



Brussels, 26 November 2010

**Revised mandate for the
EFC sub-committee
on EU sovereign debt markets**

1. The **mandate** of the EFC sub-committee on EU government Bonds and Bills markets (the sub-committee), established in 1997 by the Monetary Committee as an Ad-hoc Working Group has been extended in several stages, reflecting the evolving role of debt management and sovereign debt markets in the EU (i.e. from facilitating the smooth changeover to the euro-denominated bonds and bills markets to the monitoring of developments on these markets and the consideration of issues linked to the efficient functioning of the EU's primary and secondary bond markets).
2. The crisis has changed the perception of sovereign risk and rendered the interdependencies between debt management on the one hand and fiscal, monetary and regulatory policies on the other more explicit as well as the need for enhanced communication and policy coordination between the respective competent authorities.
3. The recognition of these interdependencies and the most recent EU experiences in this respect underline the need for a well-defined role in providing input to the EFC to allow EU decision-makers to take full account of sovereign debt management considerations, based on its specific expertise.

The role and tasks of the sub-committee

4. The current predominantly technical role of the sub-committee in full composition¹ could be enhanced with a role of contributing to the preparation of EFC common positions and understandings in respect of changes in the financial architecture affecting sovereign debt markets. The sub-committee should in this

¹ 27 Member States (2 representatives per Member State) + ECB, EIB and Commission.

respect ensure a proper and regular transmission of relevant information and key policy issues to the parent Committee. This would imply that the current tasks of the sub-committee, consisting of:

- a. Promoting further integration and better functioning of sovereign debt markets;
- b. Analysing technical issues related to public debt management, drawing on the specific expertise of the EU's debt managers;
- c. Monitoring developments on sovereign debt and related markets and reporting on a regular basis to the EFC;

Should be extended to include the following tasks:

- d. Contributing to the preparation of EFC common positions on regulatory issues which significantly impact on sovereign debt markets (and therefore on the cost of public finance), such as the recent Basel proposals on liquidity ratios, short selling restrictions or possible changes in the use of external ratings for sovereign issuance etc.; as well as,
- e. Where needed, preparing common understandings on technical issues such as collective action clauses and collateral swap agreements, thus putting its expertise to the use of the EFC.

Composition of the sub-committee and relations with the parent committee

5. For the sub-committee to fulfil this role and contribute in an effective way to the workings of the discussions of the parent Committee, the sub-committee's chair should participate in relevant discussions of the parent committee and thereby, where appropriate, convey the views and expertise of the sub-committee.

6. Each Member State will continue to have two representatives in the sub-committee. In cases where the DMO is an independent body, and at the reasoned request of the Member State concerned, a third representative could be admitted to ensure an efficient coordination with the members of the parent committee. The participation of ECB, EIB and Commission remain as before. In addition, a representative of the EFSF could participate as an observer.

Frequency of meetings

7. The sub-committee should meet at least twice a year to perform its tasks. It should meet more often in circumstances of market tensions or other exceptional circumstances, including through conference calls and similar means.
