

## Domestic Debt Securities Heatmap: Background and Methodology

**The Domestic Debt Securities Heatmap assesses the transparency of the domestic government securities issuance in IDA countries.** The assessment, which will be updated on annual basis, covers five main areas: (i) use of market-based mechanism to borrow from national (regional) markets; (ii) predictability of the government securities issuances; (iii) adherence to the issuance calendar; (iv) publication of the results of the borrowing transactions; and (iv) secondary market operations.

**The assessment is conducted on the basis of the information available on national authorities' websites.** While dissemination may take several forms (e.g. regular reports, statistical bulletins, historical databases, excel files, etc.) governments are expected to disclose information on their domestic government securities issuance on-line to meet the minimum standards of transparency towards their citizen and investors. Primary sources (direct weblinks) are provided to each indicator and each score enabling the user to learn more about the transparency practices.

**The results of the evaluation are presented in a heatmap showing strengths and weaknesses by country and indicator.** Country's performance in each indicator is evaluated under a four-category scale, which ranks standards from low (red) to high (green), according to the criteria presented in Table 1. An additional category is also introduced for countries that do not issue government securities on their domestic market. Indicators for these countries are not assessed and presented with grey color.

### Methodology<sup>1</sup>

#### **1) Share of domestic debt issued through auctions**

*Objective:* to assess whether auction is the predominant placement mechanism for the issuance of domestic debt. In IDA countries, auction represent the issuance mechanism that ensure the highest level of transparency and price-discovery.

*Key question:* What is the share of domestic debt issued through auctions?

*Thresholds:*

- Red              Less than 20 percent of domestic debt is placed through auctions or no information available on public websites
- Orange          At least 20 percent of domestic debt is placed through auctions
- Yellow          At least 50 percent of domestic debt is placed through auctions
- Green          At least 80 percent of domestic debt is placed through auctions

*Notes:*

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<sup>1</sup> The methodology is consistent with the relevant indicators of the WB/IMF's Note for Developing Local Currency Bond Markets (<https://documents.worldbank.org/en/publication/documents-reports/documentdetail/790921615526044752/guidance-note-for-developing-government-local-currency-bond-markets>). Any adjustment will be discussed in a follow-up Background Note

- a) The assessment is based on the total debt instruments issued/placed on the domestic market (including any kind of marketable and non-marketable instruments denominated in local currency) at the end of previous calendar or fiscal<sup>2</sup> year (t-1).
- b) If any issuing methods other than auction (e.g. syndication, tap etc.) are also applied on same instrument(s) only the auctions are taken into consideration.

## **2) Publication of the issuance calendar**

*Objective:* to assess the degree of transparency that the issuance calendar gives to the investors on the domestic market funding for the upcoming period.

*Key questions:* What is the timespan of the issuance calendar? What type of information is included?

*Thresholds:*

- Red              Issuance calendar at least for the next month is not published or the published calendar does not include the expected details, namely auction dates and instrument type.
- Orange          A monthly issuance calendar (with auction dates and instrument type) is published before the beginning of the respective month and auctioned amounts for each type of instruments are published at least 1 day prior to the auction date.
- Yellow           A quarterly issuance calendar (with auction dates and instrument type) is published before the beginning of the respective quarter and auctioned amounts for each type of instruments are published at least 1 day prior to the auction date.
- Green            Yellow score is fulfilled and a yearly issuance calendar (with auction dates and indicative total issuance amounts) is also published.

*Notes:*

- a) The assessment period for this indicator is the first semester of the current year (t).
- b) Instrument type includes its interest type (e.g. fixed, floating, inflation-linked etc.) and tenor (3-month, 6-month, 2-year, 5-year etc.).
- c) Issuance calendar must include each type of instrument issued through auctions, otherwise the country would not meet the minimum standards.

## **3) Implementation of the issuance calendar**

*Objective:* to assess the degree of predictability in the implementation of the issuance calendar.

*Key questions:* What is the share of the cancelled auctions in the assessment period?

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<sup>22</sup> In case of countries where the fiscal year is different from the calendar year.

*Thresholds:*

- Red No information available or at least 20% of the auctions are cancelled
- Orange Less than 20% but at least 10% of the auctions are cancelled
- Yellow Less than 10% but at least 5% of the auctions are cancelled
- Green Less than 5% of the auctions are cancelled

*Notes:*

- a) The assessment period for this indicator is the first semester of the current year (t).
- b) The indicator is assessed after the end of the period based on the publicly available information at the time of the assessment (e.g. timeseries, periodic report).
- c) Auctions where bids are submitted but all rejected are considered cancelled
- d) Auctions without bids (i.e. no demand) are not considered cancelled
- e) If an issuance calendar is not published but standalone auction announcements are made in advance and remain publicly available, the share of cancelled auctions is assessed against those announcements.

#### **4) Publication of the auction results**

*Objective:* to assess the degree of transparency of the auction results.

*Key question:* What is the timeframe for the publication of the auction result on authorities' website?

*Thresholds:*

- Red No information available or auction result is not published
- Orange Auction result including the key parameters is published but not on the same day
- Yellow Auction result including the key parameters is published on the same day but more than one hour after the auction cut-off time
- Green Auction result including the key parameters is published within one hour after the auction cut-off time

*Notes:*

- a) The assessment period for this indicator is the first semester of the current year (t).
- b) The publication must include the following key parameters to meet the minimum standards: aggregate amount of the bids submitted and accepted, cut-off and average price (and/or yield).

#### **5) Secondary market post-trade transparency**

*Objective:* to assess the degree of transparency on secondary market trade-related reporting.

*Key question:* Is post-trade information on price and volume for individual securities for the settlement day, aggregated at the level of the Central Securities Depository, publicly available daily?

*Thresholds:*

- Red No information available or secondary market trading data is not published
- Orange Daily information is not published, however less frequent (e.g. weekly or monthly) publications are available
- Yellow Information published on the next day
- Green Information published at the end of the day

*Notes:*

- a) The assessment period for this indicator is the first semester of the current year (t).
- b) Publication must cover every type of secondary market trade including those on the OTC, Stock Exchange and/or Electronic Trading Platforms.

Price information (for example: average price, end-of-day price, daily price range etc.) and aggregated volume per instrument must be included to meet the minimum standards.

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Table 1. Methodology Underpinning the Domestic Debt Securities Ratings

Domestic market				
<i>Use of market based issuance mechanisms</i>	<i>Dissemination of issuance calendars and results</i>			<i>Secondary market information</i>
Share of domestic debt issued through auction	Publication of the issuance calendar	Implementation of the issuance calendar	Publication of the auction results	Post-trade transparency
No issuance of government securities in the domestic market	No issuance of government securities in the domestic market	No issuance of government securities in the domestic market	No issuance of government securities in the domestic market	No issuance of government securities in the domestic market
N.A. (no auctions or no information available)	N.A. (no publicly available information or issuance calendar at least for the next month is not published)	N.A. (no information or no auctions or more than 20% of the announced auctions cancelled)	N.A (no auctions or no auction result published)	N.A. (no post-trade information available)
At least 20 percent of domestic debt is placed through auctions	A monthly issuance calendar (with auction dates and instrument type) is published before the beginning of the respective month and offering amounts for each type of instruments are published at least 1 day prior to the auction date.	Less than 20% but 10% or more of the auctions were cancelled	Auction result including the key parameters is published but not on the same day	Daily information is not published, however less frequent (e.g. weekly or monthly) publications are available
At least 50 percent of domestic debt is placed through auctions	A quarterly issuance calendar (with auction dates and instrument type) is published before the beginning of the respective quarter and offering amounts for each type of instruments are published at least 1 day prior to the auction date	Less than 10% but 5% or more of the auctions were cancelled	Auction result including the key parameters is published on the same day but more than one hour after the auction cut-off time	Information published on the next day
At least 80 percent of domestic debt is placed through auctions	Yellow score is fulfilled and a yearly issuance calendar (with auction dates and indicative total issuance amounts) is also published	Less than 5% of the auctions were cancelled	Auction result including the key parameters is published within one hour after the auction cut-off time	Information published at the end of the day