

**BOND MARKETS IN EMERGING MARKET ECONOMIES  
AND DEVELOPING COUNTRIES**  
**FINANCIAL GLOBALISATION, VULNERABILITIES AND DATA NEEDS**  
*- Outline -*

G8 Finance Ministers have recommended, among others, in its Action Plan on Developing Bond Markets in Emerging Market Economies (EMEs) and Developing Countries, a broadening of the database on local currency bond markets in this region.

There are increasing tensions between the growing importance of financial markets in Emerging Market Economies for the global financial stability and the economic growth on the one hand and the statistical coverage for evaluating its stability and efficiency on the other hand. This is one of the main reasons, why G8 Finance Ministers have recommended a *comprehensive* stock taking for improving the statistical coverage of local bond markets for financial stability purposes.

The database on local bond markets in EMEs is significantly narrower than in industrial countries. The discussion on a High Level Workshop in Frankfurt at 9-10<sup>th</sup> May has shown a broad interest in broadening the database among International Financial Institutions, regulators, central banks and market participants in industrial countries and EMEs.

There exist a lot of initiatives for broadening the database, which have been started for different reasons in recent years. But it seems that none of these initiatives is sufficient to fulfil the comprehensive approach which is comprised in G8 Action Plan for evaluating and improving the database in a timely, regular and international comparable manner. Moreover, International Finance Institutions (IFIs) are working at joint initiatives for broadening the database on other fields, which can implicitly generate greater transparency of local bond markets in EMEs.

For all these reasons Deutsche Bundesbank in close cooperation with the Federal Ministry of Finance is organising an international conference with the following objectives:

- The conference will generate a comprehensive stocktaking considering the interests of economic growth, financial stability and further data needs of market participants.
- The conference aims to bring different initiatives together to enhance transparency, avoid overlapping and lay the ground for building an international network. Initiatives of economists, especially with regard to balance sheet approaches, and multilateral developments are incorporated.
- Therefore, the outcome can contribute to constrain the expense and efforts for collecting and preparing the necessary data.
- Structures, instruments and international integration of bond markets in EMEs are changing. This dynamic process generates a changing risk exposure to external shocks and changing patterns of market reactions. Accordingly, the conference aims to identify further challenges for broadening the database.
- In recent years, IFIs, central banks and economists have raised important questions for evaluating financial stability issues of the development of bond markets in EMEs. But

often the deepening of these analyses has been constrained by a lack of data. For these reasons, the conference aims to identify key questions and future challenges for financial stability and resulting data needs, which are not covered by data on market structure. What are these key analytical questions and what data needs aren't sufficiently covered indirectly by market indicators? What will be the main future and new vulnerabilities resulting for example from a faster integration of EMEs bond markets in the ongoing process of financial globalisation and what kind of data is necessary?

- In general, market efficiency and financial stability are going hand in hand. Accordingly, the conference tries to evaluate further data needs for market participants, which coverage would enhance market transparency and efficiency.

Against this background, the conference can be one fruitful launching board for the implementation of the G8 Action Plan with regard to broadening the data base and for bringing different initiatives together. In addition, it can be a nucleus for a coordination group which can coordinate further steps on an international level.

The conference will be held in Frankfurt at 31 January/1 February 2008. In accordance with these objectives, experts from the BIS, the IMF, the World Bank, OECD, multilateral development banks, G8 countries and EMEs will be invited, who deal with financial markets, financial stability and statistics. In addition, market participants will be invited.

It is planned, that in each session three or four short presentations of about 15 minutes will be given and 30 to 40 minutes are left for discussion.

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*Preliminary*

**Thursday, 31 January 2008**

**24/01/2008 13:53**

9.00 - 9.15      **Welcome and opening remarks:**

Jörg **Asmussen** (Director General, Federal Ministry of Finance, Germany)

**Session I:      Financial Globalisation and EME Bond Markets**

9.15 - 10.45      Key financial indicators in EMEs are increasingly influenced by global factors. One example is the volatility of spreads in EMEs, which is significantly driven by global liquidity and risk appetite of international investors and affects the financial market stability. EMEs are confronted with swelling capital inflows. What role can developed local currency bond markets play to dampen the volatility not only of capital flows into EMEs but also the volatility of the financial system as a whole?

Financial globalisation - dynamic change of market structures; new instruments; securitisation; what are key new challenges for bond markets in EMEs?

Chair:              Masaru **Tanaka** (Bank of Japan, Deputy Director-General of the International Department; Chief of Center for Monetary Cooperation in Asia)

Presenter:        Ceyla **Pazarbasioglu** (Division Chief, Capital Market Development/Financial Infrastructure, International Monetary Fund)  
Francis E **Warnock** (University of Virginia, National Bureau of Economic Research)  
Bernd **Braasch** (Director, International Relations Department, Deutsche Bundesbank)

*Discussion*

10.45 – 11.15      Coffee break

**Session II:      New vulnerabilities and EME Bond Markets?**

11.15 - 12.45      What can we learn from market turbulences? How have local bond markets weathered this test? EMEs have been quite successful in reducing currency mismatches. Is this diagnosis also true on a sectoral level? To what extent the

vulnerability of financial markets in EMEs and developing countries can be reliably evaluated with a limited set of data in the framework of vulnerability exercises based on modern econometric methods, which would constrain data needs? Financial openness and financial innovations are beneficial for economic growth and developing local currency bond markets. But with this process, the mechanisms for the international transmission of market volatility and external shocks are changing. Are there new vulnerabilities developing out in EMEs bond markets with foreseeable consequences for further data needs?

Chair: Georges **Pineau** (Deputy Director General, International and European Relations, ECB)

Presenter: Keith **Savard** (Senior Advisor, Capital Markets and Emerging Market Policy, Institute of International Finance)  
Marianne **Schulze-Gatthas** (Division Chief, Surveillance Operations Division, IMF)  
Subbaiah **Singala** (Assistant General Manager, Debt Management Department, Reserve Bank of India)

*Discussion*

**Conclusions from Session I and II:** What are key analytical questions on global financial stability issues and resulting data needs in view of Emerging Market Economies?

12.45 - 14.00 Lunch

**Session III: Further data needs and data resources of market participants for enhancing market transparency and efficiency**

14.00 - 15.30

Transparency is a key precondition for efficiency of financial markets. To what extent have market participants sufficient information to contribute to an efficient price discovery process and competitive markets? To what extent databases of custodians can be fruitful and are available to enhance analysis on global capital flows to local bond markets and on the portfolio channel? To what extent will new initiatives like Gemloc support these data needs? What progress The World Bank has made in developing bond market indicators? The Currency Exchange Fund of the KfW.

Chair: Rolf **Wenzel** (Head of Directorate, Federal Ministry of Finance, Germany)

Presenter: Jeremy H **Armitage**, (Senior Managing Director, Global Head of Research, State Street)  
Alison **Harwood** (Head, Capital Markets Advisory Group, The World Bank)  
Michael **Schulze** (Head of Treasury, First Vice President, KfW)  
David **Clark** (Consultant, International Capital Markets Association)

*Discussion*

15.30 – 16.00 Coffee break

**Session IV: Stocktaking and overview of existing initiatives for broadening the data base (I)**  
16.00 - 17.30

One of the main objectives is to enhance transparency of data needed and different sources of available but not international comparable data (new instruments; bond holders; pension funds; issuances; derivatives etc.). To what extent are data bases in Emerging Market Economies on bond markets lagging behind the statistical coverage in industrial countries? CGFS has made recommendations on data needs. The IMF is organising a joint initiative with other IFIs and national experts.

Chair: Alfredo **Leone** (Deputy Director Statistics Department, IMF)

Presenter: Samuel **Alfaro** (Director of Market Analysis, Bank of Mexico)  
Paul **van den Bergh** (Head of Information, Statistics and Administration Monetary and Economic Department Bank for International Settlements)  
Carol **Bertaut** (Senior Economist, Division of International Finance, Board of Governors of the Federal Reserve System)  
Hans J **Blommestein** (Head of OECD's Emerging Bond Markets Programme, OECD)

*Discussion*

19.15 **Dinner**  
Dinner Speech: Hermann **Remsperger** (Member of the executive board of the Deutsche Bundesbank)

**Friday, 1 February 2008**

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**Session V: Stocktaking (II): technical platform and balance sheet approaches**

9.00 - 10.30  
What are the prospects for a Globalised Securities Database? Increasing importance for broadening the data base on balance sheet level; there have been significant efforts of different IFIs and economic institutes to broaden the database during last years. For example: IMF has just prepared an overview of balance sheet approaches and data resources. IADB has created a database on corporate` balance sheet data. All these initiatives aim to fill the gap of fundamental data, which are needed to create a profound database for analysing currency and maturity mismatches on sectoral or firm level. Often, these initiatives on broadening balance sheet data base are partial, limited in time periods and not international comparable.

This session aims to give an overview of these initiatives and to evaluate the necessity for further steps to build a comprehensive database for EMEs.

Chair: Robert **Woods** (HM Treasury, Head of Global Economics, United Kingdom)

Presenter: Werner **Bier** (Deputy Director General Directorate General Statistics European Central Bank)/Stefan **Brunken** (Deutsche Bundesbank)  
Alfredo **Leone** (Deputy Director Statistics Department, IMF)  
Kurt S **Focke** (Inter-American Development Bank; ICF/CMF)

*Discussion*

10.30 - 11.00 Coffee break

**Session VI: Broadening database – the view of Emerging Market Economies and Developing Countries**

11.00 - 12.30

A high proportion of the data needed are collected by Emerging Market Economies. What is the view of EMEs with regard to data needed to enhance market transparency and financial stability? Obstacles for broadening the data base in these countries.

Chair: Andre **Bezuidenhout** (Reserve Bank of South Africa  
Head of Financial Stability Department)

Presenter: Thierry de **Longuemar** (Vice President Finance, African  
Development Bank)  
Ernest **Addison** (Director of Research, Bank of Ghana)

*Discussion*

**Conclusions: Priorities in broadening the database in EMEs and developing countries and organisation of the further work program.**

Hermann **Remsperger** (Member of the executive board of the Deutsche Bundesbank)

Bernd **Braasch** (Director, International Relations Department, Deutsche Bundesbank)

13.00 Lunch