

Government Debt Management: New Trends and Challenges

4-day intensive residential programme
11 – 14 September 2012

Christ's College, Cambridge

Course Chairman:
Rafael Molina,
Managing Partner,
Newstate Partners

Series adviser:
Charles Goodhart, CBE
Professor Emeritus
London School of Economics
Financial Markets Group



Dear Delegate,

From 2007 through to 2010 debt markets struggled under the increased issuance by governments striving to bolster and bailout weakened financial institutions and markets. During 2011 the crisis became a sovereign crisis as governments battled to bring down critically high deficits in the face of volatile yields on their securities. The result has been a sharp increase in market uncertainty surrounding sovereigns themselves. Indeed, governments have lost their infallibility as reliable debtors.

As you and your team know only too well, the shifts seen since the crisis represent a secular change that will impact issuance for decades to come. The increased concern over sovereign risk has dominated media discourse and industry discussion.

For debt managers this increased pressure presents a series of technical challenges as investors become more discerning and markets less forgiving. As they look to differentiate themselves in competitive markets, increasingly debt managers are considering new techniques, new types of debt, new sources of funding and new approaches to risk management, portfolio analysis and strategic transparency.

This seminar has been designed to equip debt managers with the tools to meet these testing challenges. Sessions illustrate the key practical lessons for debt managers at a time of heightened attention on their performance, demonstrating where they can add value and contribute to economic recovery.

The closed roundtable format allows an international group of delegates maximum opportunities to benchmark their work against good practice internationally and to exchange views with their peers in an informal and confidential setting. Throughout, the emphasis is on how specific national situations

require tailored solutions and how these lessons can be applied to delegates' day-to-day operations.

The expert panel of speakers includes: **Hans Blommestein**, Head of Public Debt Management, OECD; **Jill Duchy**, Managing Partner, Newstate Partners; **Jean Luc Steylaers**, Former Deputy Director, Belgian Debt Management Agency; **Mike Williams**, Former Chief Executive, UK Debt Management Office; **Elisabetta Vangelista**, Senior Markets Researcher, UK DMO and **Robert Weary**, Senior Conservation Finance and Policy Advisor, Global Environment Fund.

This format, as more than 3,500 central bankers, debt managers and supervisors can attest encourages delegates to quiz panellists, raise issues and discuss solutions to the specific challenges they face.

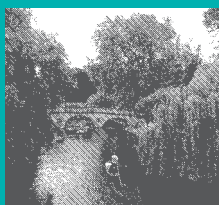
We are delighted to welcome Rafael Molina, a former central banker and now an experienced consultant in sovereign debt management, as course chairman this year. Mr Molina spent over eight years with the Federal Reserve Bank of New York, where he was responsible for implementing US monetary policy directives and managing the U.S. monetary authorities' yen currency reserve portfolio.

We look forward to welcoming you to Cambridge on September 11th.

Yours sincerely,



Robert Pringle
Chairman
Central Banking Publications



“ The programme was very well-designed. I had a lot of take aways as learnings from the programme ”

A central bank delegate

Tuesday 11 September

Debt management in a post-crisis environment

Introductions and participant discussion

Led by the chairman **Rafael Molina**, Managing Partner, Newstate Partners

In this introductory session the chairman will lay the foundations for those sessions that follow by discussing the causes of the crisis. Participants will be asked to contribute by providing a summary of the impact on their nation's economy and debt management strategies. Detailed discussion will aim to explore the main obstacles that delegates' organisations are facing, the priorities they have set to negotiate them and the prime objectives they wish to achieve by attending the seminar.

Understanding the pressures of the post-crisis market

Rafael Molina

Debt managers are in a grind. Governments need to borrow, yet, as projections from the OECD Sovereign Borrowing Outlook expect global government debt ratios to further deteriorate, the need to secure funding at a low cost and with adequately low levels of financial risk has rarely been as paramount. The chairman, who boasts considerable experience of advising governments and central banks on how to optimise their debt management strategies, will lead a session on how these challenges can be understood in the context of the post-crisis economy and how best to adapt to the ongoing pressures in the government debt and securities markets.

Challenges for debt managers during central bank exit strategies

Hans Blommestein, Senior Financial Economist and Head of Bond Market and Public Debt Management Programmes, Organisation for Economic Co-operation and Development

As economies struggle to recover from the crisis, debt managers are likely to face a new and complex challenge to maintaining a low funding cost. Many debt managers have undertaken a strategy of increasing their long-term bond issuance to reduce funding costs and maintain demand. But this demand has been driven by low market interest rates, quantitative easing and government asset purchases. As central banks begin to reverse these strategies, debt managers may see demand weaken. The consequences could be unpleasant: In particular increasing rates on long-term securities could be extremely damaging. In this session an expert in debt management will discuss these complex debt management concerns in detail. The group will be invited to consider the relationship between central bank crisis management policies and debt management in their country more broadly.



About the course chairman

Rafael Molina is a managing partner with Newstate Partners LLP providing specialised debt management services to sovereign governments and central banks, particularly during times of economic distress. He has over a decade of experience assisting sovereign clients define and implement comprehensive liability management strategies aimed at optimising debt service profiles. A selected list of his clients include the Governments of Antigua and Barbuda, Ecuador, the Dominican Republic, the Republic of Indonesia, the Hashemite Kingdom of Jordan, the Republic of Liberia, Peru and St. Kitts and Nevis among others. Rafael spent over eight years with the Federal Reserve Bank of New York where he performed several finance related functions.

Wednesday 12 September

Implementing an effective debt management framework

Responding to the crisis: a case study of the UK DMO issuance programme

Elisabetta Vangelista, Senior Markets Researcher, UK Debt Management Office

The crisis has heightened competition amongst debt management offices. The speaker, a senior researcher on debt management policy from the UK Debt Management Office, will discuss how the DMO has implemented principles of openness and predictability to minimise cost and risks in this competitive environment. Details will also be given on how the UK is maintaining a liquid gilt market by issuing gilts at key benchmark maturities, a strategy which also minimises funding costs. Increased dialogue with primary dealers and market participants, careful organisation of auction and syndication calendars and analysis of nominal and real yields on domestic and international securities will also be considered. Group discussion will focus on the lessons that can be learned from these approaches and the measures taken by delegates in response to on-going challenges faced.

Coping with the sovereign crisis: how to maintain effective debt management amid contagion

Mike Williams, Former Chief Executive, UK Debt Management Office

Markets are continuing to experience volatility as sovereign downgrades, unsustainable deficits and widening credit spreads breed uncertainty amongst investors. Many issuers are paying significantly higher borrowing rates than they did even in the years directly following the crisis. In some extreme cases market access has become extremely difficult, a situation aggravated by contagion pressures and volatility. In this session the former chief executive of the UK Debt Management Office will discuss how managers can service unprecedented funding requirements in unfamiliar and challenging market conditions. The speaker will explain the advantages of greater flexibility in the amounts marketed, also discussing the benefits, and risks, of issuing longer term securities. The group will discuss the threat of contagion, with a focus on how active diversification of the investor base and index-linked paper can be used to minimise these effects.

Effectively coordinating cash management and debt management

Mike Williams

As the number of debt managers being handed responsibility for managing the central government's cash increases, it is important that DMOs recognise that there are significant benefits of being able to cost effectively combine the debt and cash management operations. The speaker will discuss how debt managers can work alongside treasuries to implement forecasting for daily net cash flows in the government accounts, providing details on how to ensure these are both timely and accurate. The group will discuss how the DMO can balance or place these net positions cost effectively by using their knowledge of debt markets and instruments, including repos, reverse repos, swaps instruments and more traditional government securities.

Workshop: effectively diversifying your investor base

Jill Dauchy, Managing Partner, Newstate Partners

Innovations in issuance programmes, such as the use of more opportunistic and flexible auctions to capitalise on favourable conditions, while appealing, may come with some unintended risks. DMOs must be careful to maintain a clearly communicated and transparent issuance programme in the long term so as not to become too unpredictable for existing or potential investors. In this session the chairman will invite the group to compare the strategies in place within their jurisdiction to attract foreign investors such as insurers, pension funds and institutional investors. The group will be encouraged to compare their experiences with major primary dealers, discussing what they believe can be done to improve communication with the markets.

Thursday 13 September

Managing risks

Effective risk governance and handling the pressures of independence

Jean-Luc Steylaers, Former Director, Belgian Debt Management Agency

Debt managers take on significant risks in their day-to-day market transactions. Financial risks are inherent in borrowing, the greatest of which is the inability for the government to refinance its debts, becoming technically insolvent. The complexity of market transactions and the very public nature of government debt levels also mean there are significant operational risks linked with IT and payment systems and the reputation of the government as a reliable debtor. In this session, the speaker will discuss these issues in the context of how to organise a risk management function. The session will assess the particular importance of maintaining a robust risk management framework throughout the unit, and communicating this effectively. In addition the speaker will evaluate how the location of the debt and cash management functions in relation to the central bank and treasury affect the DMO's mandated responsibilities, including risk management, and under what circumstances it is desirable to establish a separate entity.

Understanding and developing effective risk management tools for roll-over risk

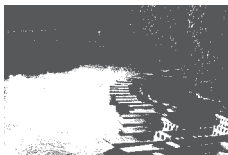
Azucena Arbeleche, Director, Debt Management Unit, Republic of Uruguay (invited)

The increased complexity of transactions being undertaken by debt managers trying to differentiate in competitive markets has exacerbated roll-over risk. The analytical tools of a debt management office must be able to assess these risks, facilitating the government's ability to maintain its debt strategy within its risk appetite. In this session, the speaker will explain how her debt management office has developed risk management tools to maintain a sophisticated portfolio risk analysis, with a focus on how to carry out diligent analysis of front office activity. The speaker will also address the importance of spreading out the debt redemption profile across a range of maturities. Discussion will focus on how such procedures can contribute to the debt manager's broader strategy, and the measures being taken in delegates' countries to manage roll-over risk.

Developing liquidity in domestic bond markets and attracting foreign investment

Azucena Arbeleche, Director, Debt Management Unit, Republic of Uruguay (invited)

Both local and global investors have been reluctant to enter markets with poor infrastructure, with a reliance on one industry, or with threats from contagion. This is due to the high levels of risk investors would have to take on. As a result, debt managers in some markets struggle to maintain a sufficient level of liquidity in local bond markets. In this session the speaker, whose government debt has recently been upgraded to investment grade despite possible contagion from neighbouring markets, will discuss how to actively increase investability in local currency bonds for foreign investors.



“ Very interesting and useful seminar ”

A central bank delegate

Friday 14 September

Understanding how investors perceive sovereign risk and alternative strategies

Sovereign risk: the market perspective

David Riley, Head of Sovereign Risk Fitch Ratings

It is no secret that markets in the past have been strongly influenced by the opinions of ratings agencies. Indeed, it is considered international news when a major agency changes the grade of a sovereign state. In this session, the Head of Sovereign Risk from a major ratings agency will lift the lid on how government debt is assessed and rated in today's market, providing guidance on particular aspects that debt managers can improve on to enhance their chances of favourable ratings. Discussion amongst the group will aim to define how these areas can be improved.

Freeing up resources through alternative debt management strategies

Robert Weary, Senior Conservation Finance and Policy Advisor, Global Environment Fund

A debt manager's primary focus remains to minimise borrowing costs and mitigate risks as well as enhance a sovereign's credit profile. Above and beyond these, however, alternative debt management strategies may be considered to further achieve these goals, particularly in the case of countries with less market access. An example of these strategies is the utilisation of debt conversion schemes which have allowed a number of sovereigns, including Ecuador, Indonesia, Philippines, Chile and others, to successfully complement efforts to lower overall indebtedness, reduce inherent market risks and divert debt service resources to other development or conservation initiatives. In this session the speaker will provide case studies detailing how such debt conversions work in practice.

Course lessons and roundtable

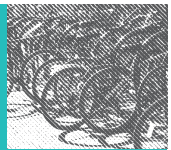
Led by the chairman

To conclude the course, the chairman will review the sessions that have taken place, inviting the group to share what they believe they have learnt from each of the sessions and to suggest how these lessons will improve their future approach and inform their role at their home institution moving forward.

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Booking details

Course fee: £2,700

(VAT at 0% for delegates employed by government in furtherance of its sovereign activities)

4-day (3 nights) residential course

Course fee includes: en-suite accommodation, meals, refreshments, course documentation and a complimentary copy of the most recent issue of the Central Banking journal. Substitute delegates can be accepted should the registered delegate be unable to attend; please let us know prior to the event.

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The venue

Christ's College is one of England's oldest university colleges and traces its origins back to 1439 when it was founded by William Byngam as "God's house" and adopted by King Henry VI.

The college is conveniently situated in the heart of Cambridge surrounded by all the historical sites, and is one hour by train from London.

About Central Banking Publications

Central Banking Publications' events division is the leading independent organiser of public policy seminars/training courses for the official sector. Since 1997, CBP has hosted roundtable seminars and training courses for over 3,500 senior policymakers from central banks, ministries of finance and financial regulatory agencies around the world. Senior officials from more than 120 countries have attended these meetings over the past ten years.

Registration for Government Debt Management: New Trends and Challenges

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First name: _____

Job title: _____

Organisation: _____

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Email 1: _____

Please provide us with the direct email address of the delegate and an additional email address if possible. This is very important because all correspondence with delegates is by email.

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