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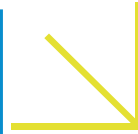
DMF : MANAGING FOREIGN CURRENCY RISK THROUGH THE DEVELOPMENT OF LOCAL CURRENCY BOND MARKET

SOMMAIRE

- I. SITUATION OF THE WAMU PUBLIC SECURITIES MARKET
- II. COMPOSITION OF THE WAMU ZONE DEBT PORTFOLIO
- III. PARTICIPATION OF COMMERCIAL BANKS IN THE REGIONAL MARKET
- IV. IMPORTANCE OF DOMESTIC MARKET DEVELOPMENT



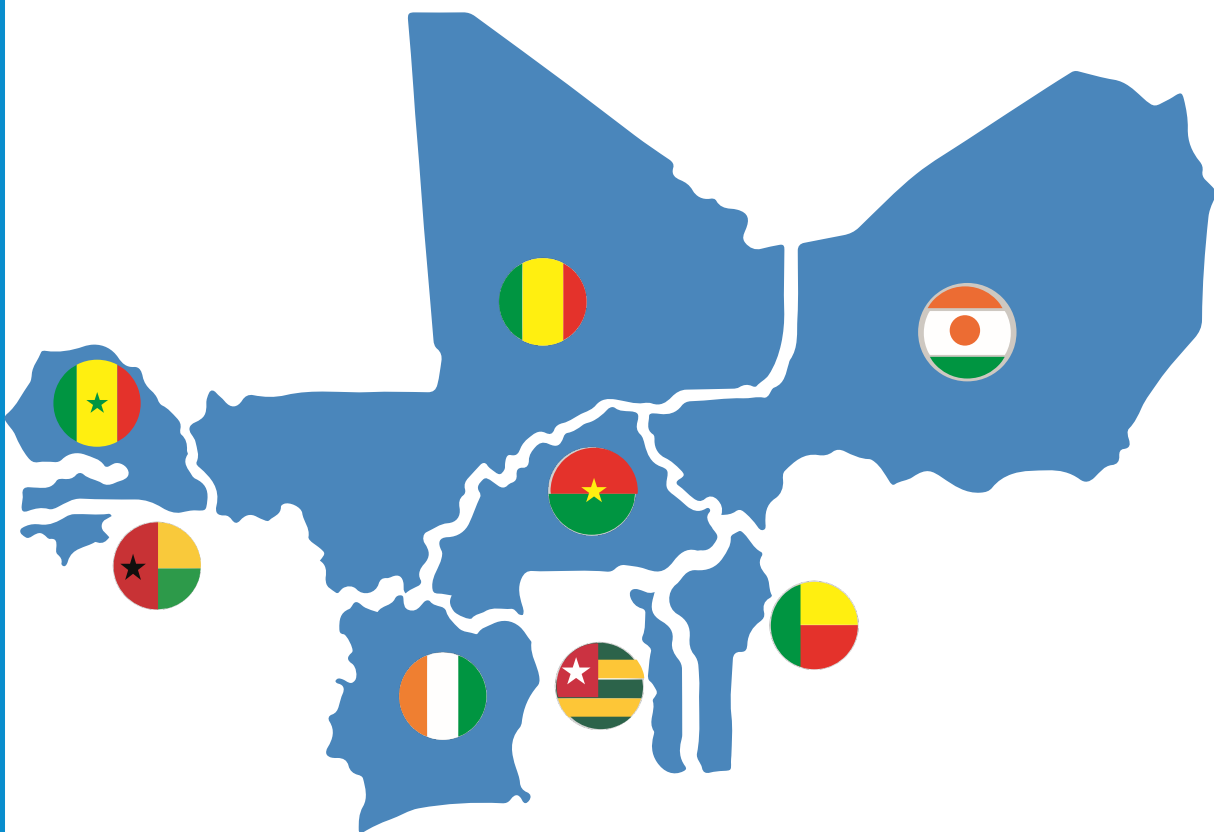
I. SITUATION OF THE WAMU PUBLIC SECURITIES MARKET



A. Brief presentation of WAMU ZONE and UMOA-TITRES

B. Public securities issuances by auction in the WAMU ZONE

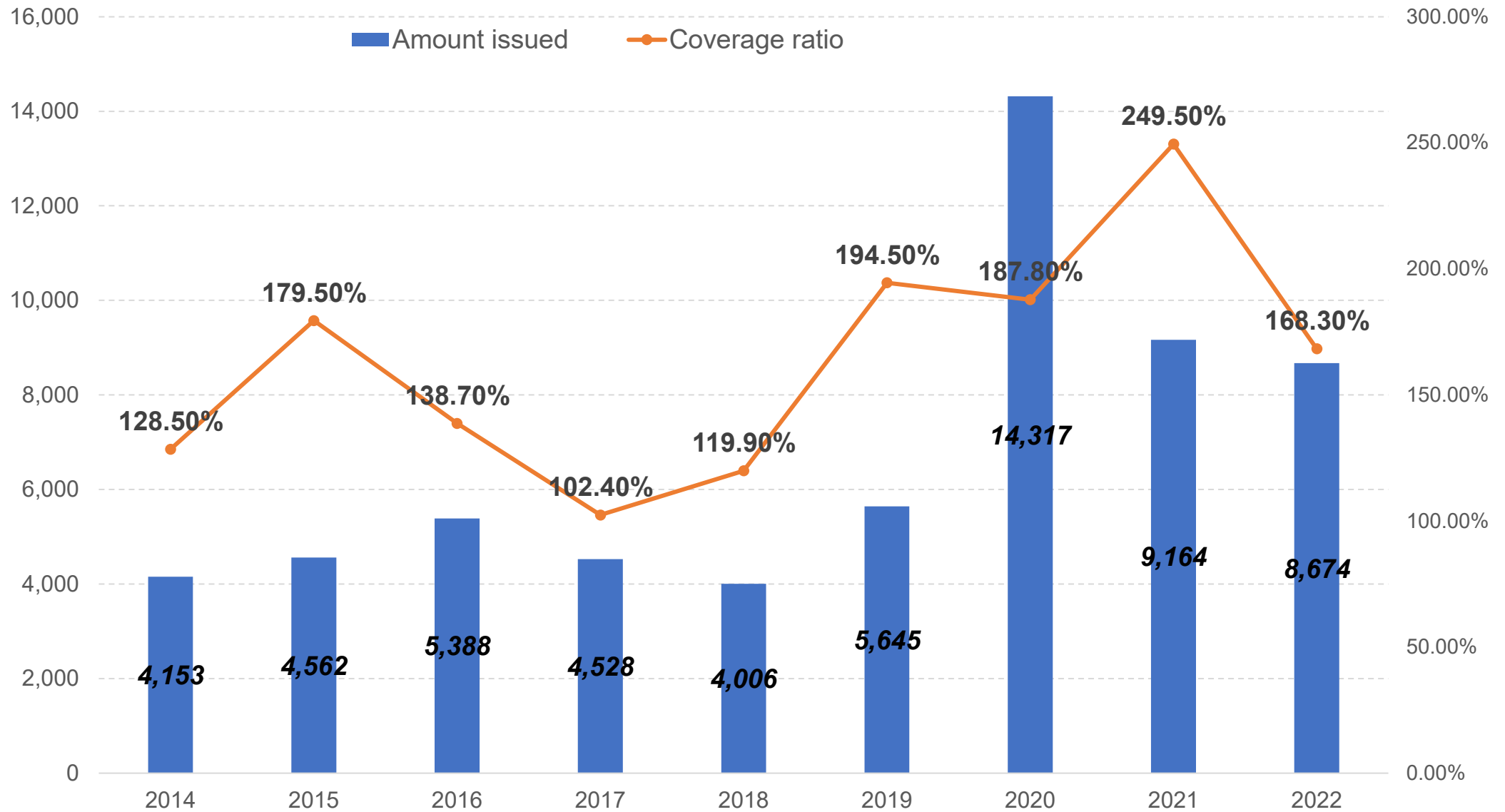
A/ BRIEF PRESENTATION OF THE WAMU ZONE AND UMOA-TITRES



UMOA-Titres' missions :

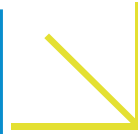
- Determining and formulating financing needs
- Programming and coordinating market operations
- Operational management of public securities issuances
- Promote public securities to investors
- Capacity building
- Investing surplus cash

B/ PUBLIC SECURITIES ISSUANCES BY AUCTION : 2014 – 2022 (in million USD)





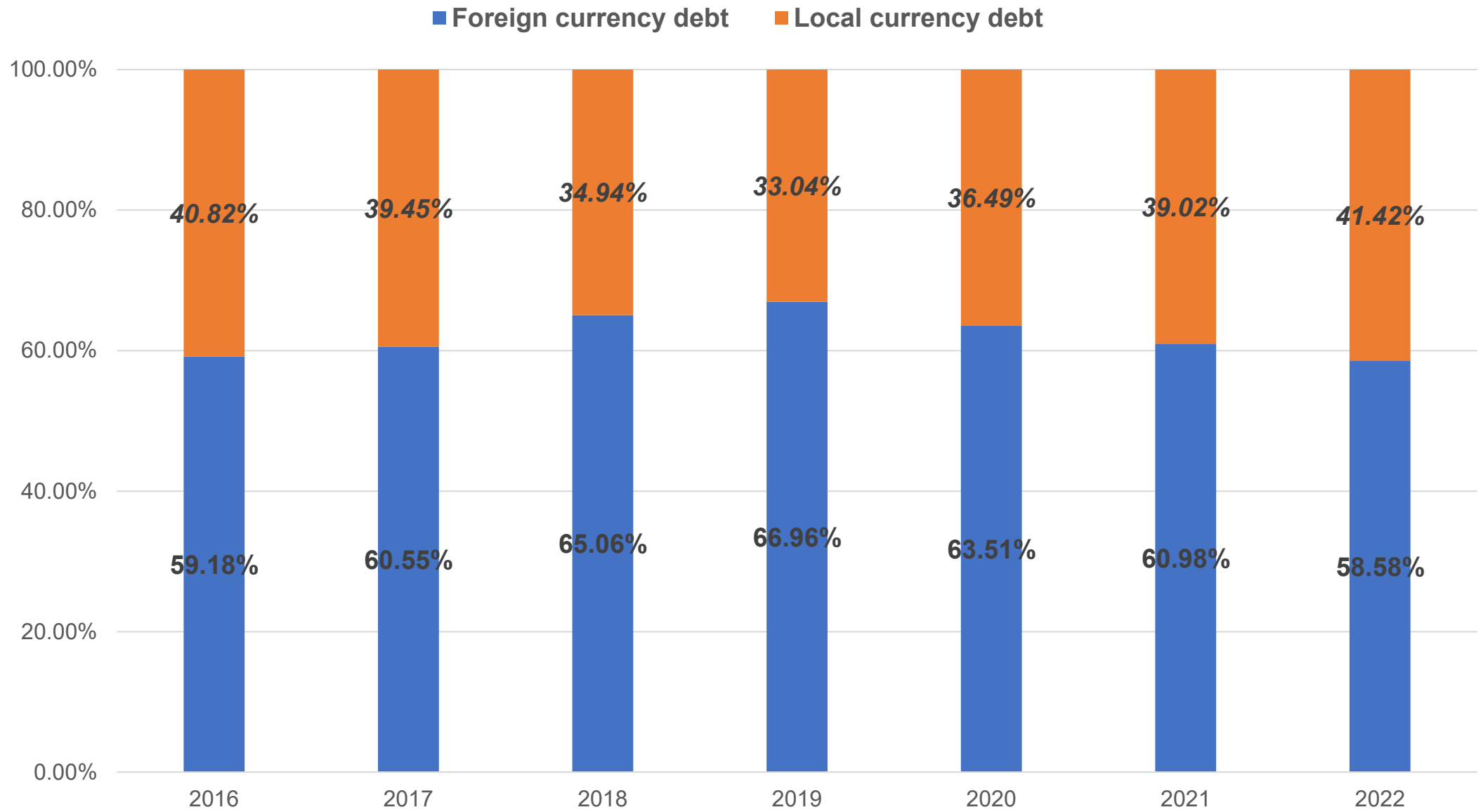
II. COMPOSITION OF THE WAMU ZONE DEBT PORTFOLIO



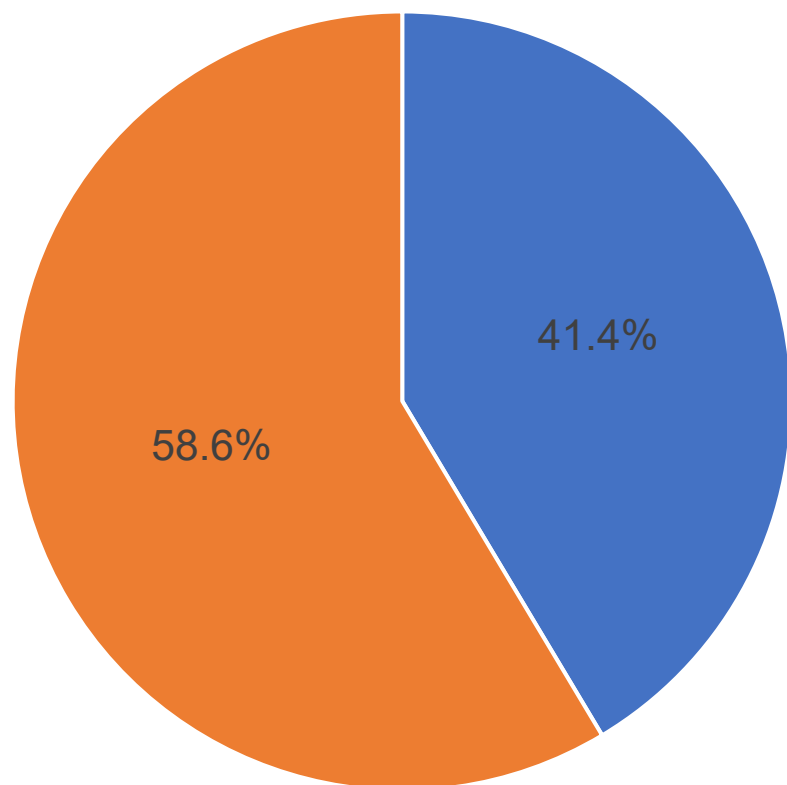
- A. Evolution of debt in foreign and local currencies**

- B. Composition of the Union's debt portfolio**

A/ EVOLUTION OF WAMU SOVEREIGN DEBT IN FOREIGN AND LOCAL CURRENCIES

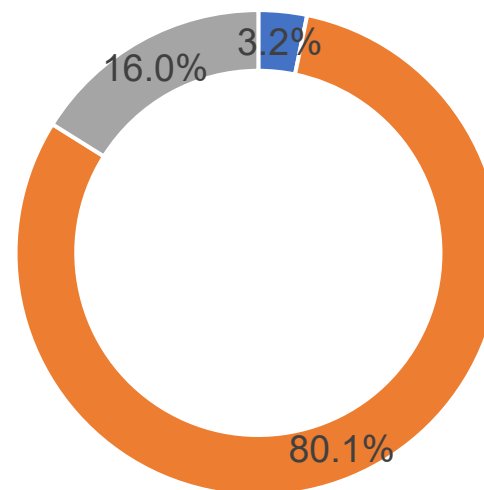


B/ COMPOSITION OF THE WAMU ZONE DEBT PORTFOLIO



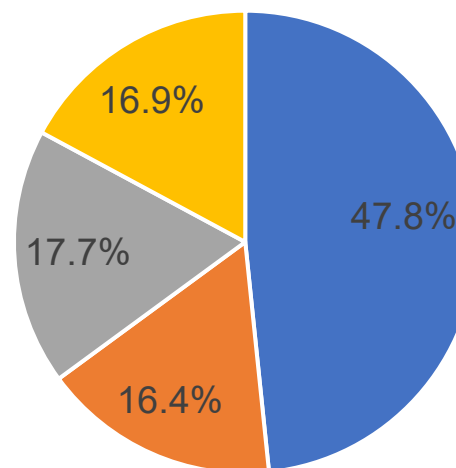
■ Local currency ■ Foreign currency

Local currency debt composition



■ T-Bills
■ T- Bonds
■ Bilateral Debt

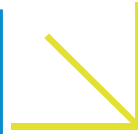
Foreign currency debt composition



■ Multilateral debt
■ Bilateral debt
■ Commercial debt
■ Eurobonds



III. PARTICIPATION OF COMMERCIAL BANKS IN THE REGIONAL MARKET



- A. Commercial banks significant but risky exposure to the market**

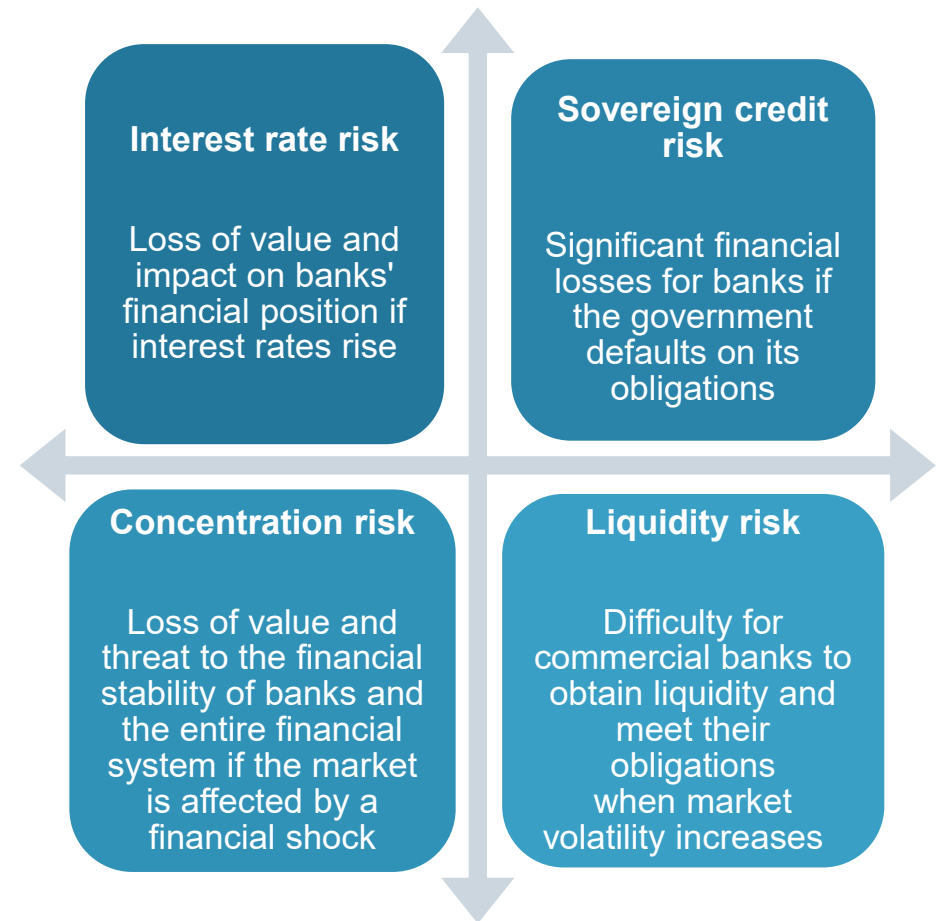
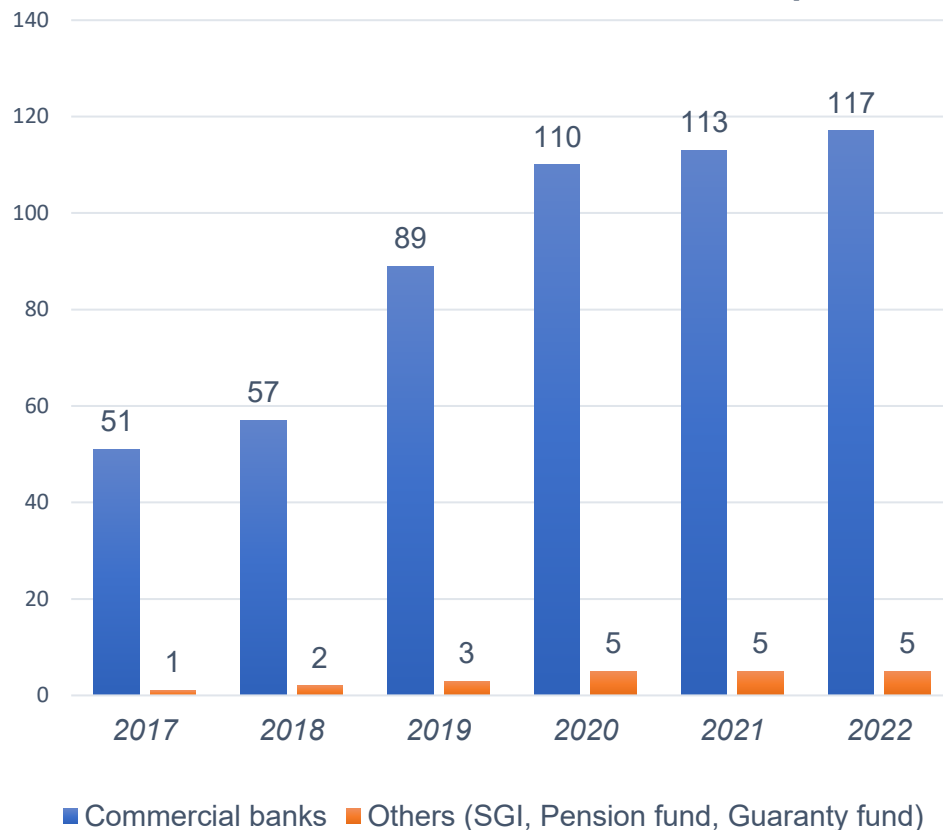
- B. Low risk of sovereign debt default**

A/ COMMERCIAL BANKS' SIGNIFICANT BUT RISKY EXPOSURE TO THE MARKET

Around 90% of the sovereign debt is held by commercial banks

Commercial banks' face numerous risks that may affect the whole region financial stability

Evolution of the direct investor panel



B/ LOW RISK OF SOVEREIGN DEBT DEFAULT

Impact of national default on the Market

CREDIT RISK : Major financial losses for creditor institutions and a threat to their stability

LIQUIDITY RISK : Significant fall in the value of assets linked to the defaulting country and reduced liquidity on the Market

FINANCIAL CONTAGION : Affects the financial health of financial institutions linked by credit or counterparty relationships, jeopardizing the financial system

DETERIORATION IN INVESTOR CONFIDENCE : Leads to capital flight causing a higher cost of finance

REDUCED ACCESS TO INTERNATIONAL MARKETS : No access or less favorable conditions

The WAMU
Market

- Default by one of the Member States is currently not a major concern
- No sovereign defaults to date

Legislation

- **Compendium of legal and regulatory texts governing banking and finance in the WAMU** : "The prevention of payment defaults is ensured by the mechanisms of the Financial Stability Fund"
- **Regulation No. 06/2013/CM/WAEMU** : "Failure to comply with these obligations will result in the suspension of the State's participation in tenders on Union territory until the situation has been regularized"



IV. IMPORTANCE OF DOMESTIC MARKET DEVELOPMENT

- A. Importance of domestic market development
- B. WAMU ZONE LCBM : what has been done ?
- C. Challenges and Strategic guidelines for the development of the Public Securities Market

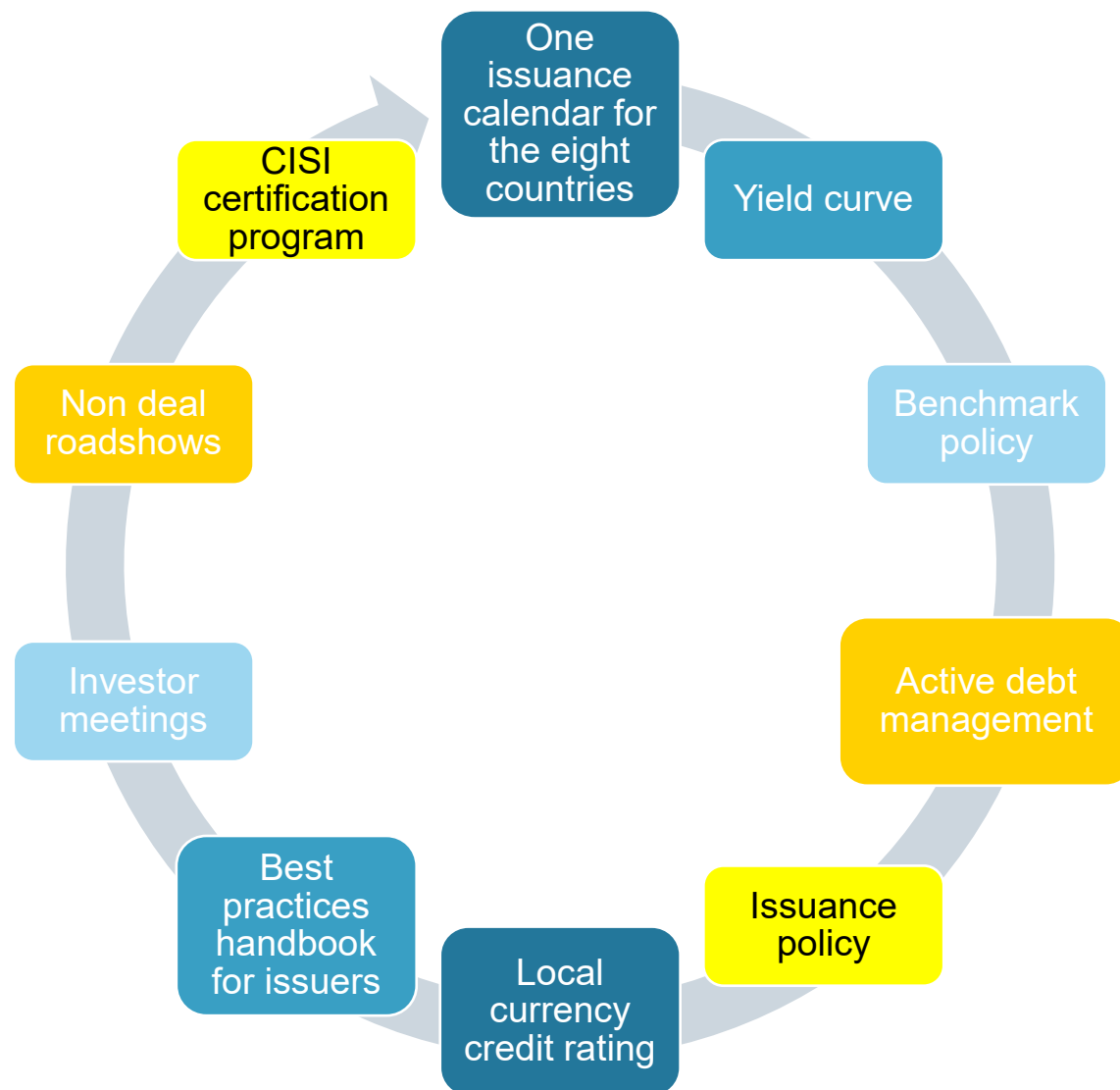
A/ IMPORTANCE OF DOMESTIC MARKET DEVELOPMENT

WHAT	HOW?
Currency risk mitigation	Rise financing in local currency, reducing dependence on foreign currencies and mitigating currency risk.
Offering assets to institutional investors	Low-risk assets with stable returns, making them attractive to institutional investors seeking diversification and capital preservation
Providing a price benchmark for private-sector issuers	More transparent and fair assessment of borrowing costs for companies and encouraging the development of the private-sector bond market.
Stimulating investment and economic growth	Use of funds raised through government bond issues to finance infrastructure projects, economic and social development programs, and initiatives to modernize key sectors of the economy.
Enhancing financial stability	Mitigating the risks associated with volatile international markets, such as global financial crises or sudden reversals in foreign investors' risk appetite

B/ WAMU ZONE LCBM : WHAT HAS BEEN DONE ?

Vision of the WAMU Public Securities Market :

« Building a benchmark public securities market for the efficient financing of our countries' economic development. »



C/ CHALLENGES AND STRATEGIC GUIDELINES FOR THE DEVELOPMENT OF THE PUBLIC SECURITIES MARKET

CHALLENGES

Liquidity

Investor Base

Development of the secondary market

Transparency

Regulatory framework and Market Infrastructure

Capacity building

GUIDELINES

Act on the primary market issuance system to facilitate and promote greater secondary liquidity on the secondary market

Increase the participation of insurance companies, pension funds, collective investment, small shareholders and international investors

Create an enabling environment for the trading & Strengthen the Primary Dealers (SVT) system

Strengthen the transparency of the debt issuance and management framework

Bring the Securities Settlement System (SSS) into line with international standards

Strengthen the technical capabilities and financial culture of Market participants (CISI exams, Web academy) & Popularize financial culture (financial ratings, information notes, reporting)

THANK YOU

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