



ESDM

European Sovereign Debt Markets Sub-Committee of the EFC

ECB Bond Market Contact Group, 21 April 2015

Anne Leclercq

About us

- Economic and Financial Committee (EFC) Sub-Committee on EU Sovereign Debt Markets (ESDM) was established in 1997 as an EFC Ad-hoc Working Group "EU government Bonds and Bills markets"
- Main aim:
 - *promoting the further **integration** and a better **functioning** of EU government bond markets thereby **impacting** positively on the financial markets as a whole*





European Council: Heads of State President
President: Donald Tusk



Ecofin: Ministers of Finance
President: EU Presidency



Economic & Financial Committee:
EU Treasuries and Central Banks
President: Thomas Wieser



Preparatory Committees and sub-committees:
EFC-A, SCIMF, ECSC, **ESDM**, SCS..., FSC



Input from **European Commission, other EU authorities and institutions and stakeholders**





Economic and Financial Committee (EFC)

- EFC provides opinions at the request of the Council of the EU or the European Commission,
- Main aim:
 - *promoting policy coordination among the Member States*
- established in 1999 on the basis of the Maastricht Treaty, successor of the Monetary Committee,
- President: Mr Thomas Wieser (since 2012).



Economic and Financial Committee (EFC)

Main tasks:

- assessment of the economic and financial situation,
- coordination of economic and fiscal policies,
- contributions on financial market matters, exchange rate policies and relations with third countries and international institutions,
- providing a framework for a senior level dialogue between the Council, ECB and Commission.

EFC Members:

- senior officials from national administrations and central banks of 28 Member States,
- ECB,
- Commission.

(Currently active) EFC sub-committees and working groups



- EFC-A (Alternates),
- SCIMF (Sub-Committee on IMF and related issues),
- ECSC (Euro Coin Sub-Committee),
- **ESDM** (Sub-Committee on Sovereign Debt Markets),
- SCS (Sub-Committee on Statistics),
- Joint Working Group on Climate Change.



ESDM Membership:

- DMOs from 28 Member States (both Euro Area and non-Euro Area)
- European Commission,
- ECB,
- EIB,
- ESM/EFSF.



- Chair: Mrs. Anne Leclercq (since 2013)
- meetings at least twice a year

Steps in the development of the ESDM

- **December 1997:** the EFC sub-committee on EU Government Bonds and Bills Markets was established;
Mandate : smooth redenomination of bonds and bills

Mandate revisions triggered by market evolution/changes

- **1999:** the mandate was extended **to monitor** the new euro-denominated bond market and **to discuss** issues related to the efficient functioning of the EU's primary and secondary government debt markets;
- **November 2004:** the ESDM is mandated by the EFC to **further promote the integration and functioning** of EU government bonds markets;
- **2010: revision** and **further extension** of the mandate;

2010 Revision and extension of the mandate

➤ Revisions triggered by the sovereign debt crisis

Financial crisis

- changed the perception of sovereign risk;
 - made the interdependencies between fiscal, monetary and regulatory policies more explicit;
 - recognition of the importance of sovereign debt management considerations in the EU decision process;
- **Mandate** revision changed the **role of the ESDM**:
- From a **technical** role to **contributing** to the preparation of EFC common positions wrt changes affecting sovereign debt markets



Mandate revision changed the role

Former mandate :

Promoting further **integration** and **better functioning** of sovereign debt markets;

Analysing **technical issues** related to public debt management, drawing on the **specific expertise** of the EU's debt managers;

Monitoring developments on sovereign debt and related markets and **reporting** on a regular basis to the EFC;

Extension of the mandate :

Contributing to the preparation of EFC common positions on **regulatory issues** which significantly **impact** on sovereign debt markets;

Preparing common understandings on technical issues and thus putting its expertise to the use of the EFC.

Main areas of focus/work

1. Technical issues : Aiming at

- identifying and implementing best practices through exchange of info
 - reviewing existing barriers for integration
 - identifying fundamentals for policy discussions
- Discussion on recent **developments** in EU sovereign debt markets.
- Trends in PM : cost of funding, market fragmentation, influence of specific political developments, other market segments, influence of QE
 - Trends in SM : liquidity – cyclical or structural changes,
- Enhance **monitoring** of developments in EU sovereign debt markets on basis of common reporting
- Quarterly indicative calendar for issuance
 - Ex ante reporting on sovereign issuance
 - HRF reporting
 - Common tools for measuring/reporting of liquidity

Main areas of focus/work

2. Policy related issues

- Discussions wrt to **(Policy)** decisions impacting on the functioning of EU sovereign debt markets
 - Securities lending in the context of the expanded ECB's Asset Purchase Program
 - PD business model
 - Euro T-Bill

- Discussions for the preparation of **EFC common positions** wrt to regulatory changes impacting EU sovereign debt markets
 - Regulatory Treatment of Sovereign Exposures
 - MIFIDII Level 2 measures,
 - Central Securities Depositories Regulation (CSDR) issues

- Preparing **common understandings** on technical issues
 - Collective Action Clauses

ESDM- strengths and weaknesses

Strengths:

- **Direct** contact and exchange of opinion amongst MS DMO's/CB and EU institutions;
- Consultation with MS DMO's/CB **earlier** in the legislative process;
- **Cooperation** with the ECB, ESRB, ESAs and industry groups;
- **Wide range** of topics discussed;
- Creates an **informal network** with frequent bilateral contacts

ESDM- strengths and weaknesses

Weaknesses:

- **Diverse** set-ups of DMOs in Member States
- **Internal coordination** of ESDM members with other services dealing with financial markets (COREPER)
- Significant extension of the topics discussed increases the **workload** whereas DMO's are confronted with budgetary restrictions
- Reconcile the diversity in MS (large/small – Euro/non-Euro – core/periphery) when contributing to a common position or when preparing a common understanding

Future

- Further integration of euro area sovereign bond markets within the EU sovereign bond markets;
- Further co-operation amongst DMOs in particular on technical issues
- Coordinated thinking on the current business model and on the role of sovereign debt managers.





Questions ?