

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

Working Party on Debt Management

**SUMMARY RECORD STEERING GROUP MEETING
OF THE OECD WORKING PARTY ON DEBT MANAGEMENT**

**HELD ON 19 JANUARY 2012
AT OECD HEADQUARTERS**

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**SUMMARY RECORD STEERING GROUP MEETING OF THE
OECD WORKING PARTY ON DEBT MANAGEMENT**

(HELD ON 19 JANUARY 2012 AT OECD HEADQUARTERS)

Item 1: The Steering Group adopts a slightly modified version of the **Draft Summary Record of the Annual meeting of the Working Party on Government Debt Management** (See [Annex 2](#)), held on 12-13 October 2011 at OECD Headquarters ([DAF/MC/DM/M\(2011\)4/REV1](#)). See agenda of the steering group meeting in [Annex 1](#).

Item 2: A brief oral report was given of the discussions at the *Second Meeting of the Informal OECD Consultation Group on New and Emerging Public Debt Management Issues and Potential Modelling Implications*, held on 22 (evening) and 23 November 2011, at the Deutsche Finanzagentur, Frankfurt, Germany. See agenda of informal consultation group meeting in [Annex 3](#).

Item 3: Additional resources. The Secretariat explains why additional resources are needed to support more effectively the OECD work on public debt management. Several delegates inform the Secretariat that DMOs are usually not in the position to second staff at the OECD. The Secretariat suggests that delegates could perhaps try to cast a wider net by contacting other departments or even other ministries (e.g. for supporting the activities in emerging markets). The Secretariat will follow-up by circulating a memo with additional suggestions.

General point: the US delegation argues that the WP should put more emphasis on technical questions and issues (and less on general policy debates). Most steering group members seem to have sympathy for this perspective. The steering group agrees that ideally WP topics and discussions should be a proper mix of technical issues and policy discussions. However, it was noted that technical issues require a more solid preparation (including by the use of ad hoc experts' groups).

Item 4: Suggested topics for the 2012 annual meeting of the WPDM.

The Steering Group suggests to discuss the following topics at the next annual meeting of the WPDM.

Topic 1: Tour d' horizon (regular+ horizontal topics: ½ day discussion).

Comment: The usual brief summary of the headlines from the new OECD Borrowing Outlook will be given by the [Secretariat](#).

Horizontal issues

- Follow-up report on the Impact of regulatory changes for use of OTC derivatives (swaps) by DMOs in particular the use of CCP. Presentations by [Sweden and Canada](#) focused on implementation issues.

- It was decided to submit a letter by the Chair on the adverse impact of the Volcker rule to the US Treasury.

Note: Additional horizontal issues may be decided closer to the meeting. To that end, at least one conference call will be organised in September. The conference call will also serve to discuss possible urgent issues such as the need to undertake action in response to (proposed) new regulations. Steering group members are also invited to contact the Chair and Secretariat to signal new urgent issues.

Topic 2: Discussion on cost-effectiveness of linkers. The debate will be informed by three papers. The US delegation will prepare a paper with (a) technical questions (including those related to quantification and methodology; existing studies are weak from these perspectives) and (b) broader policy questions. The UK delegation will contribute a paper focusing on: (i) the methodologies employed to consider the relative cost-effectiveness of ILGs (indexed-linked gilts); (ii) the rationale for using these methodologies; (iii) their benefits and policy usage; and (iv) potential drawbacks/limitations. (The resulting concise paper could eventually be published in the new OECD Working Paper series.) The Canadian delegation will also introduce a paper.

Topic 3: Implications of the (possible) loss of the risk-free rate for DMOs. A discussion note will be prepared by the German delegation and the Secretariat. The Spanish delegation will also contribute.

Topic 4: DMOs and CRAs. Topic will be prepared by the US delegation, including by circulating a set of questions to the Steering Group. Note: Answers by Steering Group Members to these questions are important for deciding how this topic will be discussed during the WPDM meeting. Suggested general issues or questions: how do DMOs manage their relationships with CRAs? (Which different frameworks can be distinguished and what is the merit of the different approaches? What determines the size of the fees paid to CRAs? Which rating methodology should be used from the perspective of the needs of the issuer? (What are the requirements?))

Topic 5: Primary dealer model(s) under stress? The smooth functioning of primary dealers is being threatened by various developments such as lack of capital, risk aversion, new regulations (e.g. Volcker rule, Tobin tax), increase in unhealthy behaviour during auctions (too much interdealer business, too much intra-dealer business such as sales to in-house ALM desk) etc. Is the classical PD-model under threat? What needs to be done? (Is there a feasible plan B? Are changes in auction design imperative? Much more emphasis on syndication? Admit new classes of primary dealers? Introduction of auction fees? Etc.) How to monitor the ‘structural health’ of PD-systems?

Comment: Against this backdrop the following 2 broad discussion themes can be distinguished:

(I) Impact of regulatory changes on PDs' ability/willingness to provide liquidity in the sovereign bond markets: It is suggested to focus on this 'liquidity provision' theme since it is a key aspect of PD activity from the sovereign's point of view. This approach may be useful in developing understanding of regulatory change in its impact on a question with direct relevance to sovereign debt managers. Looking ahead, that could also be helpful if a decision is made in due course to produce another non-paper (cf. as an example the WPDM paper on short selling).

(II) Incentives for PDs to participate in sovereign funding programmes: This theme has as backdrop the key concern for many DMOs to fund ongoing huge borrowing programmes amidst perceptions of higher sovereign risk. Sovereigns must ensure that appropriate incentives are in place on PDs to continue to participate actively and make sure the sovereigns can continue to fund as successfully as possible. This theme could cover suggested issues such as: (a) modifications/changes to auction format and/or other auction design features; (b) extent of emphasis on syndication; and (c) fees.

The UK delegation will prepare an internal note setting out key issues/questions for discussion and moderate the session with contributions by the US, Sweden and Denmark.

Topic 6: Investor relations and communications. Panel debate will be prepared by the Canadian delegation. The discussion will be done on the basis of an overview of the different practices by DMOs in the OECD area. To that end, a survey will be circulated.

Topic 7: Enhanced transparency on (future) borrowing operations, methods for the calculation of central government debt figures, maturity structure, derivatives and contingent liabilities. The Swedish delegation and the Secretariat will prepare this topic. Note: When lack of time will prevent a full discussion of the topic during the annual meeting, a Transparency Task Force will debate these issues instead (using an OECD electronic platform) and report back to the WPDM. This task force will also discuss general issues such as 'optimal transparency' ; consistency of: (i) borrowing data, (ii) central debt figures, (iii) methods for calculating average maturity and duration; (iv) methods for calculating contingent liabilities; etc. The Secretariat will contact possible volunteers for this Task Force led by the Swedish delegation and Secretariat. (NB.: Please inform the Secretariat in case you would like to join the Task Force.)

ANNEX 1

**AGENDA STEERING GROUP MEETING OF THE
OECD WORKING PARTY ON DEBT MANAGEMENT**

TO BE HELD ON 19 JANUARY 2012 AT OECD HEADQUARTERS

This is the agenda for the 19th January 2012 Steering Group Meeting of the Working Party on Debt Management. Start of the meeting: 18:30- until not later than 22:00.

Venue: Room MB2122 on the second floor of the Marshall Building at OECD Headquarters.

Questions concerning the agenda can be addressed to Hans Blommestein
<mailto:hans.blommestein@oecd.org>

Item 1: Draft Summary Record of the Summary record of the annual meeting of the Working Party on Government Debt Management held in Paris on 12-13 October 2011 ([DAF/MC/DM/M\(2011\)4/REV1](#))

Comment: Any comments on the attached *draft* summary record?

Item 2: Oral report on the Second Meeting of the Informal OECD Consultation Group on New and Emerging Public Debt Management Issues and Potential Modelling Implications, held on 22 (evening) and 23 November 2011, at the Deutsche Finanzagentur, Frankfurt, Germany

Comment: Carl-Heinz Daube, Thomas Olosson and Hans Blommestein provide a brief oral report on the Second Meeting of the Informal OECD Consultation Group (see attached agenda). They will also make suggestions which topics discussed during the 2nd Informal Consultation can perhaps be (further) discussed at the *next* annual meeting of the WPDM (to be held on 15-16 October 2012). General comments or questions by steering group members are welcome under this item, while suggestions for a follow-up discussion are discussed as part of item 4 below.

Item 3: Additional resources

Existing resources (which includes an analyst seconded from the Turkish Treasury) are not enough to service adequately the WPDM. (We have secured additional resources for the African project but not for the WPDM.) We are therefore seeking an additional analyst. For example, in the form of a second secondment. In this way, we would be able to better service the WPDM, including drafting background papers, improved statistics, the Borrowing Outlook, and taking care of the follow-up to meetings (including ad hoc experts' groups).

Comment: Suggestions are urgently welcome.

Item 4: Topics for the 2012 annual meeting of the WPDM

Comment: Each topic will be briefly (as quickly as possible) introduced by relevant delegates or OECD Secretariat by focusing on (1) What are the main objectives of the discussion? (2) What are the envisaged outcomes of the discussion (policy conclusions/policy recommendations)? Suggested topics come mainly from 3 sources:

(I) Draft Summary Record of the Summary record of the annual meeting of the Working Party on Government Debt Management held in Paris on 12-13 October 2011 ([DAF/MC/DM/M\(2011\)4/REV1](#));

(II) Oral report on 2nd Informal Consultation;

(III) Suggestions via e-mail.

Ad I) Suggested topics for 2012 annual meeting based on Summary record of the annual meeting WPDM

Topic 1: Tour d' horizon (horizontal topics):

- a. **Borrowing outlook, Projections central government debt, etc.** (INTRO by Secretariat)
- b. **Other topics at this stage?**

Topic 2: Follow-up discussion on cost-effectiveness of linkers using a Survey? Brief reactions by UK, US, German and French delegations (NB: In case of interest, would then a joint project UK, US, German and French delegations be useful?)

Topic 3: Published report on the Impact of regulatory changes for use of OTC derivatives (swaps) by DMOs in particular the use of CCP. INTRO by Chair and Secretariat (QUESTION: Is an UPDATE useful or necessary in light of recent developments?)

Topic 4: Changes in the composition of the (international) investor base and impact on sovereign funding costs (INTRO by Secretariat)

Topic 5: Enhanced transparency on borrowing operations and the calculation of central government debt figures and contingent liabilities (see summary record 2011 annual meeting WPDM (INTRO by Thomas Olofsson and Secretariat) (QUESTION: In case of interest, how can this topic best be prepared?)

Ad II) Suggested topics for 2012 annual meeting based on the Second Meeting of the Informal OECD Consultation Group

Topic 6: Policy implications of the (possible) loss of the risk-free rate (INTRO by Carl-Heinz Daube and Secretariat)

NB: In case of interest, a discussion note on this topic could be prepared by Carl-Heinz and/or Secretariat. Which issues should this note cover? (impact deteriorating credit quality of banks and sovereigns on cash management, borrowing strategies and sovereign primary and secondary markets?; quality and integrity of sovereign CDS markets?; other?)

Topic 7: New Risk Management Framework in the Netherlands

The report contains an evaluation of risk management policies in the period 2008-2011, and a description of the risk management framework for the period 2012-2015. Question: Is this report of sufficient interest for a general debate by the WPDM? The report "Risk Management of the National Debt" is available on DSTA's website (www.dsta.nl) under News/Publications.

Ad III) Suggested topics for 2012 annual meeting based on suggestions via email

Topic 8a: Liquidity in government debt markets and the Volcker Rule (INTRO by Ron Morrow with comments by the UK and Germany)

NB: In case of interest, how best to proceed? Stage 1: letter by Chair/WPDM to appropriate authorities followed by stage 2 in the form of a position paper/study by WPDM? For example, a non-paper by the WPDM (same model as non-paper short-selling restrictions)? Or, should we employ a report by ad hoc experts' group (same model as report on regulatory reform of OTCD and debt management)?

Topic 8b: Liquidity regulations (e.g. liquidity ratios in Basel III; Solvency II) and government debt management and markets

NB 1: Austria (Martha Oberndorfer) raised this point in an email (with many other suggestions; see attached email) from a more restricted perspective: impact on secondary market liquidity and/or exclusion of smaller sovereign issuers.

NB 1: It has been argued that new liquidity regulations for banks (Basel III) generate extra demand for (short-term?) sovereign debt and that Solvency II encourages insurance companies and pension funds to back their liabilities with long-term debt. In the case of banks, it has been noted that this extra demand will (or is already) create a distortion in favour of (short-term?) sovereign debt (at the expense of other bank collateral such as gold, equities, and securitised paper). In case of insurance companies and pension funds, it is being argued that the "shortage" of (very) long paper will be aggravated.

Topic 9: How do DMOs manage their relationship with CRAs? (INTRO by Colin Kim)

NB: In this context, what is the impact of regulatory changes regarding CRAs?

Item 5: Suggested topics for future meetings other than the annual WPDM meeting

5.a. Topics for the next OECD/WB/IMF Global Bond Market Forum (April 2012)

5.b. Topics for the next OECD Global Debt Management Forum (first half of 2013)

Question: do you have suggestions?

ANNEX 2

DRAFT SUMMARY RECORD OF THE ANNUAL MEETING OF THE WORKING PARTY ON GOVERNMENT DEBT MANAGEMENT HELD IN PARIS ON 12-13 OCTOBER 2011

General

1. This year's Annual Working Party saw more than 90 debt managers from 32 OECD countries and 2 international organisations, namely, the IMF and the World Bank debating on highly relevant policy debt issues (see attached agenda). The meeting had as usual very good attendance by senior OECD debt managers. The debate was most of the time very animated, reflecting the challenges in financing large OECD government funding needs. The reception at the end of Day 1 (hosted by OECD **Deputy Secretary General Rintaro Tamaki** and **Carolyn Ervin, Director, Directorate for Financial Affairs and Enterprise Affairs**) was highly appreciated because it provides a convenient and informal way for sovereign debt managers to touch base on current business (in addition to the Working Party meeting itself). All members of the current bureau¹ were re-elected, with Ron Morrow (director at the Canadian central bank) as new Chairman.

Summary outcome discussion agenda items

Item 1: Adoption of the agenda and welcome of new members of the Working Party on Debt Management (Australia, Estonia, Japan)

Item 2: Tour d'horizon

¹ Mr. Zsolt BANGO (director DMO, Hungary), Mr. Coskun CANGOZ (DG, Turkish Treasury), Ms. Maria CANNATA (DG, Italian Treasury), Mr. Carl Heinz DAUBE (CEO DMO, Germany), Mr. Ove Sten JENSEN (CEO DMO, Denmark), Mr. Colin KIM (Head DMO, US Treasury), Mr. José Ramon MARTINEZ RESANO (director, Bank of Spain), Mr. Philippe MILLS (CEO DMO, French Treasury), Mr. Atsushi MIZUNO (director DMO, Japanese MoF), Mr. Ron MORROW (director, Bank of Canada), Mr. Thomas OLOFSSON (Head of Debt Management, Swedish DMO), Mr. Robert STHEEMAN (CEO, UK DMO). This bureau acts as a very hands-on steering group by supporting the planning of future OECD debt management and bond market meetings.

2. The discussion under the tour d’horizon included:

I. Borrowing outlook and impact central bank interventions

3. **Expected sovereign borrowing needs** amidst highly stressed market conditions.

4. *Conclusion and follow-up:* there is a stabilising borrowing trend but major challenges for borrowers remain. The OECD Sovereign Borrowing Outlook is an important vehicle (1) to convey the policy views of OECD debt managers, (2) to outline the challenges they are facing, and (3) provide more transparency about this policy area²;

5. **Complications for DMOs (debt management offices) created by central bank interventions in government bond markets** such as QE, operation Twist and bond buying by ECB. *Conclusions:* communications between central banks (CBs) and DMOs about operational issues prior to CB interventions are important. Additional actions by DMOs such as switches may be needed to alleviate market distortions and market ‘gaming’ by banks and other participants;

II. Future architecture in euro zone

6. *Conclusion:* future architecture (see also item 7) is in part determined by (1) policy discussions that the ECB is not in all circumstances the suitable institution to undertake operations to alleviate (liquidity) stresses in government securities markets (2) the need for more transparency and (3) the implications for investors and DMOs associated with the possible loss of the ‘risk free’ rate in some markets;

III. Transparency

7. *Conclusion and follow-up:* Increased transparency on how to calculate central government debt (including contingent liabilities) and gross borrowing requirements is highly desirable. An important objective is to make available more individual country information. The OECD can play an important role by publishing figures based on standardised methods via its borrowing outlook³ and revised version of the statistical yearbook on central government debt and public debt management policies⁴.

² See also the point below on transparency.

³ Delegates cited as an example: ‘A suggested new approach to the measurement and reporting of gross short-term borrowing operations by governments’, *Financial Market Trends*, Volume 2010/1.

⁴ It is important to note that ‘standardised’ methods go beyond the notion of (or is not the same as) using the SNA (system of national accounts). Financial policy makers such as debt managers are demanding increased *policy* transparency about issues such as those reported in the OECD statistical yearbook on

Item 3: Impact of regulatory changes for the use of OTC derivatives (swaps) by DMOs in particular the use of CCP

8. The discussion was based on a report by an ad hoc experts' group led by the Bank of Canada.
9. *Conclusion and follow-up:* The WPDM endorsed the draft report, including the suggested policy conclusions. The report's unique value is that it represents the view of OECD governments on suggested regulatory reform measures as users of OTC derivatives. It was opined that it is desirable that a slightly edited version of the report will be published (as an OECD publication). The report may also be of interest for G20 and FSB members.

Item 4: Principles and trade-offs when making issuance choices (including maturity)

10. The UK delegation presented a paper on the fundamental principles and trade-offs when making issuance choices, including choice of maturity.
11. *Conclusion and follow-up:* the debate emphasised that the paper's great value is that it gives a good insight into the broader policy considerations driving issuance choices (that is: over and above a formal decision framework such as CaR⁵), in particular against the backdrop of fiscal consolidation and QE operations. The paper will be published as part of the next OECD Borrowing Outlook (No. 4) and in the new OECD Public Debt Management and Bond Market Working Paper Series.

Item 5: Liquidity buffers governments and pre-funding operations

12. The discussion was based on a Survey among OECD countries drafted by the Turkish delegation. The debate focused on liquidity buffers and pre-funding operations from the perspective of both debt and cash management.
13. *Conclusion and follow-up:* since the outbreak of turbulence in sovereign debt markets (characterised by a change in risk perception and reduced access to funds), liquidity buffers have become more important for DMOs, in particular for managing more volatile cash in-and outflows and managing the increase in re-financing risk. The Secretariat will consult with the Turkish Delegation whether the

central government debt, although most of these policy issues are (by definition) not captured by the SNA methodology. The level of policy detail reported in the OECD statistical yearbook on central government debt is required to be able to discuss and agree (within the Working Party) upon new reporting standards. Also the IMF representative supported this policy perspective.

⁵ As input for the debate, the Japanese Delegation had submitted a paper on the use of CAR by the Japanese DMO.

paper on liquidity buffers can be published in the new OECD Public Debt Management and Bond Market Working Paper Series.

Item 6: Changes in the composition of the investor base and impact on sovereign funding costs

14. During and immediately after the 2007-2008 financial crisis, it was observed that many governments needed (or chose) to borrow domestically (some delegates noted in this context that there was an increase in ‘home bias’). More recently, however, there are some indications that borrowing internationally is (again?) on the increase, in particular by (many?) sovereigns in emerging markets.

15. *Conclusion and follow-up:* Delegates have conflicting views on the merits of foreign borrowing. Some argue that geographical diversification would lead to a more stable investor base, while others emphasised the importance of relying more on a diversified and/or enlarged domestic segment. Of interest (and perhaps concern) is that the foreign holdings of sovereign paper of several large emerging markets have strongly increased. The next OECD Global Forum on Debt Management (to be held on 19-20 January 2012) will return to this topic by including also the views from DMOs from emerging markets as well by presenting quantitative information on related trends and developments.

Item 7: Technical steps and problems arising from the introduction in the Euro zone of Collective Action Clauses for bonds from mid-2013 onward

16. The discussion was based on a document prepared by the Italian Treasury. *Conclusions:* The “statutory” approach to sovereign debt restructuring⁶, as discussed by EU Member States, may impact on the financial market framework via two major channels: (i) by reducing instability in government bond markets and (ii) by improving the working of capital markets due to higher transparency standards between the debtor and creditors. These measures may become part of the new “European Financial Architecture”.

⁶ On 9th December 2011, EU leaders decided to change dramatically their approach to the so-called PSI (private sector involvement) by softening mandatory bondholder bail-ins and, instead, adhering to IMF principles and practices on a case-by-case basis.

Item 8: Other business

8. A. The following members were elected to the bureau/steering group for 2012:

Mr. Zsolt BANGO, Hungarian DMO;

Mr. Coskun CANGOZ, Turkish Treasury;

Ms. Maria CANNATA, Italian Treasury;

Mr. Carl Heinz DAUBE, Federal Republic of Germany Finance Agency;

Mr. Ove Sten JENSEN, Danmarks Nationalbank;

Mr. Colin KIM, United States Treasury;

Mr. José Ramon MARTINEZ RESANO, Ministry of Finance/Bank of Spain;

Mr. Philippe MILLS, Agence France Trésor;

Mr. Atsushi MIZUNO, Japanese Ministry of Finance;

Mr. Ron MORROW (Chairman), Bank of Canada;

Mr. Thomas OLOFSSON, Swedish National Debt Office;

Mr. Robert STHEEMAN, United Kingdom Debt Management Office.

8. B. Suggested topics for the 2012 meeting of the WPDM:

17. Delegates were invited to send in (additional) suggestions for 2012 topics to the secretariat.

8. C. Global Relations Strategy

18. See for information OLIS document [DAF/MC/DM/M\(2011\)3](#) on the Opening of the Centre for African Public Debt Management and Bond Markets, a joint venture by the OECD and the National Treasury of South Africa.

8.D. Dates of next meetings

19. 21st Global Debt Management Forum: Paris, 19-20 January 2012
20. Annual Meeting of the Working Party on Debt Management, 15-16 October 2012

ANNEX 3

AGENDA – VERSION 7 NOVEMBER

SECOND MEETING OF THE INFORMAL OECD CONSULTATION GROUP ON NEW AND EMERGING PUBLIC DEBT MANAGEMENT ISSUES AND POTENTIAL MODELLING IMPLICATIONS, TO BE HELD ON 22 (EVENING) AND 23 NOVEMBER 2011, AT THE DEUTSCHE FINANZAGENTUR, FRANKFURT, GERMANY

Participants are invited to join Carl Heinz Daube for a simple dinner with drink the evening before the informal consultation, starting at 18:00 CET. Place: **Restaurant** “Zum Adler” (address: Ginnheimer Hohl 2a, 60431 Frankfurt am Main). The consultation will start on the evening of 22 November 2011, continue on 23 November at 9:00 and finish not later than 16:00.

Local contact : Dr. Carl Heinz Daube, Managing Director CarlHeinz.Daube@deutsche-finanzagentur.de . **Meeting venue:** Finanzagentur GmbH, Lurgiallee 5 60439 Frankfurt am Main; Bundesrepublik Deutschland - Tel: +49 (0)69 25 616 - 1001

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1. The Informal OECD Consultation Group will discuss the following topics: (1) Liquidity Buffers and Liquidity Risk; (2) Policy Implications of the Loss of the Risk Free Rate ; (3) New Framework for Managing Risk; (4) Transparency of Sovereign Debt and Sovereign Borrowing; (5) Exchange and buyback operations.

2. The principal objective of informal consultation group (ICG) meetings is to get *off-the-record views* from debt managers on new and emerging public debt management (PDM) issues (where relevant with potential modelling implications). Consultations are informal and relatively brief since the aim is to identify new and emerging issues followed by a fuller debate by the WPDM as a whole. Opinions are expressed in a *personal*, expert capacity. The summary record will in principle not identify individual country positions and personal opinions. (See also the general annotation and the attached summary record of the *First Meeting of the Informal OECD Consultation Group*.)

3. Topics and suggested schedule

- **22 November 18:00 dinner + discussion of topic 4 on transparency**
- **23 November 9:00-10:30 topic 2 on risk free rate**
- **23 November 10:30-12:00 topic 1 on liquidity risk and buffers**
- **23 November 12:00-13:30 lunch + discussion of topic 3 on risk management**
- **23 November 13:30-15:00 topic 5 on exchanges and buybacks**
- **23 November 15:00-16:00 wrap-up by Carl Heinz and Hans**

Topic 1: Liquidity Buffers and Liquidity Risk

- The *Turkish experts* will:
 - 1) provide a brief summary of the debate during the October meeting of the WPDM and suggest key policy implications
 - 2) indicate the next steps in discussing this policy area and suggest which substantive issues could be discussed at the 2012 Annual Meeting of the WPDM
 - 3) elaborate on liquidity risk management indicators used for debt management purposes and describe related modelling issues based on Turkish experiences.
- The *Israeli experts* will :
 - 1) indicate which modelling approach is useful for managing liquidity risk;

- 2) suggest how to integrate liquidity buffers in a formal framework for managing liquidity risk and whether a follow-up discussion would be useful.

Topic 2: Policy Implications of the Loss of the Risk Free Rate⁷

- The *German experts* will introduce this topic. For many years the Bund curve was assumed to define the risk free rate. Even today, Bund yields are the lowest within the Euro zone. On the other hand, CDS spreads for all AAA sovereigns – also for Bunds - increased significantly over the last 3 years. What are the key implications from these market signals? Can we assume that (a) also the Bund is associated nowadays with a non-marginal default risk? and (b) the concept of risk free curve does not exist any longer? This credit aspect is currently overshadowed by the high (in part flight to safety) demand for Bunds – primarily driven by the weakness of creditworthiness of the other sovereigns. From a risk perspective it would be interesting to explore how a stress scenario for Bund creditworthiness would look like and how it affects the financing cost.

- 1) What are the key policy implications of this analysis for debt managers?
- 2) Which substantive issues could be discussed at the 2012 Annual Meeting of the WPDM?

Topic 3: New Risk Management Framework in the Netherlands

3. Based on an evaluation of the 2008-2011 Risk Management Framework, the Framework for 2012-2015 will be introduced. It is suggested to focus the debate on how to model Cost-at-Risk with the aim to manage market (interest rate) risk, while emphasising the role benchmark portfolios could play.

- 1) The *Dutch experts* will introduce the topics.
- 2) What are the policy implications?
- 3) Which substantive issues could be discussed at the 2012 Annual Meeting of the WPDM?

Topic 4: Transparency of Sovereign Debt and Sovereign Borrowing

- The *Swedish experts* and *OECD Staff* will:
 - 1) provide a brief summary of the debate during the October meeting of the WPDM.
 - 2) suggest key policy implications;
 - 3) indicate possible next steps in discussing this policy area and suggest which substantive issues could be discussed at the 2012 Annual Meeting of the WPDM.

⁷ Some aspects of this issue were discussed at the *First Meeting of the Informal OECD Consultation Group* (see section II.A. of the attached summary record).

Topic 5: Exchange and buyback operations

- *The Danish experts will:*

- 1) provide a brief introduction of issues/problems why exchange and buyback operations are important for DMOs more frequently used (e.g. because of central bank interventions; rollover peaks; other reasons?)
- 2) suggest key policy implications or issues (reduction of rollover risk and/or supporting liquidity; pricing difficulties in buyback auctions; different methods such as auction, direct buybacks, etc; which maturities?)
- 3) indicate possible next steps in discussing this policy area and suggest which substantive issues could be discussed at the 2012 Annual Meeting of the WPDM (key objectives: reduction of rollover risk ? and/or supporting liquidity? ; pricing more difficult than regular auctions?; which methods? Auction, direct buybacks? other? which maturities can best be targeted?).

General annotation

The principal objective of informal consultation group (ICG) meetings is to get *off-the-record views* from debt managers on new and emerging public debt management (PDM) issues (where relevant with potential modelling implications). Consultations are informal, and relatively brief⁸ since the aim is to identify new and emerging issues followed by a fuller debate by the WPDM as a whole. Opinions are expressed in a *personal*, expert capacity.

Informal consultations are an important tool of the Secretariat in making informed suggestions to the Steering Group regarding topics for future meetings. Subsequently, the output of informal consultations can then be used as input for shaping future meetings of the WPDM (both annual meetings and global forums). Ultimately, the selection of topics will depend on the views of Steering Group and WPDM delegates. Moreover, identified modelling implications can potentially be discussed in the PDM modelling group led by the Canadian delegation.

⁸ The aim is approximately a half-a-day meeting plus lunch and/or dinner/drink. Exceptionally, a full day could be contemplated.