

# Agenda: Workshop on Auction Dynamics

**Date:** Friday, November 16, 2012 8:30am - 12:00pm

**Location:** Media Room A - 4121, Department of the Treasury

**8:00 - 8:30 AM: Arrival and Registration: Coffee and Continental Breakfast**

## I. Overview of Respective Primary Dealer Models of Participating Countries DMOs

**8:30 - 8:40 AM: Introductory Remarks by US DMO Director Colin Kim**

Director Kim will give an overview of the goals of the workshop and the issues that global debt managers face in deciding optimal auction designs to facilitate efficient risk transfer services provided by primary dealers.

**8:40 - 9:10 AM: Introductory Remarks by DMO Representatives**

Prior to the workshop, the US DMO will circulate a presentation that compares the primary dealer systems and auction designs of all the attending DMOs.

Each of the five DMOs (UK, Canada, Italy, Netherlands, and Sweden) will provide a 5 minute overview of common features of their respective country's auction mechanism and primary dealer system relative to other DMOs. The overview will also highlight any less common features of their respective PD systems. DMOs will offer a brief rationale for how these less common features serve the particular DMO in transferring risk. OECD will also provide a perspective.

**9:10 - 9:30 AM: Remarks on the Various Primary Dealer Models by Professor Ali Hortacsu**

Professor Hortacsu is an academic expert on auction theory. His primary area of research is industrial organization, with an emphasis on theoretical and empirical analyses of auctions. He serves as an Assistant Professor of Economics at the University of Chicago.

**9:30 - 9:45 AM: Q & A for DMOs, OECD, and Professor Hortacsu regarding Primary Dealer Models**

## II. A Case Study: Auction Dynamics in the US and behavior of US Primary Dealers in Auctions

**9:45 - 10:10 AM: US Primary Dealer Dynamics Presentation**

The US DMO will provide a detailed presentation regarding: 1) auction dynamics and risk transference in the US auction model; and 2) analysis of the behavior of primary dealers. This will serve as a case study for a broader discussion.

**10:10 - 10:30 AM: Break: Coffee**

**10:30 - 11:15 AM: Discussion of Case Study and Implications for Primary Dealer Models**

Using the US presentation as a starting point, there will be a discussion among workshop participants. Each DMO should be prepared to discuss the theory of how their primary dealer model supports risk transference within their auction system.

Discussion topics will include:

- The impact of different primary dealer models (requirements and privileges) on auction participants.
- Measurement of the cost of risk transfer services provided by primary dealers under different auction models. (e.g., Is an auction model that issues a fixed amount of securities more or less cost efficient than a model where an issuer can vary the amount of securities being auctioned based on market conditions during the auction?)
- How do DMOs think about the costs of risk transfer within their respective primary dealer frameworks and how do DMOs quantify the costs of these risk transfer services?
- Under what conditions do risk transference services break down? (e.g., changes in balance sheet constraints? market volatility? etc.?) How do these risk transfer costs vary over time?
- Are there any general policy implications for assuring efficient risk transfer that may be applicable to all DMOs that use a primary dealer model.

### III. Tools and Policies to Mitigate the Impact of Risk Transfer Costs for Sovereign Debt Issuers in Changing Market and/or Regulatory Environments

#### **11:15 - 12:00 PM: Open Participant Discussion- Moderated by US DMO Director Colin Kim**

This discussion will draw on the experiences of other DMOs and academics regarding costs and benefits of particular features in their primary market distribution models that may enhance the efficiency of risk transfer services for DMOs. Topics will focus on the policies related to required vs. authorized bidders, enhancing incentives for primary dealers to participate in auctions, techniques for mitigating risks of uncovered auctions and funding stresses, experiences with and cost effective ways of implementing "green shoe options", alternative distribution techniques, taps and buybacks, lending facilities, etc.

#### **12:00 - to 12:05 PM: Closing Remarks by Director Kim**