del Valle*, Deputy Director General of Public Debt of the Ministry of Finance Public Credit (SHCP, Mexico) (**Assessing practical obstacles in implementing SALM**)

11:00 - 11:15

Coffee Break

11:15 - 12:45

General discussion

12:45- 13:00

Suggested conclusions

ANNOTATIONS

GENERAL ANNOTATIONS

1. In order to assure a timely circulation of the materials, documents must be made available **10 days prior to the meeting.**
2. The current policy of the OECD Working Party on Public Debt Management is to treat all information provided by Delegates as confidential. Authors of room documents will be consulted prior to putting these documents on the OLIS system or when documents will be made public to a wider audience via websites (such as the OECD- Italian Treasury-WB PDM Network) or OECD publications, including the new Working Paper Series and the Borrowing Outlook. Meanwhile, Delegates are requested not to circulate (room) documents outside the OECD Global Forum without prior permission. Requests can be sent to the OECD.
3. Topics will in principle be discussed on the basis of the meeting schedule. Delegates are kindly requested to plan their attendance accordingly.
4. Recent information on OECD activities in the areas of public debt management and bond markets can be found at the following links:

www.oecd.org/daf/publicdebtmanagement

SPECIFIC ANNOTATIONS

DAY 1

Introductory Session

Welcome by the new Chairman of the OECD Working Party on Public Debt Management, **Mr. Teppo Koivisto**, Director of Finance, Finnish State Treasury.

Overview of programme by **Dr. Hans J. Blommestein**, Head of Bond Market and Public Debt Management Unit, OECD.

Session 1: Enhanced Transparency in Public Debt Management

1. Since the onset of the crisis and the associated huge increase in sovereign borrowing operations, governments are facing additional pressures from investors, rating agencies and others to *increase the transparency of borrowing operations, methods for the calculation of central government debt figures, measures for roll-over risk, maturity structure, derivatives and contingent liabilities*.

2. This session presents the main recommendations by the OECD Task Force on Transparency of Debt Statistics, Operations and Policies for enhanced (additional) transparency in the following areas:

- (1) Measures for roll-over risk;
- (2) Contingent liabilities, in particular guarantees;
- (3) Methods for duration and maturity calculations;
- (4) The use of derivatives;
- (5) Gross and net borrowing measures;
- (6) Indicators for central government debt.

3. The recommendations in the OECD report focuses on the need for, and usefulness of, publishing standardised measures in these six areas. For example, the use of standard measures of central (or general) gross (or net) government debt (stock) and cash borrowing requirements (flow) will increase transparency because published stock and flow figures will then be more easily comparable and better understood.

Session 2: The Impact of Tapering and Exit on Public Debt Management

1. Tapering and the termination of central bank asset purchase programmes, followed by the selling of government securities (acquired by central banks via quantitative easing programmes), could create a challenging situation for debt managers when they need to issue considerable amounts of government debt but now *without market support by the Central Bank*, in situations with a significant upward pressure on government borrowing rates.

2. The *first* set of challenges for debt managers during the early stages of the monetary and fiscal exit strategy (often referred to as the tapering period) are framed against the question that bedevils almost every government: how to continue to raise smoothly new funds at reasonable cost, while also managing roll-over risk and the risks associated with a still growing debt stock?

3. The *second* set of challenges refers more specifically to debt managers from emerging markets, in particular in view of last year's tapering and exit signals that led to extraordinary turbulence in emerging markets and the possibility of renewed turmoil in the future. What are the key risks for debt managers in emerging markets in this context? What can (or needs to) be done (urgently) by policy makers?

DAY 2

Session 3: The role of DMO's in centralised or integrated sovereign risk management

1. The sovereign balance sheet is composed of a number of sub-portfolios of assets and liabilities including government debt, international reserves, state-owned enterprises and fiscal revenues and expenditures. The risk management of these sub-portfolios is usually done separately. This is likely to be sub-optimal when compared to an integrated evaluation or management of financial risks; for example by using a sovereign asset-and- liability management (SALM) framework.

2. A SALM framework is attractive from an analytical point of view. SALM provides key insights into the (financial) risk characteristic of sovereign assets and liabilities including major financial mismatches and vulnerabilities to external shocks. However, the implementation of integrated risk management such as SALM requires addressing important practical obstacles such as the proper consolidation of the various sub-portfolios and governance challenges.

3. Against this backdrop, this session will discuss the (potential) benefits and obstacles in adopting a SALM framework in public debt management.

4. The session will also discuss various ways of broadening the remit of DMOs with managing financial risks from a government balance sheet perspective, ranging from a purely monitoring point-of-view without a direct impact on the liability strategy to an integrated risk management perspective where the DMO has a key co-ordinating responsibility with major implications for the sovereign debt strategy.

5. Integrated risk management may be attractive and add value when the risks managed by individual entities associated with the various sub-portfolios are systematic, like in the following situations:

- a) when risks aggregate, rather than offset. An example is the concentrations of credit risk (for example, related to state guarantees or derivatives);
- b) when risks, such as foreign-currency transaction exposure, might be able to be managed more efficiently if advantage was taken of natural hedges. The main benefits include avoiding transaction costs, but there are possibly also reductions in credit risk and operational risk;
- c) when risks might be worth insuring against from the perspective of an individual government entity but could be pooled when looked at across the government. An example is general insurance;
- d) when individual risks are of sufficient magnitude that they present a significant exposure to the government on their own, suggesting that taking a government-wide view toward their management would be appropriate.

6. Against this backdrop, the session discusses various practical ways DMOs can be (or actually are) involved in the implementation of integrated sovereign risk management, including in the context of state guarantees and derivatives.