Chapter 4 Debt Management in Foreign Countries

1 Debt Management Policies in Foreign Countries

(1) Debt Management Policy Frameworks

In Japan, the basic objectives of the debt management policy are set as: (1) To ensure the smooth and secure issuance of Japanese Government Bonds and (2) To minimize medium- to long-term fundraising costs. In line with these objectives, the government carefully communicates with the markets and makes efforts to manage JGBs based on investor needs and market trends. Basically, foreign countries also take almost the same stance on their debt management policies, but they have their own unique characteristics.

Furthermore, the JGB Issuance Plan is established in line with annual budget formulation, and an annual planned issuance amount for each maturity and other data are published in Japan, but methods for publishing such data also vary from country to country. At the end of each fiscal year, Germany publishes the total government bond issuance amount and its breakdown by maturity for the following fiscal year. This method is considered to be similar to that of Japan. On the other hand, the U.S. determines and publishes necessary issuance amount not on a fiscal year basis but on a quarterly basis, complying with the debt limit specified by law. In addition, the timing of information disclosure about the period from the announcement of a planned issuance amount to an actual auction for the issue also varies (Figs. 2-40 and 2-41).

Fig. 2-40 Debt Management Policies

	Japan	U.S.	U.K.	Germany	France
Debt Management Office	Financial Bureau, Ministry of Finance	Department of the Treasury, Office of Debt Management Department of the Treasury, Bureau of the Fiscal Service	HM Treasury, United Kingdom Debt Management Office (DMO)	Bundesministerium der Finanzen, Bundesrepublik Deutschland - Finanzagentur GmbH (German Finance Agency)	Ministère de l'Économie, des Finances et de la Souveraineté industrielle et numérique, Direction générale du Trésor, Agence France Trésor (AFT)
The Objective of Debt Management Policy	・To ensure the smooth and secure issuance of Japanese Government Bonds ・To minimize medium- to long-term fundraising costs	・To finance government borrowing needs at the least cost over time ・To issue debt in a regular and predictable pattern	To minimize, over the long term, the costs of meeting the government's financing needs, taking into account risk, while ensuring that debt management policy is consistent with the aims of monetary policy.	To keep the interest costs for the loans taken out as low as possible over many years and different market phases and at the same time, to limit the interest rate risks resulting from the debt structure.	To raise sufficient funds on the markets to finance the State while keeping the debt service cost for taxpayers down to a minimum.
Fiscal Year	April to March next year	October previous year to September	April to March next year	January to December	January to December
Issuance Plan	Announcement of total JGB issuance amount for the next fiscal year, breakdowns by maturity, and frequency of issuance, etc. in late-December each year (This can be changed based on discussions with market participants in response to market circumstances and issuance conditions).	Announcement of planned issuance amount by maturity, auction schedule, etc. on a quarterly basis (February, May, August and November).	・Announcement of total issuance amount for the next fiscal year, breakdowns by maturity, etc. in March each year. ・Announcement of specific details of issues and auction schedule on a quarterly basis.	・Announcement of planned issuance amount by maturity, auction schedule, new issue/reopening, etc. for the next fiscal year in December each year. ・Announcement of auction schedule again on a quarterly basis.	・Announcement of total issuance amount for the next fiscal year in December each year. ・Specific issuance amount is determined based on a meeting with PD held in the week preceding the issuance date and on the auction status on the issuance date.

(Source) Relevant countries' debt management authorities

Fig. 2-41 Announcement Timing, Issuance Amount and Auction Date

	Japan	U.S.	U.K.	Germany	France
In previous fiscal year	Total issuance amount Issues Planned auction amount		Total issuance amount Scheduled auction date	Total issuance amount Issues Planned auction amount Scheduled auction date	Total issuance amount Scheduled auction date
In previous quarter	Scheduled auction date * Auction date of each month is announced 3 months before.	Total issuance amount (Note 2) Issues Planned auction amount Scheduled auction date	Issues Scheduled auction date (Note 3)	Planned auction amount (Note 1) Scheduled auction date (Note 3)	
Approximately one week before	Planned auction amount (Note 1)	Planned auction amount	Planned auction amount		Issues Planned auction amount

Note 1: As for issuance lots per auction announced in the previous fiscal year, the fixed amount is announced one week before in Japan and again every quarter in Germany.
Note 2: Planned quarterly amount financed from the market.
Note 3: Scheduled auction date is announced again every quarter.
(Source) Relevant countries' debt management authorities, etc.

(2) Bond Types and Issuance Methods

Government bonds adopted in various foreign countries are broadly classified into two types: bonds that can be bought and sold in the secondary market (marketable bonds) and bonds that are difficult to trade in the secondary market, such as government bonds offering to retail investors (non-marketable bonds).

Marketable bonds are normally offered mainly through the public auction method, which uses both competitive and non-competitive auctions. In the case of competitive auctions, it should be noted that the U.K., Germany and France employ the multiple price/yield (conventional) method (☞①) for almost all maturities, as is the case for Japan, while the U.S. employs the single price/yield (Dutch-style) method (☞②) for all maturities. In addition, the U.K. and France use the syndication method. Germany used the syndication method in 2020 for the first time in five years and has continued to use it after 2021.

☞①Auction method by which each winning bidder purchases the security at one's bidding price (or yield).

☞②Auction method by which all winning bidders pay the lowest accepted bid price regardless of their original bid prices (or yields).

Fig. 2-42 Marketable Bond Types and Issuance Methods

	Japan	U.S.	U.K.	Germany	France
Short-term (Discount bonds)	3-Month, 6-Month, 1-Year	4-Week, 8-Week, 13-Week, 17-Week, 26-Week, 52-Week, CMB (Note 2)	1-Month, 3-Month, 6-Month, 12-Month (Note 3)	3-Month, 5-Month, 6-Month, 9-Month, 11-Month, 12-Month	Less than or equal to 1-Year
Medium-term	2-Year, 5-Year	2-Year, 3-Year, 5-Year, 7-Year	Over 2 ~ 7-Year	2-Year, 5-Year, 7-Year (Note 4)	2 ~ 8.5-Year
Long-term	10-Year	10-Year	Over 7 ~15-Year	10-Year	Over 8.5 ~ 50-Year
Super long-term	20-Year, 30-Year, 40-Year	20-Year, 30-Year (Note 4)	Over 15 ~ 55-Year	15-Year, 30-Year (Note 4)	
Others	・Inflation-Indexed Bonds (10-Year) ・Japan Climate Transition Bonds (5-Year, 10-Year)	・Inflation-Indexed Bonds (5-Year, 10-Year, 30-Year) ・Floating-Rate Bonds (2-Year)	・Inflation-Indexed Bonds (5 ~ 55-Year) ・Green Bonds (12-Year, 32-Year)	・Inflation-Indexed Bonds (5-Year, 10-Year, 30-Year) (Note 5) ・Green Bonds (5-Year, 10-Year, 30-Year)	・Inflation-Indexed Bonds (2 ~ 50-Year) ・Green Bonds (16-Year, 22-Year, 23-Year, 25-Year) (Note 6)
Issuance Method	Multiple price/yield (conventional) method (40-Year, Inflation-Indexed Bonds, and Japan Climate Transition Bonds: single price/yield (Dutch-style) method)	Single price/yield (Dutch-style) method	Multiple price/yield (conventional) method (Inflation-Indexed Bonds: single price/yield (Dutch-style) method) (Note 7)	Multiple price/yield (conventional) method (Note 7)	Multiple price/yield (conventional) method (Note 7)

Note 1: As of March 2024.
Note 2: CMBs (Cash Management Bills) are issued according to short-term financing needs.
Note 3: Information for regular weekly issuances. 12-month issues are institutionally made available for issuance but have never been issued.
Note 4: The U.S. issued a 20-year issue in May 2020 for the first time in 34 years since 1986. Germany issued 7-year and 15-year issues in May 2020 for the first time ever.
Note 5: In November 2023, the Federal government announced that from 2024, no further inflation-indexed bonds would be issued (including reopening issuances).
Note 6: In May 2022, France issued green bonds with the characteristics of inflation-indexed bonds.
Note 7: The U.K., Germany and France use syndication for issuing some bonds.
(Source) Relevant countries' debt management authorities, etc.

Representative non-marketable bonds are bonds for holdings only by households and other retail investors (savings bonds), issued in Japan, the U.S. and the U.K. The U.K. features unique non-marketable bonds, including "Premium Bonds," which offer a monthly prize draw instead of earning interest, as well as "Green Savings Bonds" (fixed-interest 3-year bonds). Germany and France issued government bonds for retail investors in the past but have discontinued the issuance.

Ref: Chapter 1 1 (3) B, "JGBs and sales system for Retail Investors" (P44)

The U.K. and France are characterized by issuing coupon-bearing marketable government bonds with flexible maturities set in rough ranges instead of setting specific maturities.
The U.S. issues a large amount of non-marketable bonds intended for government accounts including government entities and pension funds, which account for about 20% of its entire government debt outstanding.

(Reference) Green Bonds

Ref: I, 2 Box 4, "Initial Issuance of 'Japan Climate Transition Bonds'" (P25)

Green bonds in Fig. 2-42 are issued by business corporations, local governments and other entities to raise funds for renewable energy and other projects that contribute to resolving global warming and other environmental problems. The global green bond market, including Japanese issues, has grown at the initiative of the private sector.

Outside of Japan, sovereign green bonds have been issued in 32 countries (as of March 2024), including France and other European countries, since Poland became the first country to issue such bonds in 2016. France initiated a sovereign green bond issue worth 7 billion euros in January 2017 and has reopened the issue multiple times. Its amount of outstanding issued sovereign green bonds is the highest in the world (as of March 2024).

(3) Liquidity Maintenance/Enhancement Measures

Countries use various methods to maintain and enhance the liquidity of government bond markets. In Japan, from the perspective of ensuring sufficient issuance volume per issue, 20-Year Bonds and 30-Year Bonds are reopened in four issues per year, 40-Year Bonds and Inflation-Indexed Bonds are in principle reopened in one issue per year, and 10-Year Bonds are reopened in four issues per year, unless interest rates fluctuate widely (the market yield on an auction day for a new issue deviates from the coupon on the previous issue with the same maturity date by more than 30 basis points). Through Liquidity Enhancement Auctions, Japan also reopens issues that have structural liquidity shortages or temporary liquidity shortages caused by expanding demand.

Among foreign countries, the U.S. and Germany have basically adopted reopening for on-the-run issues. In the U.K. and France, the debt management authorities discretionarily reopen any issues whether they are on- or off-the-run (Fig. 2-43).

In Germany, meanwhile, the authority withholds a certain nominal volume at each auction and gradually releases to the secondary market or uses them for the repo market in consideration of market conditions.

Fig. 2-43 Reopening Issuances

	Japan	U.S.	U.K.(Note 1)	Germany (Note 1, 2)	France (Note 1)
Reopening	･5-Year (Note 3) ･10-Year (Note 4) ･20-Year ･30-Year ･40-Year ･Inflation-Indexed Bonds (10-Year) ･Climate Transition Bonds (5-Year, 10-Year)	･10-Year ･20-Year ･30-Year ･Floating-Rate Bonds (2-Year) ･Inflation-Indexed Bonds (5-Year, 10-Year, 30-Year)	･Medium-term (Over 2 ~ 7-Year) ･Long-term (Over 7 ~ 15-Year) ･Super long-term (Over 15 ~ 55-Year) ･Inflation-Indexed Bonds (5 ~ 55-Year)	･2-Year ･5-Year ･7-Year ･10-Year ･15-Year ･30-Year ･Inflation-Indexed Bonds (5-Year, 10-Year, 30-Year) (Note 5)	･Medium-term (2 ~ 8.5-Year) ･Long-term, Super long-term (Over 8.5 ~ 50-Year) ･Inflation-Indexed Bonds (2 ~ 50-Year)
Without reopening	･2-Year	･2-Year ･3-Year ･5-Year ･7-Year	–	–	–

Note 1: Green bonds are included.
Note 2: In multi-ISIN auctions, where multiple issues are auctioned at the same time, off-the-run issues are also reopened.
Note 3: If the redemption date and the coupon rate for newly issued JGBs are the same as those of JGBs that have already been issued, then, in principle, the JGBs will be reopened as JGBs of the same issue as the JGBs that have already been issued.
Note 4: Reopening issuance of 4 issues per year unless interest rates fluctuate widely (the market yield on an auction day for a new issue deviates from the coupon on the previous issue with the same maturity date by more than 30 basis points).
Note 5: In November 2023, the Federal government announced that from 2024, no further inflation-indexed bonds would be issued (including reopening issuances).
(Source) Relevant countries' debt management authorities, etc.

(4) Primary Dealer System

Primary dealers (PDs) originally referred to government-certified dealers. In the U.S., candidates for PD designation are examined beforehand for their market-making capabilities, financial conditions, government bonds auction participation records, etc. Companies designated as PDs are entitled to directly trade with the Federal Reserve Bank of New York when the Federal Reserve conducts open market operations and to participate in periodic meetings with the authorities for the exchange of opinions. At the same time, they are obliged to bid for government bonds in auctions, to conduct market-making services, and to provide information to the authorities. In this way, companies with special qualifications and responsibilities in regard to government bond markets are designated as PDs to ensure that government bond market liquidity, efficiency, and stability are maintained and improved. Such a system is generally called the PD system.

Nowadays, various countries have similar PD systems, including Japan's JGB Market Special Participants Scheme. But PDs' responsibilities and qualifications vary from country to country as shown below (Fig. 2-44).

Fig. 2-44 Primary Dealer System

		Japan	U.S.	U.K.	Germany (Note 1)	France
Name		JGB Market Special Participants	Primary Dealers	Gilt-edged Market Makers (GEMMs)	Bietergruppe Bundesemissionen (Bund Issues Auction Group)	Spécialistes en Valeurs du Trésor (SVT)
Introduction time		2004	1960	1986	1998	1987
Number of members (as of April 2024)		19 companies	24 companies	18 companies	32 companies	15 companies
Responsibilities	Bidding	･Participation in all auctions ･At least 100/n% of the planned issuance amount * "n" refers to the number of JGB Market Special Participants.	･Participation in all auctions ･Issuance amount /the number of PDs	･Participation in all auctions ･5% or more of total issuance amount on a 6-month rolling average basis	—	Participation in all auctions
	Purchasing	<Short-term> 0.5% or more of total issuance amount for the preceding two quarters <Excluding Short-term> 1% or more of total issuance amount for the preceding two quarters	—	2% or more of total issuance amount in each sector on a 6-month rolling average basis	0.05% or more of total issuance amount for a year	2% or more of total issuance amount of each sector (short-term, medium-term, long-term and super long-term, and inflation-indexed bonds) on a rolling 12-month average basis (Note 2)
	Market making	Providing sufficient liquidity to the JGB secondary market	Maintaining a share of Treasury market making activity of at least 0.25%	Maintaining an individual secondary market share of at least 2% on a 6-month rolling average basis	—	Maintaining a 2% or more share in the secondary market
	Information provision	Report to the MOF	Report to the New York Fed	Report to the DMO	—	Report to the AFT
Qualifications	Exclusive participation in auction	･Non-Price Competitive Auction I (Up to 25% of planned issuance amount) ･Non-Price Competitive Auction II (Up to 10% of total amount of bids accepted in the competitive auction and Non-Price Competitive Auction I) ･Liquidity Enhancement Auction ･Buy-back Auction, etc.	—	･Competitive Auctions ･Syndication, etc.	･Competitive Auctions ･Non-Competitive Auctions	･Competitive Auctions ･Non-Competitive Auctions ･Syndication, etc.
	Regular meeting, etc.	Meeting with the MOF (About 5 times a year)	･Meeting with the U.S. Department of the Treasury (quarterly) ･Meeting with the New York Fed (annually)	･Meeting with the DMO (quarterly/annually) ･Meeting with the HM Treasury (annually)	—	Meeting with the AFT (periodically)

Note 1: Germany's "Bund Issues Auction Group" is similar to the primary dealer system in other countries in that only the group members are allowed to participate in government bond auctions. However, the only requirement for a Bund Issues Auction Group member is a registered office in a member state of the European Union, the European Economic Area or Switzerland, though required to purchase a certain part of each issue. Bund Issues Auction Group members are free from any obligation to make bids in auctions, and they don't have meetings with authorities periodically. Therefore, Bund Issues Auction Group is viewed as different from the PD system in other countries.

Note 2: Conditions other than that in the table for France's bidding responsibilities include "2% or more of the total issuance amount on a rolling 12-month average basis for three of four sectors (short-term, medium-term, long-term and super long-term, and inflation-indexed bonds) and the average for the four sectors at 3% or more of the total issuance amount on a rolling 12-month average basis."

(Source) Relevant countries' debt management authorities, etc.