



## 12<sup>th</sup> IMF Forum on Managing Sovereign Risk and Public Debt

*“Managing Sovereign Debt: A Seismic Shift in Demand and Supply Dynamics?”*

**June 27–29, 2012, Windsor Atlântica Hotel, Rio de Janeiro, Brazil**

The 12<sup>th</sup> Annual Forum on Managing Sovereign Risk and Public Debt will take place against the backdrop of a potential for a vicious cycle between high sovereign debt, slow growth, bank balance sheet stress, and cross-market spillovers. It will be co-hosted by the government of Brazil and the IMF in Rio de Janeiro on June 27–29, 2012. This senior level annual event will bring together government officials, debt managers, and central bankers from 28 advanced and emerging market economies, select representatives from the private sector, and senior management from the IMF, The World Bank, and the EBRD. They will discuss macro-financial and capital market aspects of debt management policies and the feedback effects.

The theme of the Rio discussions will be: *Managing Sovereign Debt Going Forward: A Seismic Shift in Demand and Supply Dynamics?* The focus will be on determining how deep and fundamental the shifts are and what might be the implications for funding strategies, debt instruments, portfolio risks, financial stability, and capital markets. In advanced markets, the challenges stem from higher levels of public debt, outlook for economic growth, and rapidly evolving perceptions of sovereign risk. There are sizeable cost-of-funding differentials across countries as markets aggressively price in sovereign credit risk in sovereign bond markets. In parallel, policy makers responsible for debt in emerging markets (EMs) are facing challenges that may need closer monitoring of macroeconomic and financial spillovers so their market access remains intact and measures continue to be taken to further deepen local currency bond markets. All debt managers need to address the uncertain impact of the structural changes in the global financial system and the proposed regulatory reform agenda on bond and related derivative markets as some of the changes could have far reaching consequences.

## Managing Sovereign Debt: A Seismic Shift in Demand and Supply Dynamics?

Wednesday, June 27, 2012

7:30 a.m.–9:00 p.m.

**Welcome Reception and Informal Exchange of Views**

**Venue:** Windsor Atlântica Hotel, Cabo Frio A, B and C rooms (1<sup>st</sup> floor)

DAY 1—Thursday, June 28

**Venue:** Windsor Atlântica Hotel, Angra dos Reis, C room (2<sup>nd</sup> floor)

8:00 a.m.–8:30 a.m.

**Coffee and Registration**

8:30 a.m.–9:00 a.m.

**Welcome** by **Robert Sheehy**, Deputy Director, Monetary and Capital Markets Department, IMF

**Inaugural Remarks:** **Marcio Holland**, Secretary, Economic Policies Secretariat, Ministry of Finance, Brazil

**Min Zhu**, Deputy Managing Director, IMF

9:00 a.m.–10:45 a.m.

**Session 1: What are the Key Risks to Fiscal and Financial Stability?**

**Discuss the macroeconomic, fiscal, and financial stability risk factors impacting sovereigns and debt capital markets.** What are the most important macroeconomic, fiscal, and financial stability risk factors, and how do they impact sovereign debt capital markets? What are the near- and medium-term implications of the euro area debt crisis? Are market participants approaching sovereign credit risk appropriately? What are associated spillovers for emerging market sovereign issuers? How are global asset allocation strategies affected? Are investors fundamentally reassessing sovereign debt? What would the potential effect of a global economic downturn, coupled with financial instability, be for sovereigns in the advanced economies and emerging markets?

**Moderator:** **Min Zhu**, Deputy Managing Director, IMF

**Scene-setters:**

- **Robert Sheehy**, Deputy Director, Monetary and Capital Markets Department, IMF
- **Philip Gerson**, Deputy Director, Fiscal Affairs Department, IMF

**Discussants:**

- **Elga Bartsch**, Chief European Economist, Morgan Stanley
- **Ilan Goldfajn**, Chief Economist, Itaú Unibanco

10:45 a.m.–11:15 a.m.

**Coffee break**

11:15 a.m.–1:00 p.m.	<b>Session 2: How to Sustain Market Access in the Current Macro-Market Environment?</b>
	<p><b>Discuss near and medium-term cost-risk challenges facing sovereign issuers and strategies they can deploy to maintain market access.</b> Are prevailing conditions in debt markets and associated shifts in the investor base constraining funding options and the choice of instruments? Is there any build-up of portfolio risks occurring as debt issuers tap markets under these limiting conditions? How are those risks being managed? What measures can be taken to continue to attract investor interest if conditions deteriorate? Are global regulatory reforms driving shifts in demand-supply dynamics? Will the overall benefit of the reforms exceed their costs in the medium- to long-term? Are there increased near-term risks for sovereign issuers as a result of regulatory reforms? What debt managers need to do to mitigate issuers’ execution risk and investors’ liquidity risk?</p> <p><b>Chair:</b> <a href="#">Madelyn Antoncic</a>, Treasurer, World Bank</p> <p><b>Discussants:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Paulo Valle</a>, Undersecretary of Treasury, Ministry of Finance, Brazil</li> <li>• <a href="#">Michio Saito</a>, Director, Debt Management Policy Division, Ministry of Finance, Japan</li> <li>• <a href="#">Shin Hyung Chul</a>, Director General, Ministry of Finance, Korea</li> <li>• <a href="#">José Miguel da Costa</a>, Head of Research and Reporting, IGCP, Portugal</li> <li>• <a href="#">Moritz Kraemer</a>, Managing Director, Standard &amp; Poor’s</li> </ul> <p><b>Lead Respondents:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Bogdan Klimaszewski</a>, Deputy Director, Public Debt Management, Ministry of Finance, Poland</li> <li>• <a href="#">Anthony Julies</a>, Chief Director, Ministry of Finance, South Africa</li> </ul>
1:00 p.m.–2:30 p.m.	<p><b>Lunch</b></p> <p><b>Special Speaker:</b> <a href="#">Benoît Cœuré</a>, Executive Board Member, European Central Bank</p> <p><b>Venue:</b> Windsor Atlantica Hotel, Private Restaurant (5<sup>th</sup> floor)</p>
2:30 p.m.– 4:15 p.m.	<b>Session 3: Does the Role of Central Banks in Debt Markets Need a Re-examination?</b>
	<p><b>Discuss the impact of crisis management actions taken by central banks on sovereign credit risk and debt capital markets.</b> Has the use of macro-prudential tools and non-conventional monetary policies impacted the functioning of debt capital markets? Do central banks’ non-conventional policies—particularly quantitative easing, long-term repo operations, collateral pool expansion, and the ECB’s Securities Market Program—have potentially adverse effects on global debt capital markets? How has the experience of emerging markets been different and, if</p>

	<p>so, why? What are the challenges for sovereign issuers given the large central bank holdings of sovereign debt and central bank provision of liquidity support for markets?</p> <p><b>Chair:</b> <b>Ove Sten Jensen</b>, Head of Government Debt Department, Denmark</p> <p><b>Discussants:</b></p> <ul style="list-style-type: none"> <li>• <b>R. Gandhi</b>, Executive Director, Reserve Bank of India</li> <li>• <b>Franco Passacantando</b>, Managing Director, Central Bank, Italy</li> <li>• <b>Enzo Rossi</b>, Economic Advisor, Central Bank, Switzerland</li> <li>• <b>Colin Kim</b>, Director, Debt Management Office, United States</li> <li>• <b>Pablo Ramón-Laca Clausen</b>, Senior Advisor, Treasury, Spain</li> </ul>
4:15 p.m. – 4:45 p.m.	Coffee break
4:45 p.m. – 5:15 p.m.	<b>IMF Staff Update on Recent Changes in Market-Access Debt Sustainability Analysis (DSA), Portfolio Stress Testing, and Debt Statistics</b>
	<p>This IMF Staff briefing on the updates to debt sustainability analysis for market-access countries, the progress on developing Principles for Stress Testing of Sovereign Debt Portfolios, and the latest debt statistics database and manual.</p> <p><b>Presenter:</b></p> <ul style="list-style-type: none"> <li>• <b>Udaibir Das</b>, Assistant Director, Monetary and Capital Markets Department, IMF</li> </ul>
5:15 p.m. – 6:15 p.m.	<b>Break</b>
6:15 p.m. – 7:00 p.m.	<p><b>Special Speaker:</b> <b>Luiz Awazu Pereira da Silva</b>, Deputy Governor of Central Bank of Brazil</p> <p><b>Venue:</b> Windsor Atlântica Hotel, Angra dos Reis, C room (2<sup>nd</sup> floor)</p>
7:00 p.m. – 8:30 p.m.	<p><b>Dinner</b></p> <p><b>Venue:</b> Windsor Atlantica Hotel, Private Restaurant (5<sup>th</sup> floor)</p>
<p><b>DAY 2—Friday, June 29</b></p> <p><b>Venue:</b> Windsor Atlântica Hotel, Angra dos Reis, C room (2<sup>nd</sup> floor)</p>	
8:30 p.m.–10:00 a.m.	<b>Session 4: Has the Economics and Practice of Restructuring Sovereign Debt Changed—Need for a Reflection?</b>
	<p>Emerging and developing markets as a group have a long standing experience with debt restructurings. The recent sovereign debt restructuring in the euro area has highlighted a number of issues relating to the respective roles of the official and private sector, the design of exchange instruments, and resolution mechanisms in highly integrated markets. Is there a need to revisit well accepted principles for restructuring? Are there implications for the design and legal structure of future</p>

	<p>debt instruments? How concerned are issuers about the role of sovereign CDS markets in restructuring? Could liability management operations become more complex and riskier to implement in this new environment?</p> <p><b>Chair:</b> <a href="#">Jo Whelan</a>, Deputy CEO, Debt Management Office, United Kingdom</p> <p><b>Discussants:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Joseph Di Censo</a>, Director, Blackrock</li> <li>• <a href="#">Nazareth Festekjian</a>, Managing Director, Citi</li> <li>• <a href="#">Pierre Cailleteau</a>, Managing Director, Lazard</li> </ul> <p><b>Lead Respondents:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Emre Balibek</a>, Deputy General Director of Public Finance, Turkish Treasury</li> <li>• <a href="#">Azucena Arbeleche</a>, Head of Debt Office, Ministry of Finance, Uruguay</li> </ul>
10:00 p.m.–10:30 a.m.	Coffee break
10:30 a.m.–12:15 p.m.	<b>Session 5: What Might Global Debt Capital Markets Look Like in the 2020s?</b>
	<p>Debt capital markets have experienced the equivalent of a seismic shift over the last few years. The credit crisis in 2007/2008 brought the value of liquidity to the forefront, while leading to doubts about the validity of credit ratings, and the structural creditworthiness of whole sectors of the fixed income markets. Changes in the regulatory environment, the assessment of sovereign risk and associated changes in the investor base are additional factors impacting the environment in which debt managers operate. This session will explore how these changes might affect the fundamental structure of sovereign debt markets of the future. In particular, what are the likely impacts of various regulatory changes (Volcker rule, Basel III) on primary and secondary bond markets, as well as on ancillary markets (futures, swaps, etc.)? What role could or should ratings agencies play? How can debt managers adapt to the risks and challenges posed by the new environment?</p> <p><b>Chair:</b> <a href="#">Axel Van Nederveen</a>, Treasurer, EBRD</p> <p><b>Discussants:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Eric Wolfe</a>, Deputy Chief, Funding Management and Banking Department, Bank of Canada</li> <li>• <a href="#">Oscar Vela</a>, Director of Public Debt, Ministry of Finance, Mexico</li> <li>• <a href="#">Thomas Olofsson</a>, Head of Debt Management, SNDO, Sweden</li> <li>• <a href="#">Laurent Fransolet</a>, Head of European Research, Barclays</li> <li>• <a href="#">Paul Tregidgo</a>, Managing Director, Credit Suisse</li> </ul>

	<b>Lead Respondents:</b> <ul style="list-style-type: none"> <li>• <b>Colin Kim</b>, Director, Debt Management Office, United States</li> </ul>
12:15-12:45 p.m.	<b>An Afterword by <b>Arminio Fraga</b>, Gávea Founder and Chairman, BMF Bovespa</b>
12:45-1:15 p.m.	<b>Wrap-up and next steps</b>  <b>Chair: <b>Robert Sheehy</b></b> , Deputy Director, Monetary and Capital Markets Department, IMF
1:15-2:30 p.m.	<b>Lunch</b>  <b>Venue:</b> Windsor Atlantica Hotel, Private Restaurant (5 <sup>th</sup> floor)
2:30-6:00 p.m.	<b>Tour Program</b>

## Bibliography

The following papers may prove useful background reading for the consultations.

### Session 1:

Arbatli, Elif and Julio Escolano (2012), "Fiscal Transparency, Fiscal Performance and Credit Ratings," IMF Working Paper, WP/12/156. <http://www.imf.org/external/pubs/ft/wp/2012/wp12156.pdf>

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### Session 2:

Session Note: "How to Sustain Market Access in the Current Macro-Market Environment?"

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De Broeck, Mark and Anastasia Guscina (2011), "Government Debt Issuance in the Euro Area: The Impact of the Financial Crisis," IMF Working Paper, WP/11/21. <http://www.imf.org/external/pubs/ft/wp/2011/wp1121.pdf>

Gelos, Gaston, Guido Sandleris and Ratna Sahay (2011), "Sovereign Borrowing by Developing Countries: What Determines Market Access?" *Journal of International Economics*, 83(2): 243-254.

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[www.imf.org/external/np/pp/eng/2011/041811.pdf](http://www.imf.org/external/np/pp/eng/2011/041811.pdf)

### **Session 3:**

Session Note: “Does the Role of Central Banks in Debt Markets Need a Re-examination?”

De Bock, Reinout and Alexander Demyanets (2012), “Bank Asset Quality in Emerging Markets: Determinants and Spillovers,” IMF Working Paper, WP/12/71.  
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Garzarelli, Francesco (2011), “EMU Sovereign Crisis: Is the End in Sight?” Goldman Sachs Global Economics, February. [www.imf.org/external/np/seminars/eng/2011/hlcfm/index.htm](http://www.imf.org/external/np/seminars/eng/2011/hlcfm/index.htm)

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### **Session 4:**

Session Note: “Restructuring Sovereign Debt Portfolios - Need for a Reflection?”

Bi, Ran, Marcos Chamon, and Jeromin Zettelmeyer (2011), “The Problem that Wasn’t: Coordination Failures in Sovereign Debt Restructurings.” IMF Working Paper (forthcoming).

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Das, Udaibir, Michael Papaioannou, and Christoph Trebesch (2012), “Sovereign Debt Restructurings 1950–2010: Literature Survey, Data, and Stylized Facts.” IMF Working Paper (forthcoming).

### **Session 5:**

Session Note: “What Will Debt Capital Markets Look Like in the 2020s?”

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