



Tenth Annual  
**OECD/World Bank/IMF**  
**Bond Market Forum**

*Secondary Market Liquidity in Domestic Debt Markets*

April 29–30, 2008  
Washington, D.C. • IFC Auditorium

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10th Global Bond Market Forum  
Washington  
29-30 April 2008

# **The Role of Issuer on Liquidity Enhancement**



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# Government Bond Market

## Domestic Bond Stock

	Billion TRY	% GDP	%Total Debt Stock	% Held by the Market
<b>2000</b>	36,4	21,9	57,2	66,4
<b>2001</b>	122,2	50,9	68,7	34,0
<b>2002</b>	149,9	42,8	61,8	47,2
<b>2003</b>	194,4	42,7	68,7	52,3
<b>2004</b>	224,5	40,2	70,9	62,9
<b>2005</b>	244,8	37,7	73,8	69,2
<b>2006</b>	251,5	33,2	72,9	71,6
<b>2007</b>	255,3	29,8	76,6	73,8
<b>2008 March (*)</b>	266,5		75,5	74,1

(\*) Provisional.



# Government Bond Market

## Secondary Bond Market

	ISE		OTC		TOTAL (ISE & OTC)	
	Total Nominal Value	Total Nominal Value	Total Nominal Value	Total Nominal Value	Total Nominal Value	Total Nominal Value
	Million TRY	Million \$	Million TRY	Million \$	Million TRY	Million \$
2001	51.190	47.475	120.545	112.296	171.735	159.771
2002	135.273	89.287	141.963	94.957	277.236	184.243
2003	285.565	193.262	164.292	110.164	449.858	303.426
2004	468.395	329.800	217.446	153.047	685.840	482.847
2005	580.894	434.200	223.577	167.222	804.471	601.422
2006	463.285	327.305	212.230	147.872	675.515	475.177
2007	451.868	345.645	247.093	188.962	698.961	534.607
2008 March	121.417	101.508	55.558	46.318	176.975	147.826



# Liquidity: for whom?

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- Investors
  - Foreign investors
  - Local investors
    - Retail investors
    - Wholesale investors
- Issuers
- Other (economists, real sector etc.)



# Strategy

- Country risk vs. market perception
  - Political commitment
  - Macroeconomic performance
  - Prudent legislative regulations
- Investor oriented approach
  - Electronic Trading Platform
  - Primary Dealership System
  - Instrument selection
  - Benchmark bonds
  - Market communication
  - Broadening Investor Base
- Capacity development
  - Debt management organization
  - Transparency
  - Predictability

**THE RESULT : LIQUIDITY**



# Issuer's Development Strategy

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## ISE – Bills and Bonds Market

- 1991, The Bonds and Bills Market in ISE
- 1993, repo/reverse repo transactions and introduction of computer based transactions
- 2000, “Remote Access” for the Bonds and Bills Market transactions



# Issuer's Development Strategy

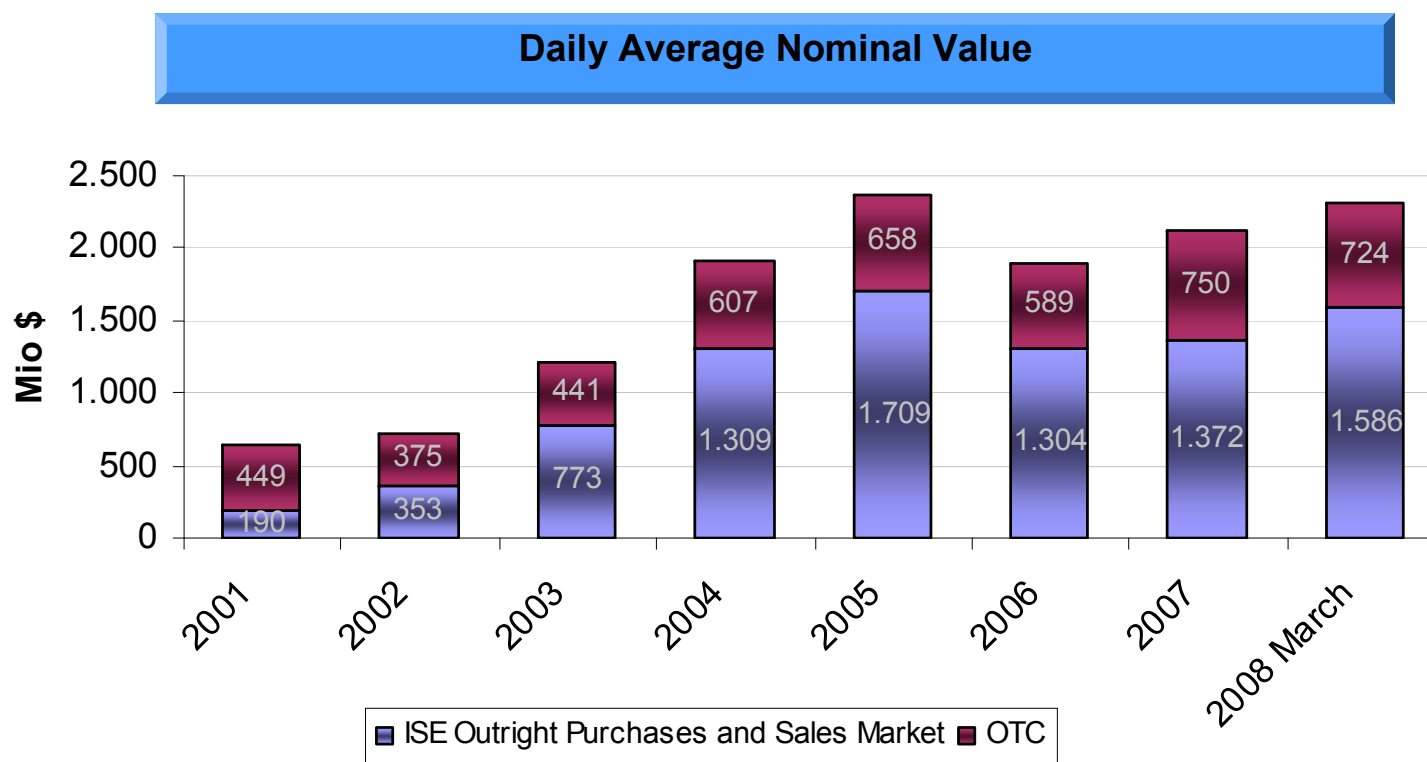
## ISE – Bills and Bonds Market

- Price discovery : Order book
- 5 best orders visible for data vendors
- Unlimited order visibility for members
- 1-2 way price making
- Anonymous pre-trade counterparty identification
- Disclosed post-trade counterparty identification
- Minimum order size YTL 100.000



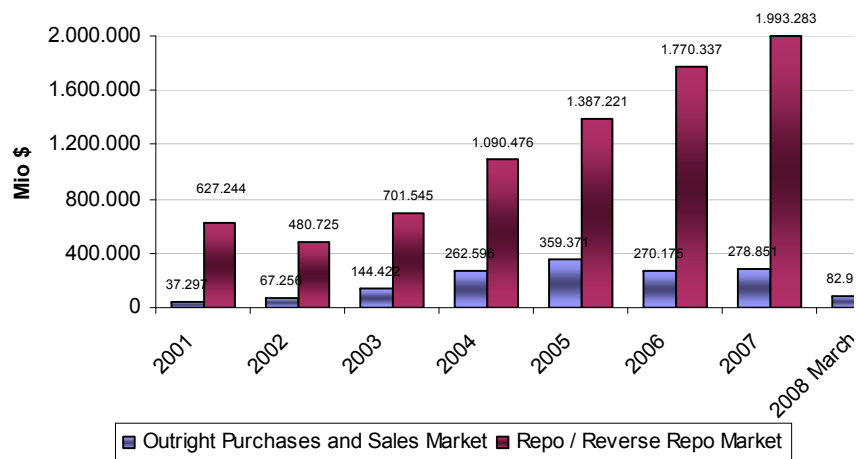


# ISE – Bills and Bonds Market

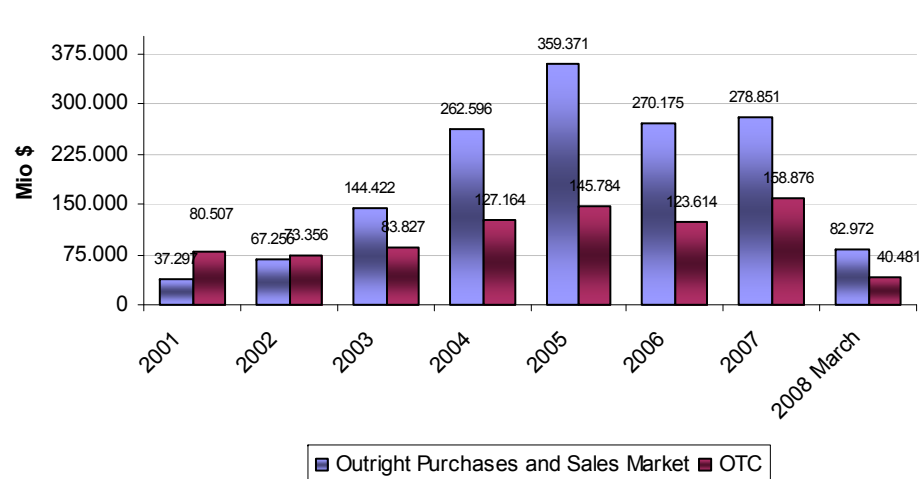


# ISE – Bills and Bonds Market

## Annual Traded Volume (ISE)

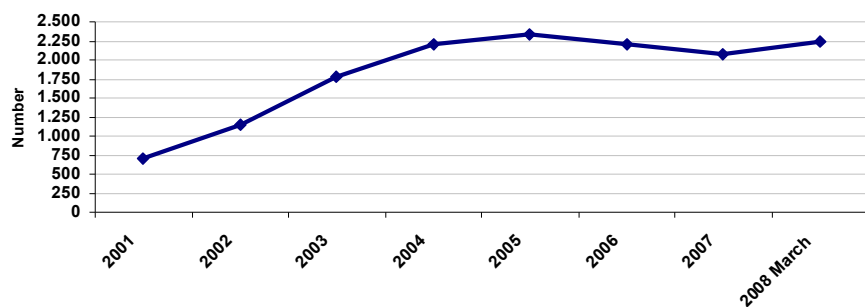


## Annual Traded Volume (ISE & OTC)

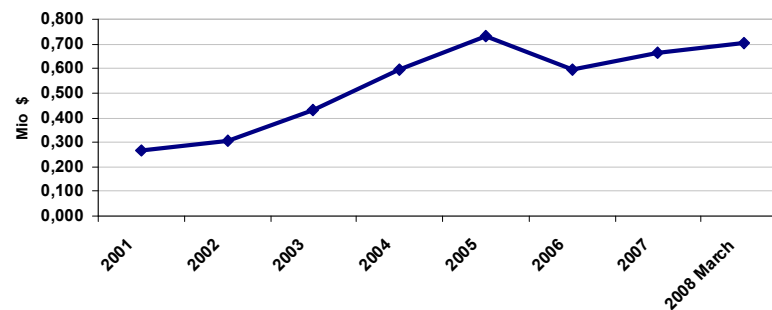


# ISE – Bills and Bonds Market

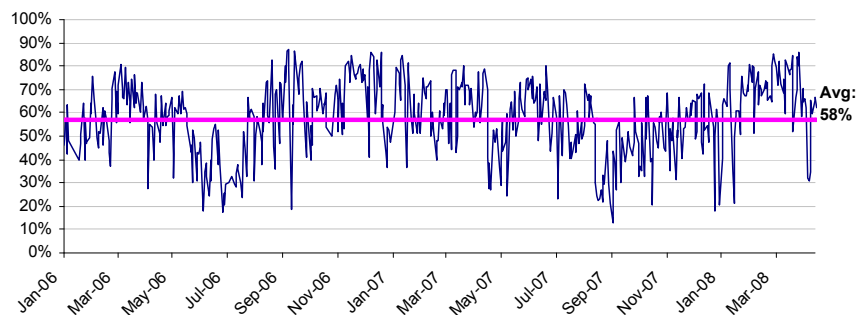
## Daily Average Number of Contracts



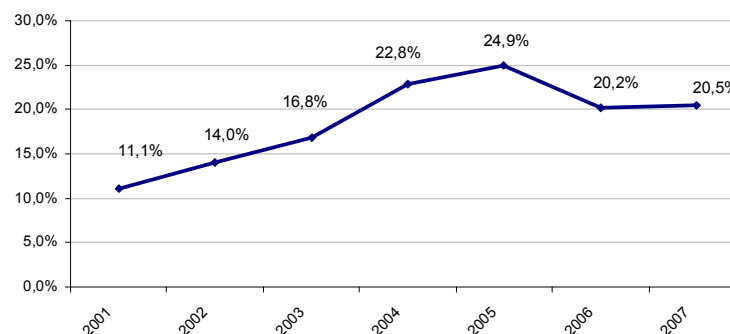
## Daily Average Nominal Value per Contract



## Share of Benchmark Security in Total Nominal Value



## Turnover Ratio



# ISE – Bills and Bonds Market

## Volume

	2008/2 (Million \$)
Buenos Aires	121.179
Sao Paulo	63.489
Warsaw	47.522
<b>Istanbul</b>	<b>44.777</b>
Johannesburg	30.674
Hong Kong	29.707
Italy	25.052
Lima	17.767
Mumbai	17.579
Toronto	13.583
Santiago	13.197
Euronext Brussels	11.877
Cairo	11.335
Slovenia	10.041
Tehran	9.960
Colombia	9.192
NYSE	8.962
Taiwan	8.413
Ireland	6.415
Sweden	6.189



# Issuer's Development Strategy

## Primary Dealership

- Introduced in September 2002
- 12 banks
- Two-way price quotations
  - Spread
  - Time
- Minimum purchase requirement
- Security lending facility



# Issuer's Development Strategy

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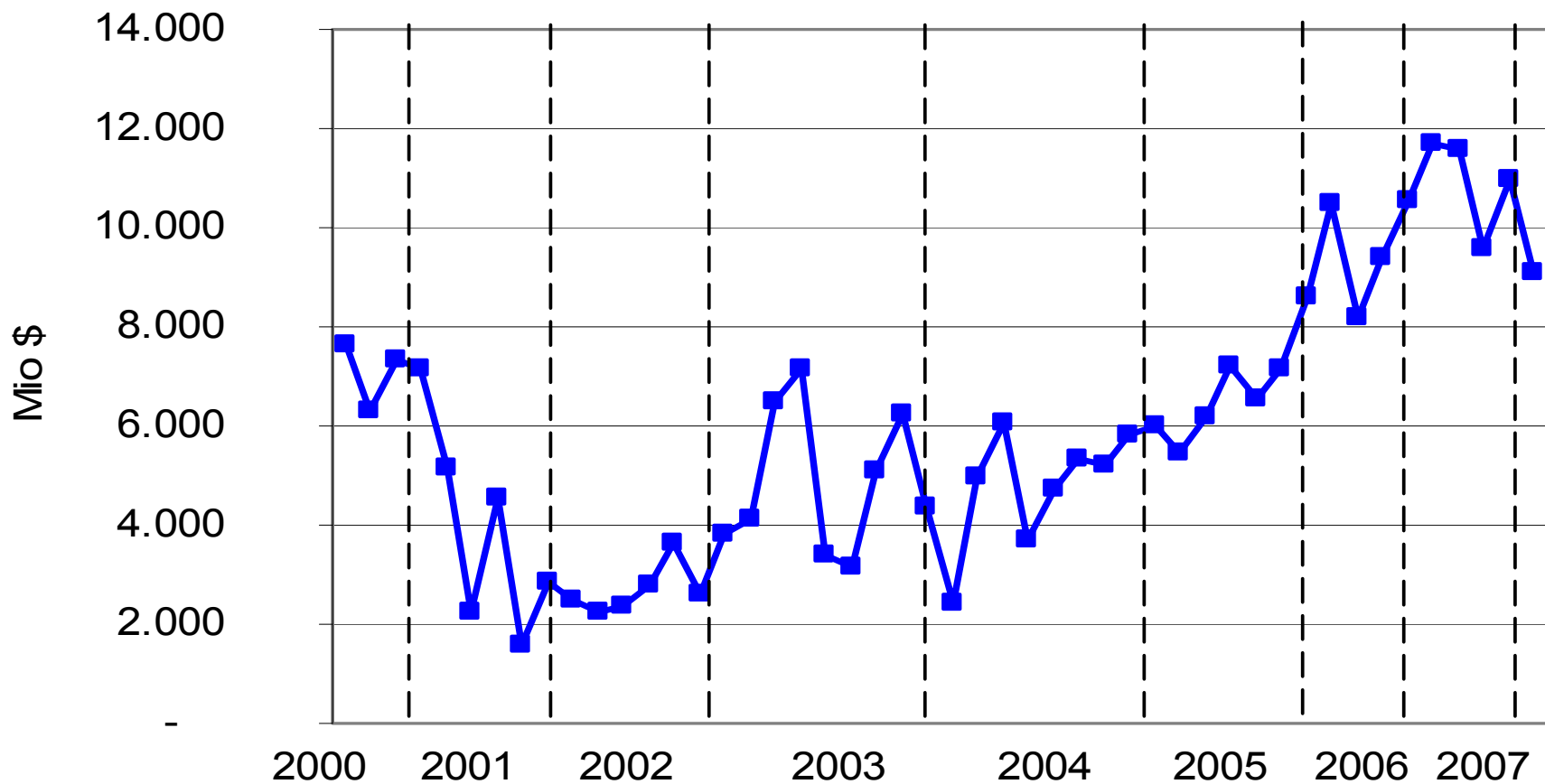
## Instrument Type

- Bills
- Zero-coupon Bonds
- Fixed Couponed Bonds
- Floating Rate Note
- CPI Linked Bond
- FX denominated Bond



# Issuer's Development Strategy

## Benchmark Bonds



# Issuer's Development Strategy

## Market Communication

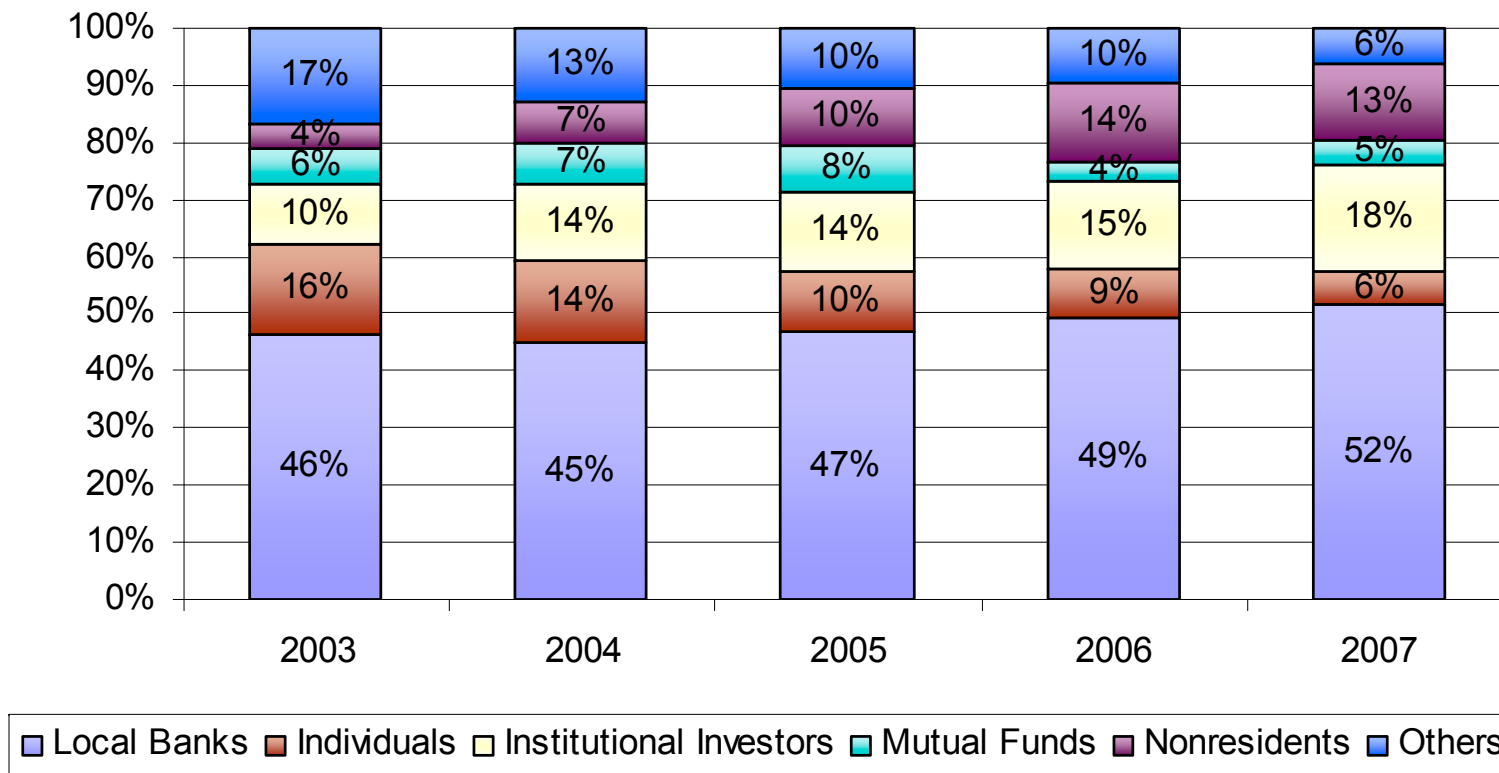
- Annual Borrowing Strategy
- Monthly Auction Calendar
- Monthly meetings with PDs
- Meetings and conference calls with investors
- Investors Relation Office





# Issuer's Development Strategy

## Broadening Investor Base



# Issuer's Development Strategy

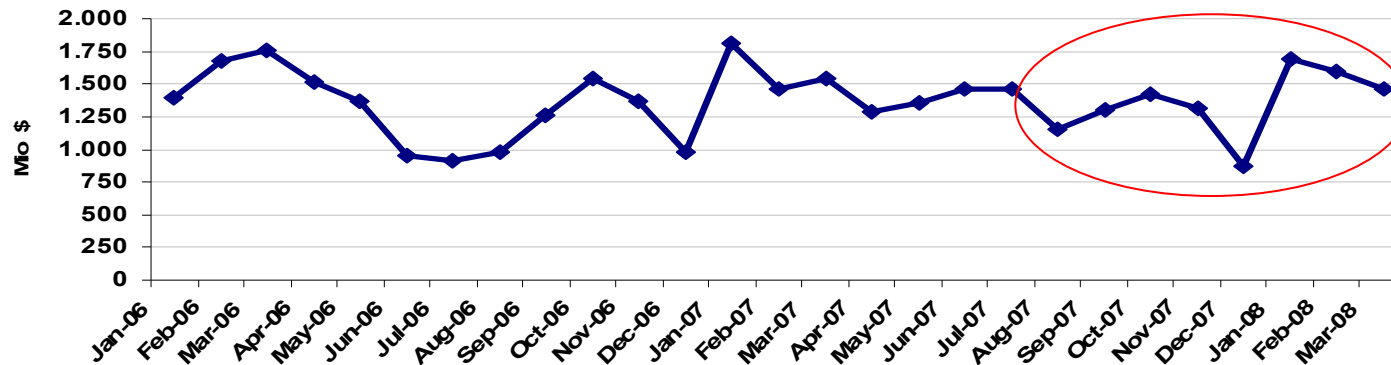
## Capacity Development

- Legislation
  - Law on Public Finance and Debt Management
  - Law on Public Financial Management and Fiscal Control
- Debt management organization
  - Establishment of Middle Office
- Transparency
  - Annual meeting with Parliamentary Commission
  - Debt Management Report
- Predictability
  - Annual Borrowing Strategy
  - Monthly Auction Calendar

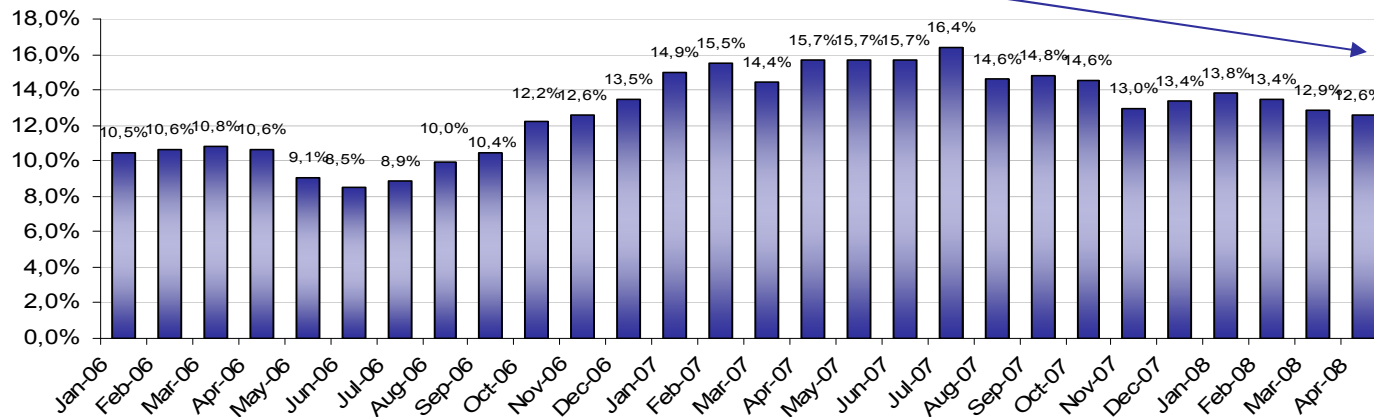


# Outcomes of Development Strategy

Daily Average Nominal Value in Secondary Market



Share of Foreign Investor in Total Domestic Debt Stock (%)



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