Sovereign Bond Issuance

Debt Manager’s Network Webinar
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The Commonwealth
Outline

• Pre-requisite
• Objectives
• Considerations
• Pros
• Cons
• Procedures
• Current Environment
Pre-requisite

- Debt Sustainability
- Investor Assurance
- Institutional Arrangements
- MTDS
- Macro Stability
Sovereign Bond Issuance

Issue
Objectives ....Core

- Fiscal Deficit
- BOP
- Refinance Maturing Debt
- Under Developed Domestic Market
- Crowding Out Private Sector
Objectives....Secondary

- Benchmarking For Private Sector Borrowing
- Diversify Investor Base
- Debt Restructuring
- Maturity Extension
Objectives....Seasoned Issuers

- Re-opening to Build Benchmark
- Liability Management Operations
- Other Public Debt Management Objectives
- Reduce Refinancing Risk
Sovereign Bond Issuance

Considerations
Considerations...Issuance Strategy

Pre-fund

Carry-Costs

EMBI
Considerations....EMBI vs Non-EMBI
Considerations....Currency

Currency Mismatches

Market Depth and Liquidity

Issuing in Domestic Currencies

Currency Swap Instruments

$ € ¥ £
Considerations....Currency

![Graph showing Top 15 International DCM Volume by Currency 1st Half 2014](Source: Dealogic)
Considerations.....Issuing Mechanism

- Shelf Registration
- Rule 144A
Considerations...Placement

Investor Base
- Hedge Fund Manager
- Asset Manager
- Investment manager

Other
- Legal Jurisdiction
- Geographical distribution

Post Issuance
- Secondary Market Trading
- Re-opening
Considerations.... Market Issuance
Sovereign Bond Issuance

Pros
Pros....

- Fast Disbursing
- No Reporting Requirements
- Flexibility in use of Proceeds/Conditionalities
- Board Approvals
Sovereign Bond Issuance

Cons
Cons....Is it Worth It?

- Fees
- Market Conditions
- Documentation
- Disclosure
- Annual Reporting
Cons....High Cost

- Reduced Access
- Concessional Financing
- High Debut Premium
- Illiquidity Premium
Cons

No Technical Assistance
Sovereign Bond Issuance

Procedures
Procedures

- Advisor
- Legal Advisors
- Bond Proceeds
- Deal/Non-deal Road Show
- Rating Agencies
- Lead Manager
- Execution
Current Environment

Strong Investor Appetite

Yield

Lock in Interest Rates
Thank You