AGENCE FRANCE TRÉSOR

The French government agency for debt and cash management

FOTEGAL, August 21st 2014

1 – AFT organization

Key facts

AGENCE FRANCE TRÉSOR

- Tasked **with managing the government debt and cash positions under the most secure conditions in the interest of the taxpayer**

- Created by a MoF order on 8 February 2001

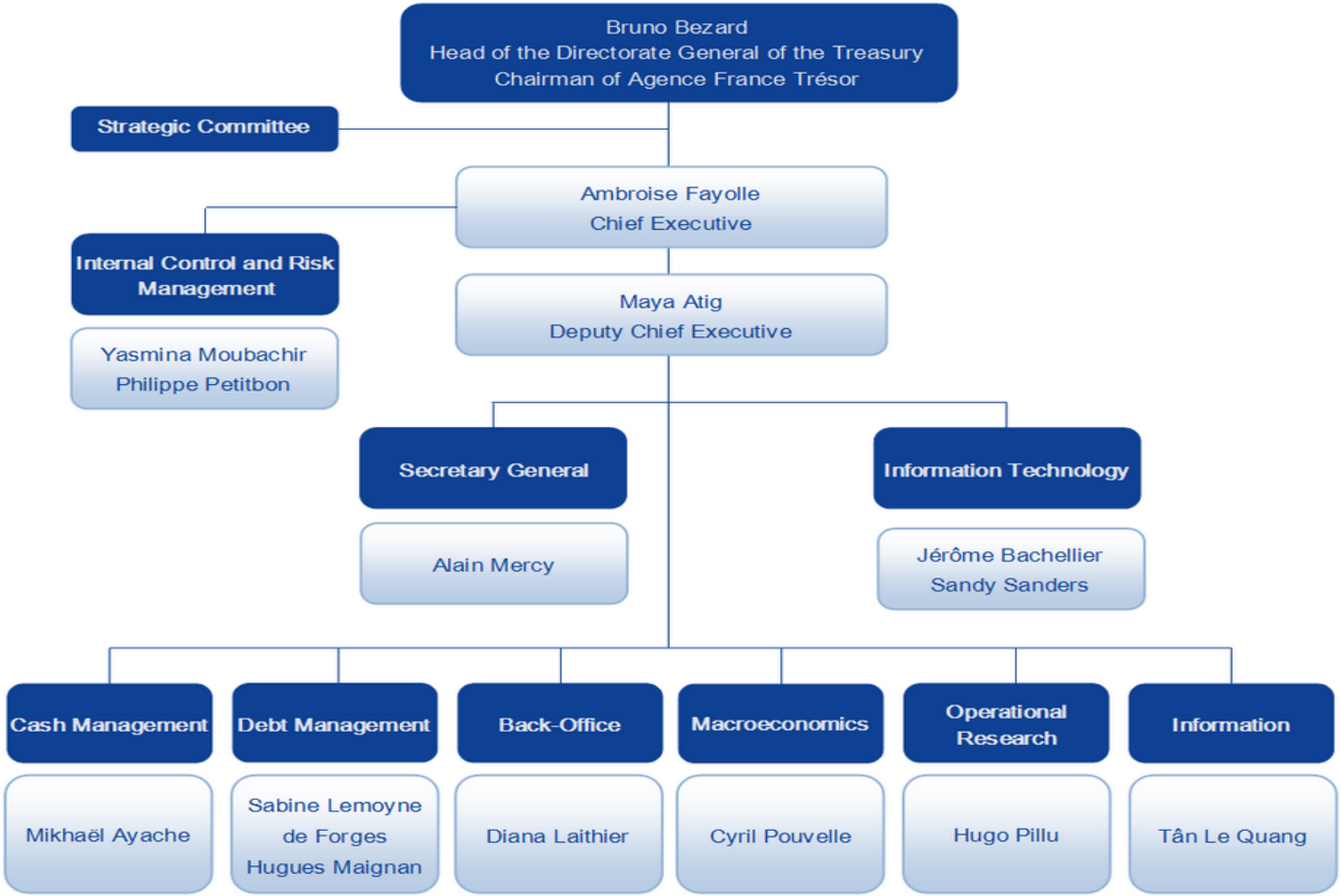
- Chaired by the Head of the Treasury Directorate

- Managed by a Chief Executive

- Assisted by a Strategic Committee (2 meetings / year)

- Made up of 8 sectorial units and 38 agents of various backgrounds (public bodies, banking institutions, academics)

Organization chart



At the crossroads of MoF directorates and the market

AGENCE FRANCE TRÉSOR

Ministry of Economy and Finance

TRÉSOR
DIRECTION GÉNÉRALE

AGENCE FRANCE TRÉSOR

DIRECTION GÉNÉRALE DES FINANCES PUBLIQUES

Ministry for the Budget

DIRECTION DU BUDGET

Strategic Committee

Primary dealers

Key Figures

AGENCE FRANCE TRÉSOR

➢ Debt management

- **Negotiable Debt Outstanding as of 30 June 2014:** **€ 1 536 bn**
  - Medium and Long-Term bonds (OAT/BTAN): € 1 347 bn
  - Short-Term bills (BTF): € 188 bn
- **2014 financing programme completion as of 24 July 2014: €140,5 bn of gross issuances (81.2% out of €173 bn)**

➢ Cash management

- **In 2013, the average daily volume of flows into and out the Treasury single account: €41,7 bn.**
- **In 2013, there were some 3,200 transactions with banking counterparties.**

2 – Management of the State’s cash position

Cash management: Missions

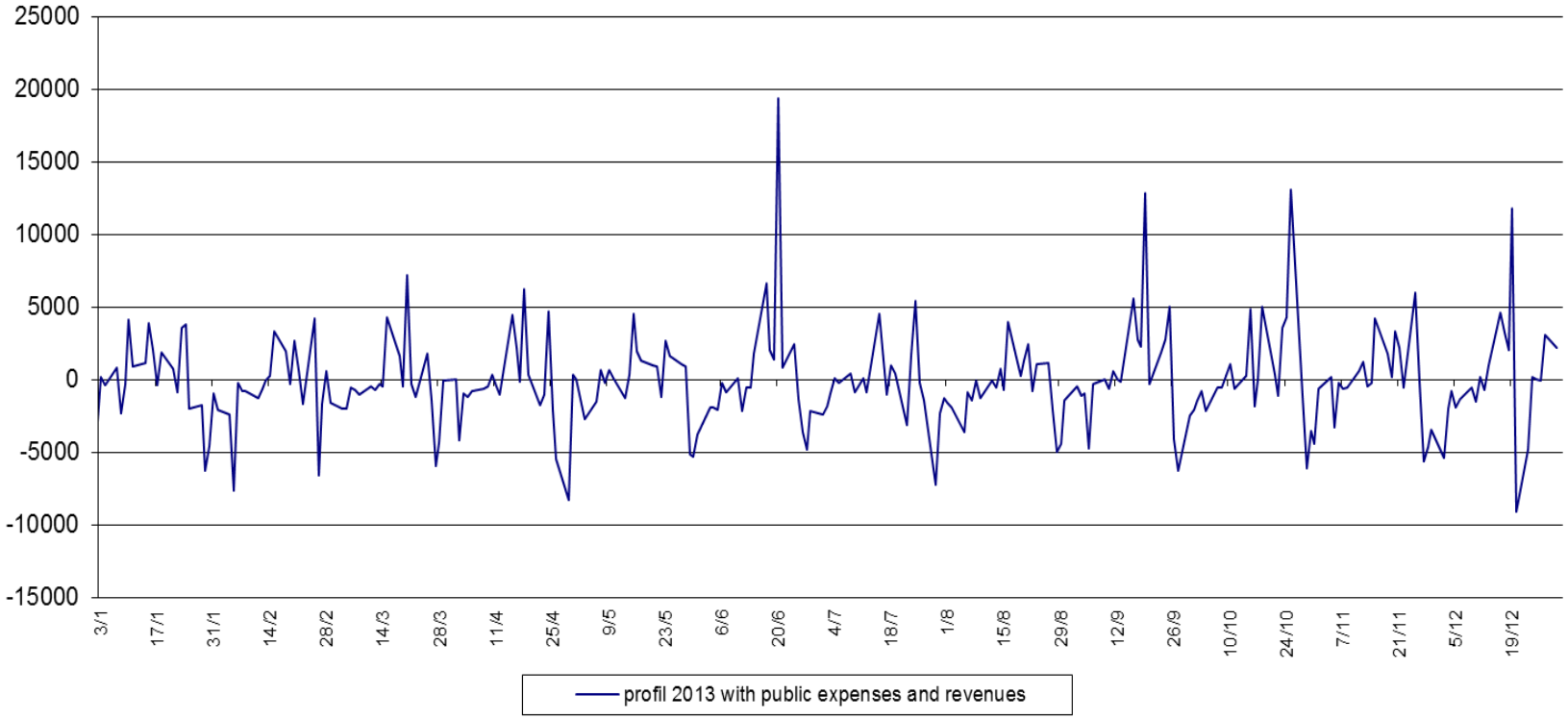
AGENCE FRANCE TRÉSOR

1 core principle: Ensuring France's continuous financing

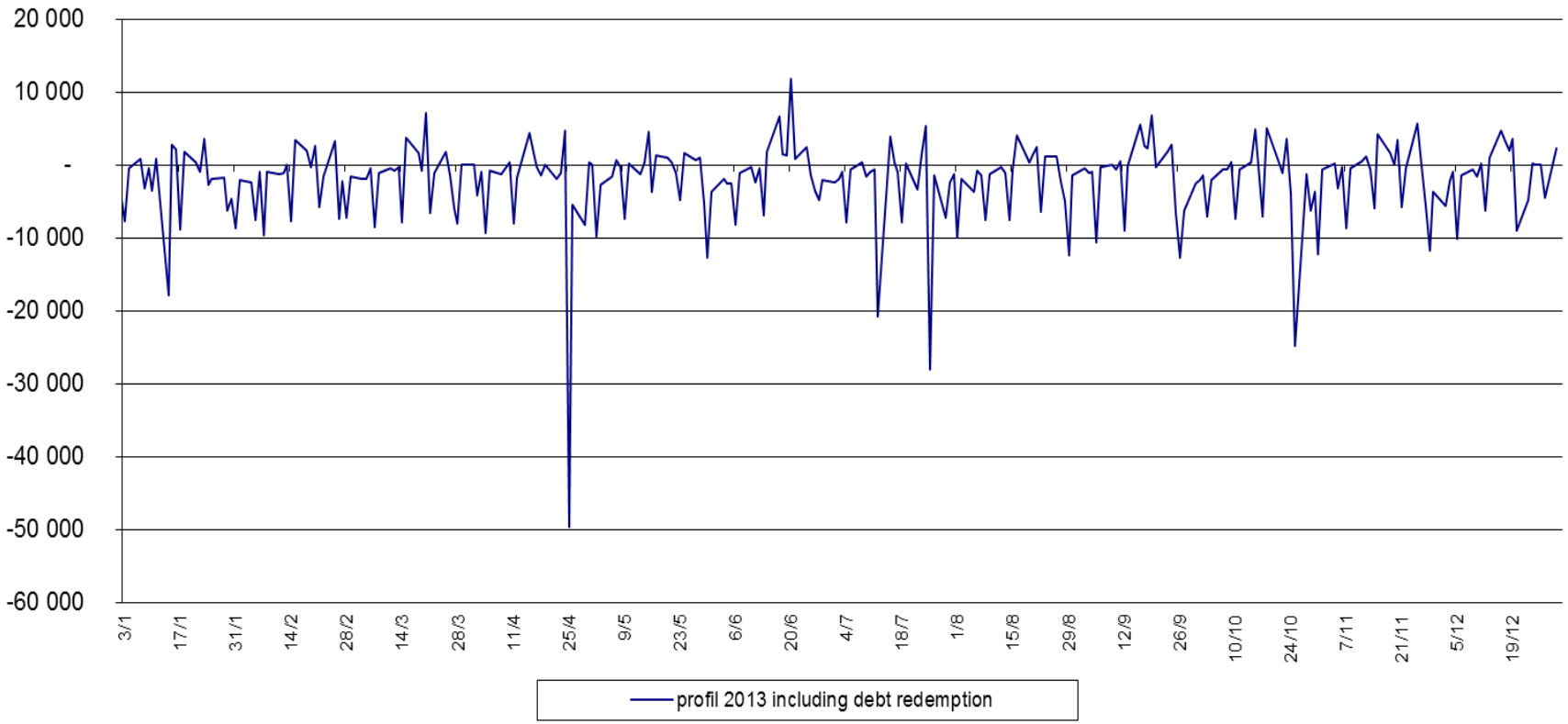
3 intermediate goals:

- Keeping a credit balance every evening on the government account in compliance with EU treaties that prohibit the central banks from granting advances to state agencies
- Using the cash holdings of the State and Treasury correspondents in the best interests of taxpayers
- Optimizing debt issuances with regard to the State's actual needs

Cash management: Cashflows forecasts with public expenses and revenues



Cash management: Cashflows forecasts including debt redemption



3 – The relationship between the Cash management and the Debt management

Relationship between Cash management and Debt management

- **Debt management and Cash management follow two complementary objectives.**

  - Debt management objective in the medium term is to minimise the cost of debt for taxpayers under the most secure conditions
  - Cash management objective is to ensure continuous financing for the State and a credit balance of the State's single account every day.

→ **To optimize debt management and cash management efficiency, these two functions are operated by one single agency in an open space.**

The relationship between these two functions concerns mostly debt operations and cash investments.

3.1 – Debt transactions are managed by the Debt management unit and have a strong impact on the Treasury Single Account (TSA), managed by the Cash management unit

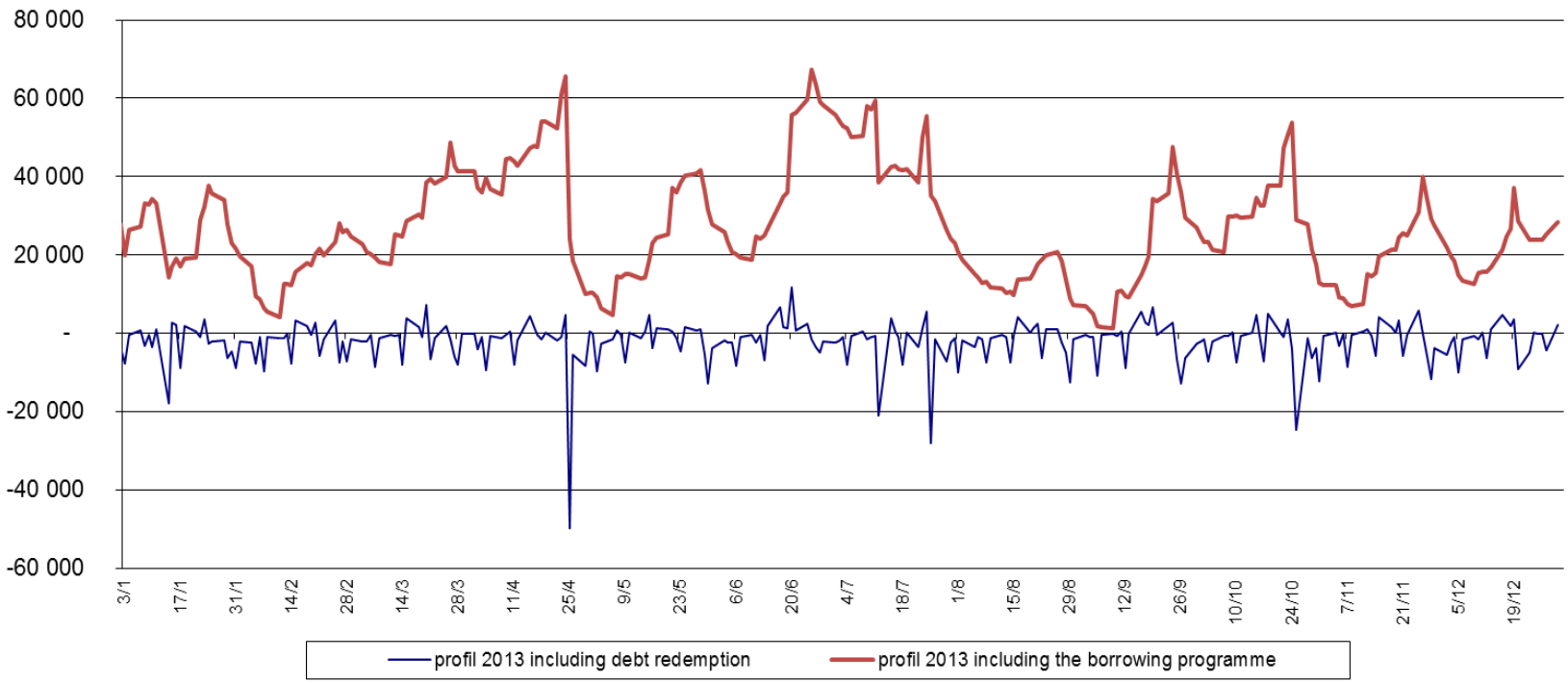
The financing programme

- **The financing programme is elaborated by AFT and voted by the Parliament.**

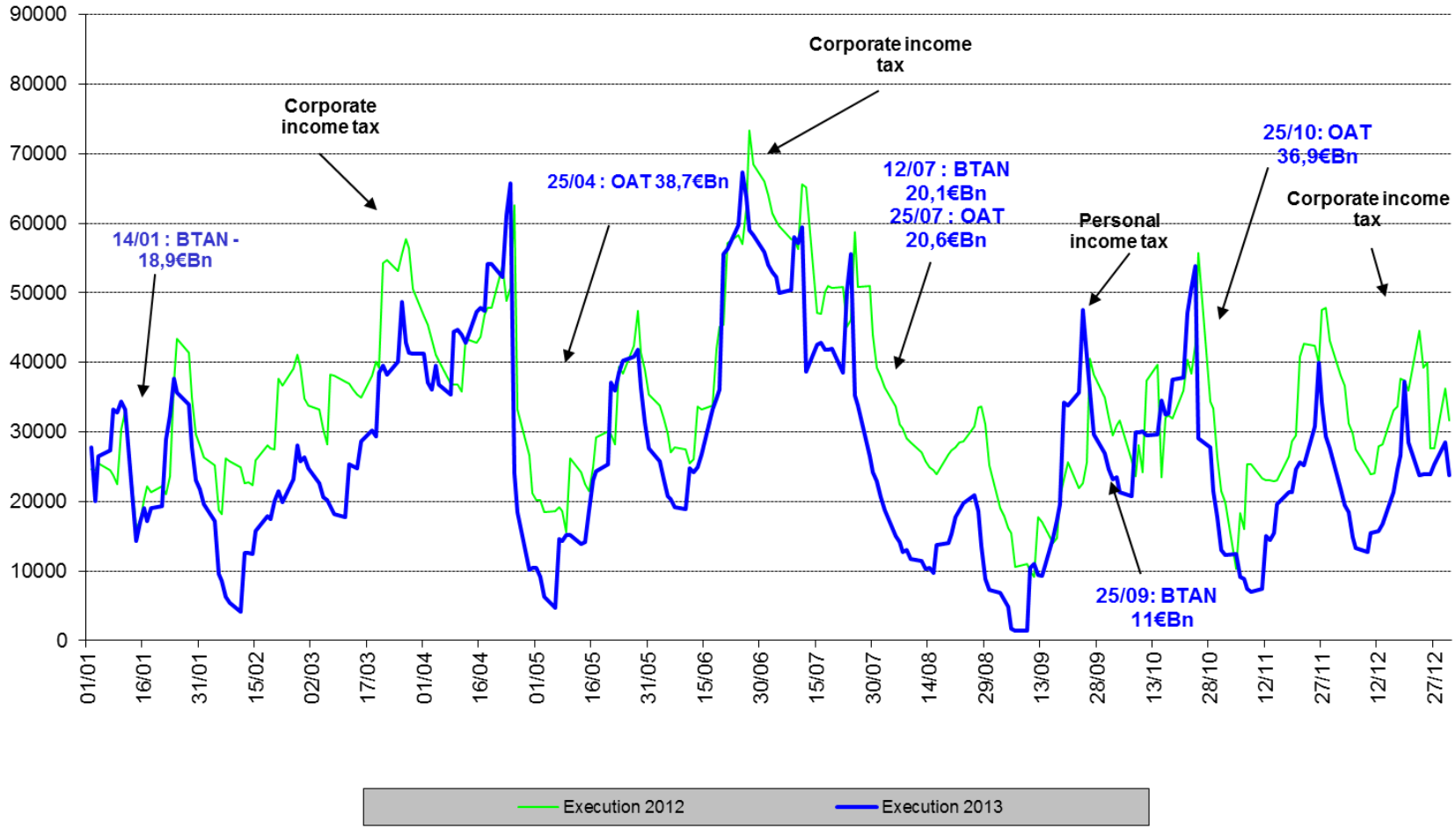
Indicative State financing programme for 2014	€bn
Financing requirement	
Medium and long term debt redemption	103,8
Including :	
Long-term debt redemption (face value)	*41,8*
Medium-term debt redemption (face value)	*62*
Redemption of other debts	0,2
Deficit	70,6
Other funding requirements	1,8
Total	**176,4**
Financing sources	
Medium and long-term issuance net of buybacks	173
Other sources of funding	3,4
Total	**176,4**

- **Based on the financing programme, the debt management unit builds a medium and long-term debt issuance programme at the beginning of the year.**
- **The cash management unit integrates this medium and long-term debt issuance programme in the TSA profile.**

Profile 2013 including the borrowing programme



An uneven profile with low points and peaks

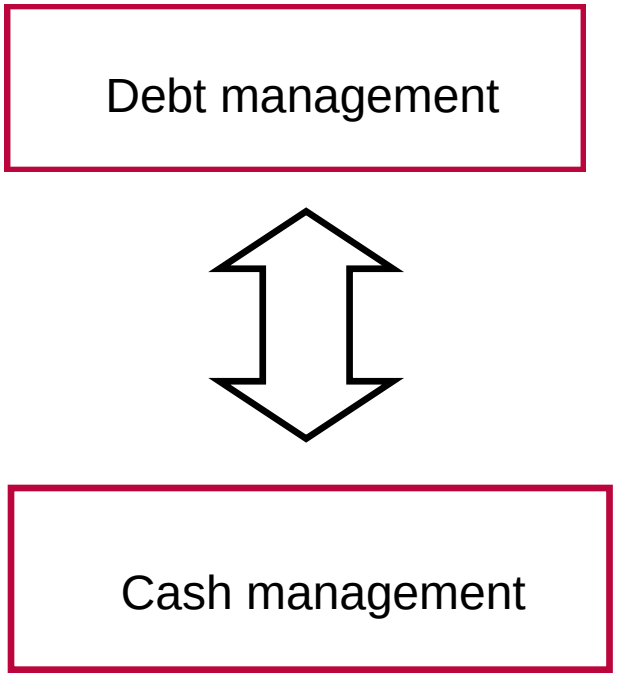


Optimizing debt issuances with regard to the State's actual needs

AGENCE FRANCE TRÉSOR

Debt issuances and cash management are genuinely interwined

- AFT debt issuances are determined by the funding requirement as defined annually in the Budget Law
- T-Bills (BTF) issuances are determined every week according to treasury short-term needs. They aim to adjust the level of treasury along the year to secure the State cash position



T-Bill issuance to adjust the cash balance

- **In the process of a T-Bill issuance, both cash management unit and debt management unit are involved:**

  - D-2: Conference call with the primary dealers who advise on the amount of the auction. The heads of cash management and debt management define the amount to issue at the auction.

  - D-1: Announcement of the volume on each security to issue (3M, 6M, 1Y) on the AFT page on Reuters and Bloomberg.

  - D: The auction result is communicated to the cash management unit in order to include it more precisely in its cash management profile.

  - D+2: The non-competitive transactions are communicated to the cash management unit.

  - D+3: The cash provided by the auction is posted on the Treasury Single Account (TSA).

T-Bill issuance to adjust the cash balance

AGENCE FRANCE TRÉSOR

Strong Liquidity of the BTF Market

- 1 auction every week, stable issuance policy (€6-8bn per auction)
- Outstanding in 2014 to be stable at €174 bn
- 3 to 4 papers issued per auction, 3M, 6M and 12M benchmarks

- 27 maturity dates available on the secondary market
- 3M maturity issued around OIS – 5 bp at the last auction
- 12M maturity issued around OIS – 3 bp at the last auction

The buybacks are the tool of an active debt management

AGENCE FRANCE TRÉSOR

- The main objective of the buybacks is to smooth the cost of issuance between years. Redemptions due one year for instance can be considerably higher than they were the previous year.

- In 2013, AFT bought back €23.2bn in debt, including €13.2bn in securities maturing in 2014 and €10bn in debt maturing in 2015, in order to meet its net issuance target.

- Buybacks are dealed by the head of the debt management unit. The cash management is consulted on the amount and the timing to make sure that the State cash position is high enough to absorb the buyback. Once the buyback is dealed by the debt management unit, the cash management unit posts it on the Treasury account.

3.2 - Cash management unit and Debt management unit invest the State's temporary cash surplus on the interbank market

Investing the State's temporary cash surplus on the interbank market

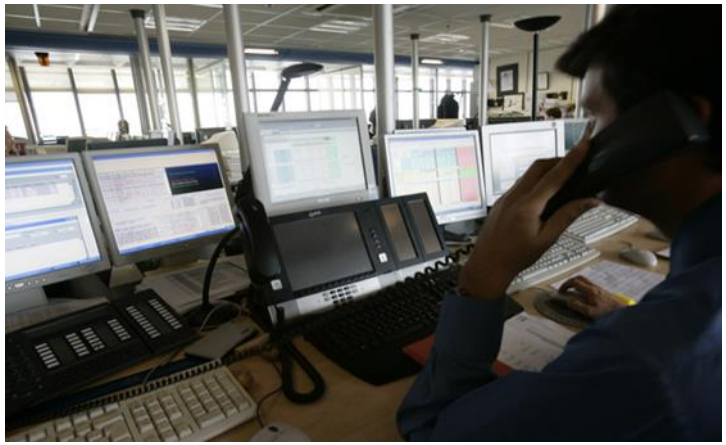
AGENCE FRANCE TRÉSOR

An active cash management

- The surplus of cash on the TSA left at the Banque de France bears interest at contractual rates that vary according to the amount deposited.

- If these rates are lower than the rates earned by State investments on the market, it is in the taxpayers' interest to invest available cash on the interbank market.

- Cash investments on the interbank market are made by the cash management unit and the debt management unit.

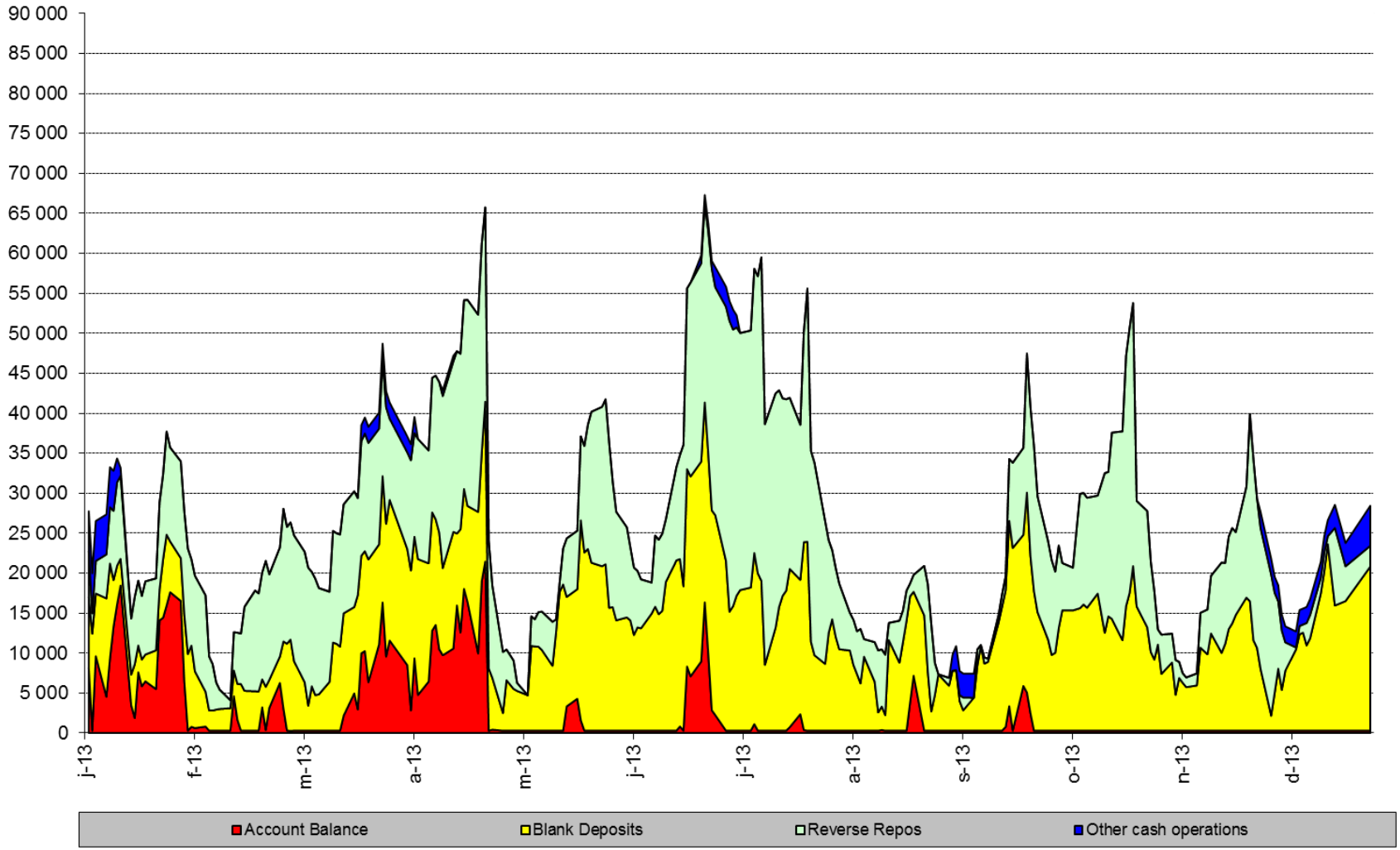


Investing the State's temporary cash surplus on the interbank market

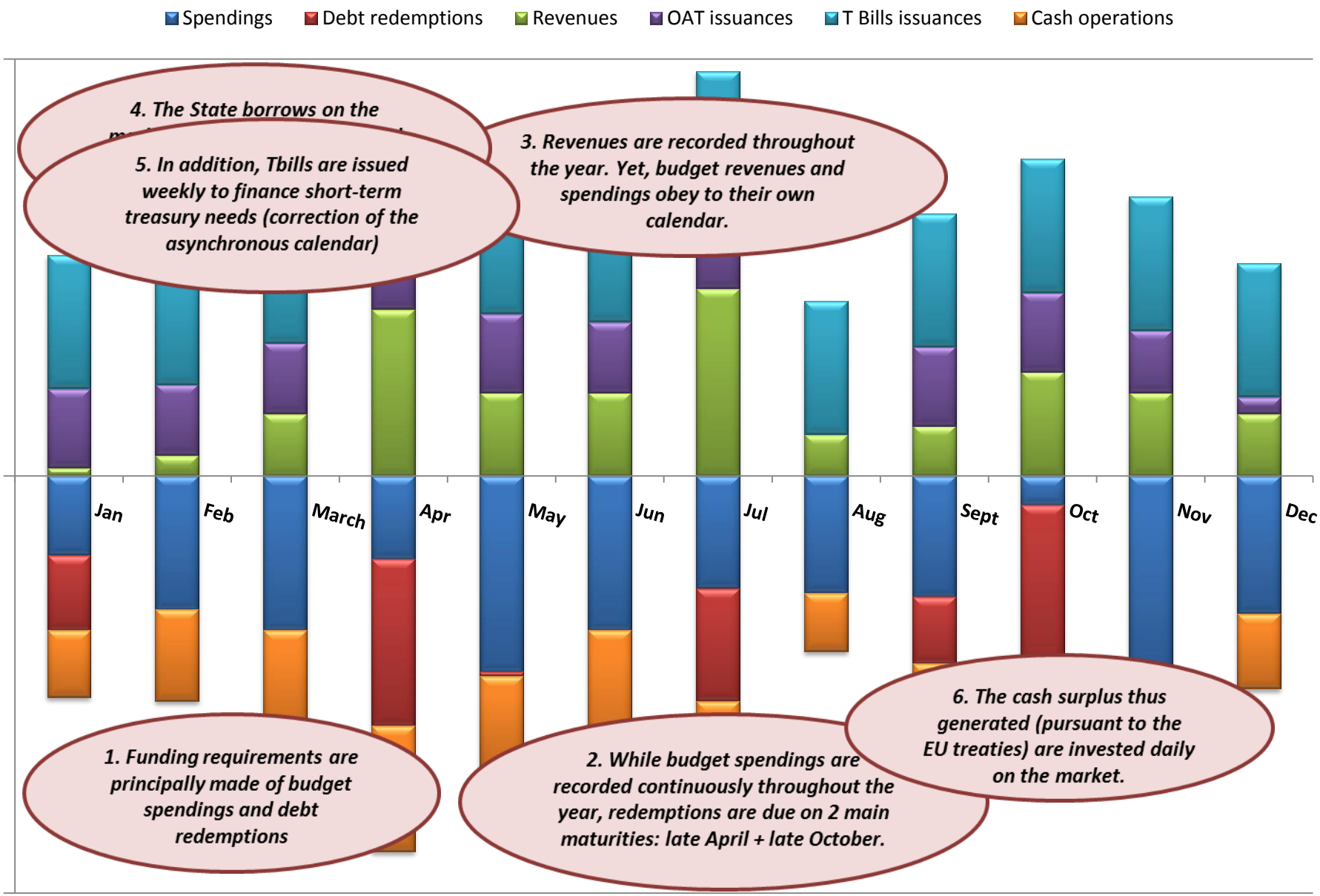
AGENCE FRANCE TRÉSOR

- **Cash surplus are invested on the overnight market mainly through:**
  - Unsecured loans (usually 3 times a day)
  - Reverse repos on French government securities
- **Cash investments are made by the cash management unit and the debt management unit:**
  - Every morning, the cash manager offers to invest the cash surplus of the day on the overnight interbank market. Either the head of cash management or of debt management give their agreement.
  - Debt management unit and cash management unit call the primary dealers to invest the cash surplus.
  - Once the deals are confirmed, the debt management unit is in charge of entering the datas in the management software, so that the back office makes sure the transactions will be unwilled.
  - Finally, the cash manager monitors the execution of these flows out of the TSA in real time.

Investing the State's temporary cash surplus on the interbank market



Making of the TSA Profile



3.3 – The spread of information

The spread of information is vital for the efficiency of the AFT's activities

AGENCE FRANCE TRÉSOR

- There is a weekly meeting to bring all units together and explain relevant topics

- The Cash management unit and the Middle office unit send every evening to the hierarchy and the operational units a report on the daily activities (cash investments, issuance and redemption debt…)

- Whenever there is a topical issue, a meeting is set between the units involved.

More Information on…

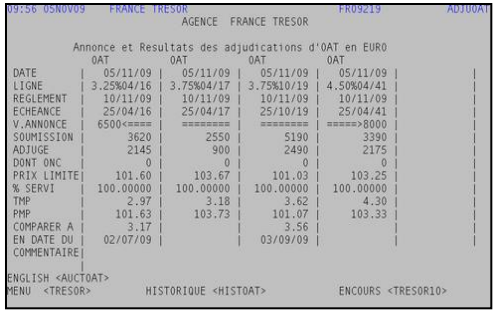
AGENCE FRANCE TRÉSOR

www.aft.gouv.fr

Ambroise Fayolle – Chief Executive
ambroise.fayolle@aft.gouv.fr

Maya Atig – Deputy Chief Executive
maya.atig@aft.gouv.fr

Reuters: <TRESOR>



09:56 05NOV09 FRANCE TRESOR PR09219 ADJUOAT

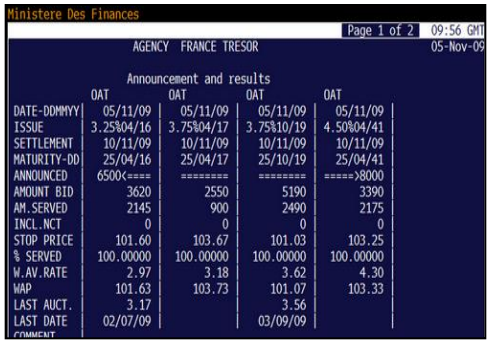
AGENCE FRANCE TRESOR

Annonce et Resultats des adjudications d'OAT en EURO

	OAT	OAT	OAT	OAT
DATE	05/11/09	05/11/09	05/11/09	05/11/09
LIGNE	3.25%04/16	3.75%04/17	3.75%10/19	4.50%04/41
REGLEMENT	10/11/09	10/11/09	10/11/09	10/11/09
ECHEANCE	25/04/16	25/04/17	25/10/19	25/04/41
V.ANNONCE	6500<====	========	========	=====>8000
SOUMISSION	3620	2550	5190	3390
ADJUGE	2145	900	2490	2175
DONT ONC	0	0	0	0
PRIX LIMITE	101.60	103.67	101.03	103.25
% SERVI	100.00000	100.00000	100.00000	100.00000
TMP	2.97	3.18	3.62	4.30
PMP	101.63	103.73	101.07	103.33
COMPARER A	3.17		3.56	
EN DATE DU	02/07/09		03/09/09	
COMMENTAIRE				

ENGLISH <AUCTOAT>
MENU <TRESOR> HISTORIQUE <HISTOAT> ENCOURS <TRESOR10>

Bloomberg: TREX <GO>



Ministere Des Finances
Page 1 of 2 09:56 GMT
AGENCY FRANCE TRESOR 05-Nov-09

Announcement and results

	OAT	OAT	OAT	OAT
DATE-DDMMYY	05/11/09	05/11/09	05/11/09	05/11/09
ISSUE	3.25%04/16	3.75%04/17	3.75%10/19	4.50%04/41
SETTLEMENT	10/11/09	10/11/09	10/11/09	10/11/09
MATURITY-DD	25/04/16	25/04/17	25/10/19	25/04/41
ANNOUNCED	6500<====	========	========	=====>8000
AMOUNT BID	3620	2550	5190	3390
AM.SERVED	2145	900	2490	2175
INCL.NCT	0	0	0	0
STOP PRICE	101.60	103.67	101.03	103.25
% SERVED	100.00000	100.00000	100.00000	100.00000
W.AV.RATE	2.97	3.18	3.62	4.30
WAP	101.63	103.73	101.07	103.33
LAST AUCT.	3.17		3.56	
LAST DATE	02/07/09		03/09/09	
COMMENT				