

**“XII OECD Workshop on Government Securities Markets
and Public Debt Management in Emerging Markets”
Roma, Italy
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Roma, June 2002

Inside the framework of its international activity and participation to OECD Public Debt Management Working Party, the Italian Public Debt Direction hosted on May 23 and 24 the XII edition of the “Workshop on Government Securities Markets and Public Debt Management in Emerging Markets”. Seventy eight participants – debt managers and experts coming from Governments and Central Banks – were present at the meeting, representing 30 Countries, with the participation of Asian Countries representatives (Philippines, Taiwan, India, South Korea). International Institutions as the World Bank and the International Monetary Fund were also represented.

The three sessions of the Workshop covered the following issues:

Session I

The role of derivatives in public debt management

In this session were discussed the issues concerning the utilisation of derivative instruments (mainly “*plain vanilla*” Swaps and Options) in the Public Debt Management Activity. The discussion, through speakers’ presentations and general debate, was extremely interesting, and concentrated over the aspects of a prudent use of derivatives in Public Debt Management and of their usefulness in reaching financing cost, maturity profile and liability portfolio duration objectives. In particular, some Countries underlined the key role of determining affordable and standardised selection criteria for counterparts in these operations (for instance, credit-worthiness). In effect, as observed during the discussion, back office management has a crucial role and must be developed and checked on a continual basis. Some speakers evidenced, on a more general level, issues related to the institutional role of Public Debt managers as well as to the non desirability of arbitrage activity undergone by Sovereign States and to the relevance of conflicts of interest in debt management activities, especially with regard to economic, fiscal and monetary policy.

Market institutions present at the discussion contributed with considerations concerning different kind of instruments, like options and option combinations, for exchange rate and macro economic risk management by Emerging Countries Sovereign issuers.

Finally, the participants emphasized the frequent use of derivatives in combination with benchmarking activity, even though with significant differences among Countries, mainly as a consequence of different compositions and dimensions of liability portfolios.

Session II

Debt management issues at the sub-national level.

In this session, problems concerning financing on Capital Markets by Sub-National Entities (Regions, Local Authorities, etc.) were examined. This topic was discussed in the light of the institutional reforms, of devolution processes involving government structures and in light of the more general theme of State intervention in the economy. In particular, the debate focused on the surveillance and monitoring to be performed by National States and on the comparison between different national experiences, also from a regulatory point of view. The issue appears very sensitive indeed for Member States of the European Union, due to their participation in the Stability and Growth Pact and their commitment to avoidance of Excessive Deficits at General Government Level.

Other speakers examined different possible monitoring techniques and evidenced the presence of sensitive areas over which the control has to be implemented. One of OECD Member Countries with a significant federal fiscal and budget structure (even though relatively small in dimension) described the design and implementation of some recent legislative changes, based on the constitution of a publicly owned financing agent which is the exclusive fund raiser (intermediary) for Sub-National Authorities.

Some Countries with a solid federal tradition showed how financing structures and rules at sub-national level could be defined inside a framework of self-discipline.

In conclusion, critical issues for the monitoring activity emerged: a) the definition of sub-national areas (some Emerging Countries include the public owned enterprises) and b) the choice of control tools, that can range from pure market to legal and administrative ones.

Session III

The role of securitisation in efficient debt and cash management

In this last session the most important public asset Securitisation projects were illustrated and discussed. In particular, after to Greece and Italy's presentations, the discussion focused on the comprehension of Securitisations' role and of their capacity to increase efficiency and profitability of State Assets' Management. During the discussion were clarified some technical aspects of Securitisation transactions that, although consolidated in international financial practice, sometimes appear more obscure when referred to sovereign issuers.

In particular, was emphasised how Securitisations of existing assets (non performing credits, real estate assets) are different from Securitisations of future receivables. Emerging Countries stressed the importance of linking this kind of transactions to the reforms and restructuring processes of banking and financial sectors.

Italy's contribution to this session was focused on the importance of Securitisations in the strategic framework aimed at improving real estate asset management and at dismissing non profitable assets. In particular, it was important to clarify the fact that this kind of transactions do not come to an end with the issuance of the Bonds. They can be valued as effective and successful only in the following periods, when the operations underlying the initial transaction (dismissions, payments etc.) are managed and executed.

Finally, the general discussion stressed the role of the operating mechanism and the of counterparts that act as dismissions' driving forces. The Italian experience showed as, through automatic incentives it is possible to improve the structure and functioning of those

transactions.

At the end of the Workshop, the Italian Treasury received appreciations from participants and the Chairman, for the organisation of the discussion, the preparation of documents and of the whole event.

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