Regular Treasury Bills Issuance Program

**RTBP Program in 2018**

The planned issuance amount in T Bill auctions have been increased to AMD 1,200 million uniformly (1,000 in auction and additional 20% allocation to PDs) across all auctions. Within this program, although the planned deficit financing auctions remained unchanged at AMD 1,200 million from the 2017 program, the non-deficit financing auctions are planned to double from AMD 600 million in 2017 program to AMD 1,200 million for 2018 program. The program has been revised after consultation with the primary dealers (PDs) and Central Bank of Armenia (CBA). The increase in non-deficit financing planned auctions is due to the prevailing existing surplus liquidity at the end of 2017. The increase in non-deficit financing auctions as intra-year issuances would not lead to an increase in the debt stock at the end of 2018.

The RTBP program for 2018 has been developed by the PDMD as an internal document with a detailed plan for issuance of T Bills for various tenors in auctions (Table 1). Issuance for 91-day (3M), 182-day (6M) and 273-day (9M) T Bills will be issued by re-opening of the outstanding 364 days T Bills with the respective remaining maturities (+/- 20 days). Issuance of 364-day T Bills will be issued as a new line of instrument every month.

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| Table 1: RTBP for 2018 |
|   | Tenor of Issuance |
| Period  | 3M | 6M | 9M | 12M |
| Jan-18 |  | 1,200 | 1,200 | 1,200 |
| Feb-18 | 1,200 | 1,200 |  | 1,200 |
| Mar-18 | 1,200 |  | 1,200 | 1,200 |
| Apr-18 |  | 1,200 | 1,200 | 1,200 |
| May-18 | 1,200 |  | 1,200 | 1,200 |
| Jun-18 |  | 1,200 | 1,200 | 1,200 |
| Jul-18 | 1,200 | 1,200 | 1,200 | 1,200 |
| Aug-18 |  | 1,200 | 1,200 | 1,200 |
| Sep-18 | 1,200 | 1,200 | 1,200 | 1,200 |
| Oct-18 |  | 1,200 | 1,200 | 1,200 |
| Nov-18 | 1,200 | 1,200 |  | 1,200 |
| Dec-18 | 1,200 |  | 1,200 | 1,200 |
|  Total | 8,400 | 10,800 | 12,000 | 14,400 |

The RTBP for 2018 is developed and implemented with maturities and volumes consistent with the feedback from the market and aligned to monetary and debt management policies and the need to develop a liquid money market. As part of the RTBP issuances of up to 3 weeks T-Bills can be done for cash flow management purposes, whereas issuances of 3-12 weeks T-Bills can be done for monetary policies coordination. The 2018 RTBP is an ongoing improvement to the issuance performance in 2017 (Table 2)

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| Table 2: T bills Issuances in 2017 |
|   | Tenor of Issuance |
| Period  | 3M | 6M | 9M | 12M |
| Jan-17 |   |  500  | 500  |  1,500  |
| Feb-17 |  500  |   | 500  |  1,500  |
| Mar-17 |  500  |  500  |   |  1,500  |
| Apr-17 |   |   |  1,500  |  1,500  |
| May-17 |  500  |  500  |  -  |  1,795  |
| Jun-17 |  500  |   |  1,000  |  1,200  |
| Jul-17 |   |  1,194  |  1,194  |  1,200  |
| Aug-17 |  520  |   |  1,160  |  1,095  |
| Sep-17 |   |  600  |  575  |  560  |
| Oct-17 |  600  |   |  600  |  590  |
| Nov-17 |   |  600  |  600  |  600  |
| Dec-17 |   |   |  |  -  |
|  Total |  3,120.0  |  3,893.8  |  7,628.7  |  13,039.8  |

The RTBP is closely linked to the annual calendar for issuance of government securities which is published by PDMD on its website (Table 3). Issuances of T bills are made on Monday and settled on the next day (T+1). T Bills are issued every 3 weeks in a month. The 12 month T Bill is issued every month in the first available week of the month. The remaining two weeks within a month are used for issuing the other tenors so that they are issued at least every 2 months – this means that within the 273, 182 and 91 day tenors, they are alternated in a sequential manner.

Table 3: Auction Calendar for 2018



As part of implementation of the RTBP, a quarterly issuance plan covering bonds and T Bills are published at least one week before the commencement of the quarter (Table 4). The issuance plan is published in the PDMD website. The plan provides indicative ranges and date of issuance for medium-term and long-term bonds. For T Bills, a consolidated amount of issuance during the quarter is indicated. Although the plan does not provide dates for issuance, it is well understood by market participants based on the published calendar. However, the amount of issuance for T Bills by tenors will be unknown.

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| Table 4: Quarterly Issuance Plan for July-Sep 2018 |
| Auction Date | Settlement Date | Type of Bond  | Indicative Amount(AMD Billion) |
| 17/07/2018 | 18/07/2018 | Long-term | 15-20 |
| 21/08/2018 | 22/08/2018 | Medium-term | 7-10 |
| 18/09/2018 | 19/09/2018 | Medium-term | 7-10 |
| The indicative amount of total issuances of T bills is AMD 11 billion.  |

The quarterly plan is supplemented with a monthly issuance announcement for bonds and T Bills (Table 5). This is published in the PDMD website at least a week before the commencement of the month. As part of the monthly announcements, information on T Bills indicate the issuance amount, auction date, ISIN, and maturity date for respective instruments. Results of auctions published on NASDAQ-OMX on issuance day and MoF website on settlement date.

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| Table 5: Monthly Issuance Calendar for September 2018 |
| Auction Date | Settlement Date | ISIN | Tenor | Coupon | Volume (AMD) | Maturity Date |
| 03/09/2018 | 04/09/2018 | AMGT52029197 | 1Y |  | 1,000,000,000 | 02/09/2019 |
| 10/09/2018 | 11/09/2018 | AMGT52043198 | 1Y |  | 1,000,000,000 | 04/03/2019 |
| 18/09/2018 | 19/09/2018 | AMGN36294210 | 3Y | 7.0% | 5,000,000,000 | 29/04/2021 |
| 24/09/2018 | 25/09/2018 | AMGT52141190 | 1Y |  | 1,000,000,000 | 14/01/2019 |

**Future Improvements in RTBP**

Notwithstanding the progress made by PDMD in the development and implementation of a RTBP that supports debt management requirements, as well as monetary policy implementation, there is further scope to improve the RTBP. For instance, the stock of benchmark lines of 3, 6, 9 and 12 month T Bills can vary significantly across the months within a year. There is a clear pattern of the divergence increasing towards the second-half of the year across all tenors. A more even distribution of the available stock within a year can be achieved as part of the continued cycle of re-opening of T Bills which may take some time to materialize. By combining the overall impact of the 2018 RTBP, the stocks of various T Bills with remaining maturities are depicted in Table 6.

The RTBP can also be improved to ensure a minimum stock of around AMD 7 billion T Bills for the key benchmarks as that would better anchor the short end of the yield curve and also contribute to greater liquidity. However, while attempting to arrive at a more even stock of T Bills with a minimum critical mass, PDMD should also ensure that the refinancing risks are controlled in accordance with the MTDS targets. T Bills constitute 4.5 per cent of the total government securities as of end August 2018. The share of G-secs maturing within one year amount to 13.1 per cent compared to the MTDS target of up to 20 percent. Thus although there is a scope to ramp up T Bills issuance, refinancing risk need to considered.

The RTBP also has the possibility of including issuances for cash management purposes as part of rough tuning of the government cash flows. This is however, contingent on the determination of the optimal amount of current account cash balances required to be maintained by the government.

Table 6: Projected Stock of T Bills During 2018 by Remaining Maturity

