



Best Practice framework EGB Market

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EGBs: Primary Dealership Secure System

The system of Primary Dealerships supports security, stability and liquidity of the EGBs market

- Primary dealers are appointed to buy promote and distribute sovereign debt
- Auction system with a minimum participation for primary dealers insures auctions will not fail
- On-going communication between Primary dealers and DMOs improves market efficiency
 - Investors best interest
 - Best execution
 - *Off-the-runs* as liquid as benchmarks thanks to regular taps
- Obligation of quotation on electronic markets contributes to the liquidity of the secondary market
 - Two way price
 - Minimum size
 - Tight bid-offer spreads
- Larger liquidity in core markets than in non core but the primary dealership system is a clear protection and proved its efficiency during the crisis (no shut down)
- Capacity to trade large position in a solid control environment



EGBs: Primary Market

The system of Primary Dealerships means secured auctions

	Multiple price?	Single price?
Austria	✓	
Belgium	✓	
France	✓	
Finland		✓
Germany		
Greece	✓	
Netherlands	DDA or Tap Auction	
Ireland		
Italy		✓
Portugal		✓
Spain	Mixture bids above ave. price served @ ave. price, those between limit & ave. price served @ bid price	

	2014 10y Bonds Auctions Size Average Eur bn	10y Benchmark Size Average Eur bn
Germany	5	18-20
France	4.1	27-32
Italy	3.1	20-23
Spain	2	18-21
Netherlands	2	13-16
Belgium	1.1	13-16
Austria	0.6	8-10
Portugal	1.7	7-10
Ireland	0.8	6-9
Finland	1	5-6

- Auctions exclusive to primary dealers but final clients can bid through primary dealers
- Issuance strategy favours regularity and transparency: Issuance calendars, regular taps across the curve
- Minimum market shares per primary dealers insures auctions success
- Regular taps of *off-the-runs* promotes liquidity
- Flexibility on auctions size promotes real interest



EGBs: Issuance Timetable Overview

	Austria	Belgium	France	Finland	Germany	Greece
Yearly Programme 2014	EUR 22-26 bn	EUR 30 bn	EUR 173 bn	EUR 12 bn	EUR 173 bn	
Maturity Announced before the auction	One week before	Monday before	6 days before (OAT) Annual basis		Annual basis	Quarterly basis
Precise Bonds / Sizes Announced	One week before	Friday before	Friday before		Annual and quarterly basis	Quarterly basis & Friday before
Syndications	New issues	New issues (maturity above 3 yrs)	New products and new maturities	New issues	New products & new maturities	New issues
Auction frequency	One per month Aug reserve date	One per month (Last Monday) except when syndication	OAT – 1 st Thursday BTAN – 3 rd Thursday (Reserve dates Aug & Dec)	One per Quarter	Regular published calendar	
Exchange	No	Exchange offers	Exchange offers	Exchange offers		Exchange offers
EMTN	Yes	Yes	No	Yes	No	No
T-Bill Programme?	Yes	Yes	Yes	Yes	Yes	Yes
Buy Back?	No	Yes	Yes	Yes	No	No
Non – EUR debt?	Yes	Yes	No	Yes	Yes	Yes
Paper retained	Yes (10%)	No	No	No	Yes	No
	Netherlands	Ireland	Italy	Portugal	Spain	United Kingdom
Yearly Programme 2014	EUR 50 bn		EUR 265bn	EUR 12bn	EUR 133 bn	GBP 160 bn
Maturity Announced	Quarterly basis	One week before	Annual basis	Quarterly basis	Quarterly basis	Annual basis
Precise Bonds / Sizes Announced	Quarterly basis	One week before	3 & 7 days before	Quarterly basis	Monday before	Tuesday before
Syndications	No; DDA for new issues	New Products	New products & Long maturities	New issues	New issues with maturity above 5 years	New products
Auction frequency	One per month (2 nd Tuesday) (reserve dates Aug & Dec)	One per month (3 rd Thursday) (Except Jan & Dec)	Two per month	Window twice a month (2 nd & 4 th Weds)	Bono – 1 st Thurs Obligaciones – 3 rd Thurs	
Exchange	No	Exchange offers	Exchange offers	Exchange offers	Exchange offers	
EMTN	No	Yes	Yes	Yes	No	
T-Bill Programme?	Yes	Yes	Yes	Yes	Yes	Yes
Buy Back?	Yes	Yes	Yes	Yes	Yes	
Non – EUR?	No	Yes	Yes	Yes	Yes	Yes
Paper retained	No	No	No	No	No	



EGBs: Secondary Market

The system of Primary Dealerships means a deep secondary market

	Debt (ex T-Bills) Eur bn	Daily Turnover Eur bn	Times Debt
Italy*	1681.1	25.0	3.6
France	1150.7	15.3	3.2
Belgium	357.4	2.3	1.5
Germany	1232.7	20.7	4.0
Spain*	745.5	5.2	1.7
Netherlands*	336.6	3.3	2.4
Portugal	201.2	1.3	1.6
Finland	90.9	1.2	3.2
Austria	199.9	0.9	1.1
Total	5995.8	75.2	3.0

* electronic only

- Larger liquidity in core markets than in peripherals
- German debt Turnover represents 4 times its outstanding on a yearly basis
- Germany is the most liquid market supported by a very deep future market
- Activity has increased on French and Italian contracts
- Well spread liquidity between benchmarks and *off-the-runs*
- Active repo markets support secondary liquidity

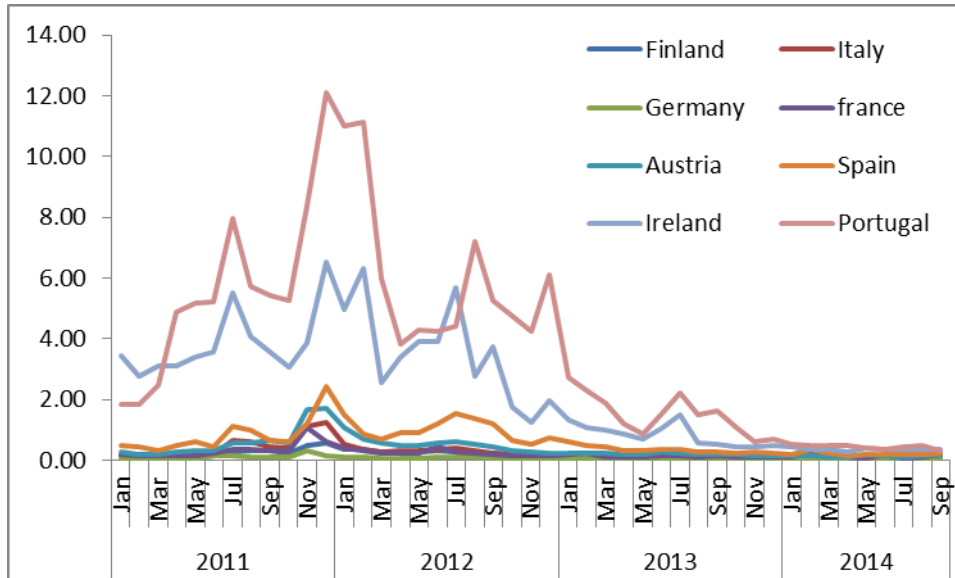
10y Contract	Open Interest			Volume		
	Average	Max	Min	Average	Max	Min
Bund	1110803	1345860	152814	636757	1286210	64443
OAT	189816	235757	38699	58682	142745	9223
BTP	162435	208590	34505	57234	165084	12862
Bono	304	408	4	14	222	1



EGBs: Secondary Market

The system of Primary Dealerships means tight spreads

10y Bid-Offer Spreads – MTS – Monthly Average



- Very tight and stable bid-offer spreads on inter-dealers platforms in 2014
- Volumes with Customers distributed between 3 main electronic platforms (RFQ) and voice (multi dealer or single dealer oriented)
- The share of electronic trading is estimated at 40% of total trading (?) and is increasing
- Harmonised settlement since 6th of October: T+2



The system of Primary Dealerships; a Few Questions

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- The system of Primary Dealerships has proved its efficiency through the crisis
- However it has to adapt to a new environment
 - to move from the traditional underwriting function towards a new business model, a distribution model?
 - To review the overbidding costs and discount policy?
- The system of primary dealerships could move towards a consolidation with fewer primary dealers



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