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Progress report on Primary dealership in EU public debt management

1- At its 17 May 2000 meeting, the ad-hoc group on the Economic and Financial Committee decided to prepare a report on primary dealership in EU public debt management. This report was aimed in particular at measuring the degree of de facto harmonisation of the advantages and duties of primary dealers operating on EU Member States government bonds and bills markets.

2- The main characteristics of the system of primary dealers used in most Member States are describing in Table 1. Table 2 comprises the list of the primary dealers operating in the Member States.

3- The main findings of these tables are following :

- An increasing majority of Member States (13) uses a system of primary dealers to guarantee the placement of their debt on the Primary markets and facilitate the liquidity of their secondary markets (see Tabel1). The number of primary dealers is comprised between 6 and 26, with a great proportion of institutions located in other member States or out of the EU. Three European banks are primary dealers ion more than 9 EU countries, while 6 others, both European and American, are primary dealers in between 5 and 6 member States (see Table2).

- In 7 countries, the primary dealers operate only on Bond markets, since in 6 others, their activities cover both bonds and bills markets.

- the main privileges offered to the primary dealers on primary markets are similar in the Member States : they have in most countries an exclusive right to make non competitive bids at or after the auction, to participate to the bonds exchange/reverse offers, to strip and reconstitute bonds ; they have an exclusive or privileged access to syndicated issues. In 6 Member States, the primary dealers benefit also form a privileged access to the repo market.

- Counterparts to these privileges, the Primary dealers accept a number of duties both on primary and secondary markets.

- * On primary markets, they must participate to the auction, in the majority of cases through an average annual or quarterly minimum participation obligation in auctions.

- * On secondary markets, they face a number of obligation aimed at enhancing the liquidity of the secondary markets, by quoting firm prices to the other PDs and final investors, displaying indicative prices on screen. In 6 countries, these market making obligations are held on a electronic platform.

Annex 1 : Primary dealership in EU public debt management

Current situation in EU Member States

Austria

Austria uses a system of primary dealers to ensure the placement of its debt on its primary markets and to enhance the liquidity of its secondary market. This system concerns both bonds and bills market.

Belgium

Belgium uses a system of primary dealers to ensure the placement of its debt on its primary markets and to enhance the liquidity of its secondary market. This system concerns both Bonds and Bills market.

Denmark

Denmark does not use any system of primary dealers.

Finland

Finland uses a system of primary dealers to ensure the placement of its debt on the primary markets and to enhance the liquidity of its secondary market. This system concerns only the bonds market.

France

France uses a system of primary dealers to ensure the placement of its debt on its primary markets and to enhance the liquidity of its secondary market. This system concerns both bonds and bills market.

Germany

Germany does not use any system of primary dealers.

Greece

Greece uses a system of primary dealers to ensure the placement of its debt on its primary markets and to enhance the liquidity of its secondary market. This system concerns both bonds and bills market.

Ireland

Ireland uses a system of primary dealers to ensure the placement of its debt on its primary markets and to enhance the liquidity of its secondary market. This system concerns only the bonds market.

Italy

Italy uses a system of primary dealers to ensure the placement of its debt on its primary markets and to enhance the liquidity of its secondary market. This system concerns both bonds and bills market.

Luxembourg

Luxembourg uses a system of primary dealers to ensure the placement of its debt on its primary markets and to enhance the liquidity of its secondary market.

Netherlands

The Netherlands use a system of primary dealers to ensure the placement of its debt on its primary markets and to enhance the liquidity of its secondary market. This system concerns only the bonds market.

Portugal

Portugal uses a system of primary dealers to ensure the placement of its debt on its primary markets and to enhance the liquidity of its secondary market. This system concerns only the bonds market.

Spain

Spain uses a system of primary dealers to ensure the placement of its debt on its primary markets and to enhance the liquidity of its secondary market. This system concerns only bonds market.

Sweden

Sweden uses a system of primary dealers to ensure the placement of its debt on its primary markets and to enhance the liquidity of its secondary market. This system concerns both bills and bonds market.

United Kingdom

The UK uses a system of primary dealers to ensure the placement of its debt on its primary markets and to enhance the liquidity of its secondary market. This system concerns only the bond market.

Table 1 : Primary dealers' duties and advantages

	AUS	BEL	FIN	FRA	GRE	IRL	ITA ¹	LUX	NTL	POR	SPA	SWE	UK
Number of primary dealers	28	16	10	19	11	6	16	16	13	12	18	8 ²	17 ³

Duties

	AUS	BEL	FIN	FRA	GRE	IRL	ITA	LUX	NTL	POR	SPA	SWE	UK
PRIMARY MARKETS													
<i>General</i>													
To ensure the placement of debt	X	X	X		X	X				X			
<i>Bonds markets</i>													X ⁴
* Obligation to bid on each line of any auction	X		X	X	X						X		
* Minimum participation in every auction	X		X								X		
* Average annual/ quarterly minimum participation in auctions/tap		X		X	X	X	X		X	X		X	
<i>Bills markets</i>													
* Obligation to bid one each line of any auction				X	X								
* Minimum participation in every auction				X									
* Average annual/quarterly minimum participation in auctions/tap		X			X		X					X	

¹ All answers refer to Italian Specialists on State Securities, that are chosen between primary dealers of the electronic secondary market (MTS). The Specialists have obligations also in primary market, whereas primary dealers of MTS have commitments only on secondary market

² nominal Bonds and Bills ; inflation-linked :4

³ UK : nominal bonds ; inflation-linked : 10

⁴ no formal obligation, but over time expect PDs to successively bid for a proportion in line with their share of the secondary market or a least 3% in index-linked stocks

	AUS	BEL	FIN	FRA	GRE	IRL	ITA	LUX	NTL	POR	SPA	SWE	UK
SECONDARY MARKETS													
<i>General</i>													
To enhance the liquidity of the secondary market	X	X	X	X	X	X	X			X	X	X	X
* Display indicative prices on screens		X	X	X	X	X	X			X	X	X	
* Quote firm prices to the other PDs		X	X	X	X	X ⁵	X		X	X			
* Quote firm prices to final investors	X	X	X	X	X	X			X	X		X	X
* Regular reporting on secondary market trading	X	X	X			X			X	X		X	X
<i>Bonds markets</i>													
* market making obligations on an electronic platform		X			X		X		X	X			
* market making obligations	X	X	X		X	X				X	X	X	X
* quote firm prices to other PDs and other market members			X								X	X	
* minimum market share of the secondary market		X ⁶			X							X	
* ensure the liquidity of the repo market							X						
<i>Bills markets</i>													
* Market making obligations on an electronic platform					X								
* Average minimum market share in the clearing system													
* Display indicative prices on screens				X	X							X	
* Quote firm prices to the other PDs				X	X								
* Quote firm prices to final investor				X	X							X	
* ensure the liquidity of the repo market				X	X		X						

⁵ Voluntary participation in the IDB market

⁶ In Belgium only transactions which are cleared through the clearing system of the NBB are taken into account

	AUS	BEL	FIN	FRA	GRE	IRL	ITA	LUX	NTL	POR	SPA	SWE	UK
REPORTING (frequency)⁷							⁸						
* Overall													
* Primary markets		Q		M	D	M ⁹				D	M	M	D-5, D-1, D
* Secondary markets	M	Q		M		M			M	M	M	M	W
OTHER													
Marketing : research and development	X	X	X		X	X	X		X			X	X
Information : keep the issuer informed on market developments	X	X	X	X	X	X	X			X	X	X	X

Advantages

	AUS	BEL	FIN	FRA	GRE	IRL	ITA	LUX	NTL	POR	SPA	SWE	UK
PRIMARY MARKETS													
Bonds markets													
* Exclusive right to :													
- to make competitive bids at the auctions	X	X ¹⁰	X		X	X			X			X	X ¹¹
- to make non competitive bids at or after the auction	X	X	X	X	X	X	X			X	X		X
- to participate to the bonds exchange/reverse offers	X	X	X		X	X	X		X			X	X
- to strip and reconstitute Bonds		X ¹²		X	X		X		X		X	X	X

⁷; D : day after each auction), W : Weekly, M : Monthly, Q : Quarterly, Y : Yearly

⁸ In Italy all data are available in real time for the Treasury. In fact, all information on secondary market is monitored directly on screen and all details of auctions are known by the Treasury.

⁹ At end of each business day and monthly

¹⁰ With the recognized dealers

¹¹ Exclusive telephone bidding, though others can make competitive paper bids in auctions of nominal bonds

¹² With the recognized dealers

	AUS	BEL	FIN	FRA	GRE	IRL	ITA	LUX	NTL	POR	SPA	SWE	UK
* exclusive Participation or Preference for syndicated issues	X	X	X	X			X			X			
* Commission on successful bids	X		X						X				
* Time advantage for the submission of bids at auctions	X										X		X
<i>Bills markets</i>													
* Exclusive right to :													
- to make competitive bids at the auctions	X	X			X							X	
- to make non competitive bids after the auction		X		X	X							X	
* Commission on secondary turnover													
* Commission on primary market					X								
SECONDARY MARKETS													
<i>Bonds markets</i>													
* Privileges on the repo market			X	X		X				X		X	X
* Exclusive access of the Inter- dealer Broker Screens													X
Bills markets													
* Privileges on the repo market												X	
OTHER													
Exclusive right to carry the title of PD	X	X	X	X	X	X	X		X	X	X	X	X
Regular meetings with the issuer	X	X	X	X	X	X	X		X	X	X		X
Privileged counterparties of the issuer in its overall debt management activity	X	X	X	X			X				X	X	X
Fiscal advantages on specific transactions											X		

Table 2 : List of Primary dealers (bonds)

	AUS	BEL	FIN	FRA	GRE	IRL	ITA	LUX ¹³	NTL	POR	SPA	SWE	UK
ABN AMRO	X*	X		X	X	X		X	X	X	X	X*	X
AGRICULTURAL BANK OF GREECE					X								
AIB CAPITAL MARKETS DUBLIN						X							
ALFRED BERG			X										
ALPHA BANK					X								
ARGENTARIA									X				
ARTESIA BANKING CORPORATION		X											
BACOB BANK LUXEMBOURG S.A.								X					
BANESTO											X		
BANK AUSTRIA AKTIENGESELLSCHAFT	X												
BANQUE DE LUXEMBOURG								X					
BANCA COMMERCIALE ITALIANA							X						
BANCA DI NAPOLI							X						
BANK FUR ARBEIT UND WIRTSCHAFT AKTIENGESELLSCHAFT	X												
BANQUE GENERALE DU LUXEMBOURG		X						X					
BANCA D'INTEERMEDIAIONE MOBILIARE IMI SPA							X						
BANQUE ET CAISSE D'EPARGNE DE L'ETAT								X					
BANCA MONTE DEI PASCHI DI SIENA							X						
BNP PARIBAS	X*	X	X	X	X		X		X	X			
BANCA NAZIONALE DEL LAVORO							X						
BANCA OF AMERICA INTERNATIONAL					X		X				X		
BANCO BILBAO VIZCAYA ARGENTARIA (BBVA)											X		
BANCO ESPIRITO SANTO										X			
BANCO PROTUGUES DE INVESTIMENTO										X			
BANCO POPULAR											X		
BANCO SANTANDER CENTRAL HISPANO (BSCH)										X	X		
BANKINTER											X		
	AUS	BEL	FIN	FRA	GRE	IRL	ITA	LUX ¹⁴	NTL	POR	SPA	SWE	UK

¹³ The expression « primary dealers » does not exist in Luxembourg, but the « banques agréées » play the same role

BARCLAYS BANK PLC	X**												
BARCLAYS CAPITAL		X	X	X							X		X
BAYERISCHE HYPO-UND VEREINBANK AKTIENGESELLSCHAFT	X*												
BAYERISCHE LANDESBANK							X						
BCP INVESTIMENTO ,SA									X				
CABOTO HOLDING SIM						X							
CAIXA DE PENSIONES DE BARCELONA										X			
CAIXA GERAL DE DEPOSITOS, SA									X				
CAISSE CENTRALE RAIFFEISEN S.C.							X						
CAJA MADRID										X			
CDC MARCHES	X	X		X									
CITIBANK INTERNATIONAL PLC	X**				X								
COMMERCIAL BANK OF GREECE					X								
COMMERZBANK	X*							X		X			
CONFEDERACION ESPANOLA DES CAJAS DE AHORRO (CECA)											X		
DANSKE BANK CONSENSUS												X*	
CREDIT AGRICOLE_INDOSUEZ	X*			X		X	X				X		
CREDIT COMMERCIAL DE FRANCE				X									
CREDIT EUROPEEN								X					
CREDIT LYONNAIS				X									
CREDIT SUISSE (LUXEMBOURG)								X					
CREDIT SUISSE FIRST BOSTON	X*								X				X
DAIWA SBCM EUROPE													
DAVY STOCKBROKERS (BANK OF IRELAND)						X							
DEUTSCHE BANK CA	X	X	X	X		X	X		X	X	X		X
DEUTSCHE GENOSSENSCHAFTBANK AG	X*												
DRESDNER BANK	X*			X							X		X
	AUS	BEL	FIN	FRA	GRE	IRL	ITA	LUX ¹⁵	NTL	POR	SPA	SWE	UK

¹⁴ The expression « primary dealers » does not exist in Luxembourg, but the « banques agréées » play the same role

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DEWAY LUXEMBOURG SA								X					
DEXIA CAPITAL MARKETS		X						X					
E ; OHMAN J :OR FONDKOMMISSION AB												X	
EFG EUROBANK ERGASIAS SA					X								
ERSTE BANK DER OESTERREICHSCHE SPARKASSEN AG	X*												
FORTIS BANQUE SA		X							X				
GOLDMAN SACHS INTERNATIONAL	X	X		X			X				X		X
HSBC BANK PIC	X*			X									X
IBJ INTERNATIONAL													
IMI- SAN PAOLO					X				X				
INDOSUEZ LUXEMBOURG								X					
ING BANK NV/BBL	X*	X					X		X				
INTERCAPITAL GILT TRADING													X
JP MORGAN		X		X			X		X		X		X
KBC BANK		X						X					
LEHMAN BROTHERS INTERNATIONAL													X
MERITA NORDBANKEN/UNIBANK			X									X	
MERRILL LYNCH INTERNATIONAL			X	X						X	X		X
MORGAN STANLEY	X*	X		X			X						X
NATEXIS BANQUES POPULAIRES				X									
NATIONAL BANK OF GREECE					X								
NATIONALE INVESTERINGSBANK									X				
NCB STOCKBROKERS (ULSTER BANK/NAT WEST)						X							
NOMURA INTERNATIONAL	X*												
OBERBANK AG	X*												
OKOBANK			X										
OSTERREICHISCHE POSTSPARKASSE AG	X												
OSTERREICHISCHE VOLKSBANKEN- AKTIENGESELLSCHAFT	X*												
	AUS	BEL	FIN	FRA	GRE	IRL	ITA	LUX ¹⁶	NTL	POR	SPA	SWE	UK
PIRAEUS BANK					X								

¹⁶ The expression « primary dealers » does not exist in Luxembourg, but the « banques agréées » play the same role

RABOBANK INTERNATIONAL									X				
RAIFFEISENLANDESBANK OBEROSTERREICH REG GEN MBH	X*												
RAIFFEISEN ZENTRALBANK OSTERREICH AKTIENGESELLSCHAFT	X												
ROYAL BANCK OF SCOTLAND													X
SALOMON BROS INTERNATIONAL	X*			X			X						
SALOMON BROS UK LIMITED													X
SALOMON SMITH BARNEY			X	X				X	X	X	X*		
SKANDINAVISKA ENSKILDA BANKEN			X								X		
SOCIETE EUROPEENNE DE BANQUE SA							X						
SOCIETE GENERALE	X*	X		X				X	X				X
SVENSKA HANDELSBANKEN			X								X*		
SWEDBANK											X		
TOKYO MITSUBISHI INTERNATIONAL							X						
UBS/WARBURG DILLON READ	X	X											X
UNICREDIT BANCA MOBILIARE							X						
UNION EUROPEENNE DE CIC				X									
WINTERFLOOD GILTS LIMITED													X

Austria

* Bonds only

** Bills only

Sweden

* for bills and fixed-rate nominal bonds only

