



Summary Discussions of Investor Meetings between Department of Treasury and Investors of Government Securities **February – March 2012**

The Department of Treasury (DoT), through its Financial Management Division, held its first round of semi-annual investor meetings throughout February and March 2012. Staff of FMD met with senior management of various domestic investors, as well as stakeholders, to update them on the 2012 Debt Issuance Plan and other budgetary updates. These meetings will also provide opportunity for investors to provide their feedback on the Issuance Plan as well as issues of concern.

Presented below is the summary of the discussions and issues or views raised.

1. PNG Government Securities

Investors continue to have a strong appetite for Treasury Bills and Inscribed Stock. Strong demand has seen oversubscription of most tenders. Regular participants include the major commercial banks, pension funds, private fund managers, small financial institutions and non-government organizations. Most investors assured that current holdings would be rolled over upon maturity. Preferences on maturity terms would be client driven or on cash flow positions.

Investors continue to raise concerns that returns on their investment remain low due to the declining interest rates. Investors are faced with large cash holdings and limited investment options on-shore which results in aggressive bidding hence pushing the rates downward away from the KFR.

2. Market Development

a. ADB Technical Assistance

ADB provided Technical Assistance (TA) to Department of Treasury to identify issues on market structure, regulatory systems, taxation, legal aspects and other ADB requirements. A bond issuance expert and a legal expert were hired under the TA to report on the issues and suggest possible recommendations. ADB Head Office in Manila made the final review on the reports from the TA and released to those relevant stakeholders to consider the key recommendations.

b. Domestic Bond Market Development Committee

One of the recommendations was the setting up of the Domestic Bond Market Committee. This committee will oversee and set the roadmap for developing the domestic debt market. Investors are interested to be part of and contribute efforts to this Committee. Treasury

will be the Chair to this committee with fair representation from key stakeholders and investors in the securities market.

c. Market Appetite

Investors want to see an increase in the rate of return. There is appetite for longer-term securities but due to none existent of secondary market, investors prefer to invest in shorter-term securities. There is much desire from investors to see the development of domestic debt market in PNG which will introduce flexible investment options.

3. Educational Training/Workshop on Government Securities

Some investors suggested if Treasury and Bank of PNG to run short-tailored trainings especially for financial accountants/financial controllers and others at managerial levels to understand the mechanics of investment in government securities. This will help them in budget planning and funding options for project management. Investors anticipate growth in the economy and such trainings would assist them in making quality investment decision.

4. The Debt Issuance Calendar for 2012

The issuance calendar is tied in with this year's national budget and is consistent with the medium term debt strategy (MTDS). Central Government borrowings projected for this year will be around 40 percent in external debt and 60 percent in domestic debt. Treasury Bills will decline by K91.5 million while Inscribed Stock will increase by K500.3 million. Any changes to the issuance calendar may result from a supplementary budget.