ROUND TABLES 2012

FOR BETTER BUSINESS CONDITIONS

USAID | SRBIJA
OD AMERIČKOG NARODA

ЕКОНОМСКИ ИНСТИТУТ
ECONOMICS INSTITUTE
1947

INSTITUCIONALNA TRAŽNJA ZA DRŽAVNIM HARTIJAMA OD VREDNOSTI: OGRANIČENJA I MOGUĆNOSTI

INSTITUTIONAL DEMAND FOR GOVERNMENT SECURITIES: CONSTRAINTS AND OPPORTUNITIES

Beograd
7. decembar 2012.

Belgrade
December 7, 2012

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Ovaj okrugli sto Ekonomski institut organizuje u saradnji sa USAID Projektom za bolje uslove poslovanja u okviru podrške projektu Ekonomskog instituta OKRUGLI STOLOVI 2012 „Za bolje uslove poslovanja".
The round table is organized by the Economics Institute in cooperation with the USAID Business Enabling Project in support of the Economics Institute's project ROUND TABLES 2012 „For better business conditions".

ROUND TABLE
"Institutional demand for government securities: constraints and opportunities"

Economics Institute, Belgrade, December 7, 2012

AGENDA

09:30	**WELCOME ADDRESS** **Aleksandar Vlahović**, Chairman, Economics Institute **Joe Lowther,** Chief of Party, USAID Business Enabling Project
09:40	**INTRODUCTORY SPEAKER AND MODERATOR PRESENTATION** **Dr. Boško Živković,** Professor, Faculty of Economics, University of Belgrade and Associate, Economics Institute – MAT journal
09:55	**INITIAL SPEECHES** • **Branko Drčelić**, General Manager, Public Debt Administration • **Filip Stikić**, Director, Department of Financial Market Operations, UniCredit Bank • **Bojan Lečić**, Head of Treasury, Banca Intesa • **Joko-Lola Tomić**, Deputy Head of Treasury, Raiffeisen Bank • **Nataša Marjanović**, Member of Executive Committee, responsible for asset management, Delta Generali Insurance • **Milan Kovač**, Executive Director, Dunav Pension Fund • **Dr. Zoran Ćirović**, President, Securities Commission • **Bojana Popović**, Assistant Director, Central Securities Depository and Clearing House
10:50	**COFFEE BREAK**
11:10	**DISCUSSION** **Participants in discussion: Aleksandar Nikolić**, Head of Investment Services and Operations Division, Societe Generale Bank, **Ana Miladinović**, Associate at the Cabinet of Director General, Dunav Insurance Company, **Dejan Đuričić**, Head of Finance Department, Dunav Insurance Company, **Dr. Dejan Šoškić**, Professor, Faculty of Economics, **Dragica Mirčetić**, Head of Securities Department, Securities Commission, **Filip Jelić**, Head of Treasury, Erste Bank, **Ivan Nikolić**, Senior Associate, Economics Institute, **Jasmina Bjelić**, Director, M&V Investments, **Marko Paunović**, Economist, International Monetary Fund, **Miloš Škrbić**, General Manager, DDOR Garant, **Mišo Topić**, Head of Asset Management, Komercijalna banka, **Nenad Gujaničić**, Broker, Sinteza Invest Group, **Nikolina Pavković**, Head of Internal Audit and Supervision, Central Securities Depository and Clearing House of Serbia, **Siniša Krneta**, Director of Business Operations, Belgrade Stock Exchange, **Snežana Ristanović**, Director, Raiffeisen Future, **Tatjana Rakočević**, Assistant General Manager for Finance, Asset Management and Human Resources, DDOR, **Tijana Ječmenica**, Investment Banker, Raiffeisen Investment, **Dr. Vladimir Vučković**, Member, Fiscal Council and **Vuk Zečević**, Member of Executive Board and Head of Treasury, Eurobank EFG
12:20	**CONCLUSIONS**

WELCOME ADDRESS

Aleksandar Vlahović

Welcome to Economics Institute, to the round table on constraints and possibilities for strengthening institutional demand and expanding the government securities market.

A well-functioning and liquid government securities market is a powerful lever of every government in managing costs and risks. Through the development thereof, the government can achieve lower debt service costs, lower vulnerability to economic shocks and create new sources of funding. All the efforts on further development of primary, but also of secondary government securities market in Serbia, on extending the investors base (the number of investors is limited, most issuances are being taken up by commercial banks) and on inquiring about the demand for new types of instruments, become, thereby, increasingly important.

This professional debate gathers all the relevant stakeholders: representatives of investors, competent state institutions and experts in this field. Some of the open issues for discussion are the following: what are regulatory and market obstacles for strengthening demand for government securities, what prevents the expansion of the base of investors in government securities, what are the investors really interested in, how to support creation of market platform for the improvement of primary and secondary markets of government bonds and to achieve better coordination in creating government securities…

The intent of the Economics Institute is to enable this professional debate contribute to better understanding of the constraints faced by the government securities market in Serbia, and to provide solutions that will contribute to strengthening of investor appetite and removing obstacles to expansion, improvement and increasing liquidity of the national market of government securities.
Economics Institute has organized the round table "Institutional demand for government securities: constraints and opportunities" in cooperation with and the support by the USAID Business Enabling Project (USAID BEP). This is the fourth and final round table organized this year within the series Round tables 2012 "For better business conditions". The first debate of the roundtable series, on key priorities of the new government, was held in June this year within the Macroeconomic Vivaldi Forum on Mokra Gora, the second debate on rationalization of para-fiscal levies to encourage the construction and real estate markets was held in September at Economics Institute and the third debate on financing small and medium-sized companies in agriculture and in food industry in October, within the Second Agricultural Forum "Food for Europe".

General opinion of the participants who took part in the previous round tables is that the said project of Economics Institute succeeded in obtaining the expected results: through the analysis of situation and the solution proposals in specific areas, it contributed to improvement of economic conditions - from the regulatory to financial, as well as to dialogue enhancement between private and public sectors, thus making the general and targeted public better informed and encouraging decision makers to apply changes in practice. With gratitude to the USAID Business Enabling Project for their support provided to us, I am confident that we will continue the successful cooperation in the coming years on this and on other projects aimed at accelerating the transition and development of the Serbian economy.

I wish you a successful debate that will, I believe, provide significant professional contribution to finding solutions attractive for investors and will help create functional, deep and liquid market of government securities in Serbia.

WELCOME ADDRESS

Joe Lowther

The need to develop domestic securities markets has, following the international financial crises, increasingly attracted the attention of national and international policymaker. Hence, it is very important for Serbia to further develop its market for government debt. The development of a government securities market provides a number of important benefits. At the macroeconomic policy level, a liquid market enables authorities to even out consumption and investment expenditures in response to shocks; if coupled with sound debt management, it can also help governments reduce their exposure to interest rate, currency, and other financial risks.

A well-developed government securities market provides an avenue for funding the budget deficit from domestic sources other than the central bank. It thereby reduces the need for direct and potentially damaging monetary financing of government deficits and avoids a build-up of debt denominated in foreign currency. Serbia is at present excessively dependent on borrowing in foreign currency, which poses major risks. A liquid secondary government bond market serves as the foundation for the dinar yield curve, which is the basis for establishing the prices of other financial instruments, primarily long-term loans denominated in dinars. Enhancing the liquidity of secondary trading in government securities is therefore key to successfully implementing the strategy of dinarization.

A shift toward market-oriented funding of government budget deficits will reduce debt-service costs over the medium to long term through the development of a deep and liquid market for government securities. If there is no liquid secondary market, the interest rate needed to attract investors will be relatively high. In an active and liquid secondary market, investors know that they can sell their securities quickly when they need money. Because of this liquidity they are prepared to accept a lower price for the T-bills.

Several measures are needed to stimulate activity in secondary markets: ensure a constant supply of government debt; align sale procedures in the primary market in support of the secondary market; establish a trading and reporting system in the secondary market; and promote the development of hedging instruments. But these changes will not happen immediately. So it is urgent for the Government to begin these measures to show investors need that the market is improving and that the government supports the reforms.

A high level of coordination and joint action by many stakeholders are needed to implement this project. This roundtable, therefore, has been organized by the Economic Institute and the USAID Business Enabling Project with the aim of allowing both the participants in the market and representatives of the relevant government bodies to candidly voice their professional opinions of the limitations of the current government securities market and the opportunities for expanding it. The conclusions of this roundtable should serve as the starting document for re-establishing the Working Group that dealt with developing the government securities market.

The USAID Business Enabling Project stands ready to support the Public Debt Administration and assist the efforts of all the stakeholders represented in the Working Group. Our assistance can include identifying the key regulatory constraints whose elimination would positively impact the further growth of the primary government debt market and the improvement of the secondary market for these securities; and provide assistance in developing and implementing an Action Plan containing measures to address these issues.

INTRODUCTORY REMARKS

Prof. Boško Živković, Ph.D.

1. The current level and composition of institutional demand in the narrow sense

1. The main source of investment in government debt securities in Serbia are not institutional investors in the narrow sense, but banking sector. Given the current state of demand, institutional sector of Serbia's financial system (pension funds, insurance companies) is highly interested in investing into government bonds. According to the National Bank of Serbia's Report on the sector of voluntary pension funds in Serbia for the second quarter of 2012, the government debt securities participate with the greatest share in total assets of voluntary pension funds, with as much as 85.4%. The government securities are followed by term deposits with 5.6%, stock with 4.1% and demand deposits with 3.4% of share. RSD 3,18bn, i.e. 22.3% of total assets was invested in euro-denominated bonds, while RSD 11,10bn, i.e. 77.7% of total assets was invested in dinar-denominated instruments.

2. Another poll of important institutional investors in government bonds are insurance companies, especially those in the field of life insurance. Insurance Law regulates the policy for investing technical reserve assets that could be, among other things, invested in bonds, i.e. in other debt securities traded in regulated securities market in the country, as well as in bonds, i.e. in other debt securities traded in regulated securities market and issued by legal entity registered in the country[1]. Quantitative constraints are prescribed by the National Bank of Serbia's decision and are relatively flexible as regards constraints to pension funds[2]. According to the National Bank of Serbia's Report on insurance sector in Serbia for the third quarter of 2012, investments in government securities dominate in the coverage composition of life insurance technical reserves with 85%. They are followed by bank deposits, with 8%.

3. Investment funds are the third important source of demand for government securities. The Law on Investment Funds regulates investment policy that enables investing in securities traded in regulated market in the Republic, issued by legal entities registered in the Republic. [3]. A relatively high amount of 22.11% of assets of the Serbian investment funds was invested mid-2012 in debt securities. A more detailed analysis of placements shows these are government bonds, treasury bills as well as corporate bonds issued by foreign issuers.

2. Sources and perception of macroeconomic (systematic) risks of government debt securities in Serbia

4. At present, the Serbian public debt market is characterized by the following facts:

- foreign public debt is dominant over the national. it is real to expect that the Government of the Republic of Serbia will still prefer to borrow abroad that to place bonds to domestic investors;
- foreign-currency-denominated debt is dominant over dinar-denominated debt;
- the dinar public debt is concentrated in short-term instruments;

1 Insurance Law of the Republic of Serbia, Article 114
2 Decision on constraints of specific forms of depositing and investing technical reserve assets and on maximum levels of specific deposits and investments of guarantee reserves of insurance companies ("Official Gazette of RS" No. 87/2012).
3 Law on Investment Funds of the Republic of Serbia, Articles 29 and 30.

- institutional investment sector is, undoubtedly, very interested in investing into public debt instruments: the sector's capacity is small and, in medium term, conditioned by radical changes in public finance, primarily by the pension system reform. Banking sector is and will be the main generator of demand for government debt instruments;
- typologically, in terms of definition provided by the World Bank and IMF, the Serbian public debt market is still in the initial evolutionary phase.

5. The main sources of the government bond risk in each country, including Serbia as well, are the following: high level of public, primarily foreign debt, and high current budget deficits. High risk perception of this kind is due to the fact that debt repayment crises are becoming more frequent and more devastating. Since the mid-1990 till today, many countries faced financial crisis: Mexico in 1995, Korea and Thailand in 1997, Indonesia, the Philippines, Russia, Ukraine, and Brazil in 1998, Ecuador in 1999, Argentina and Turkey in 2001 and Uruguay in 2002, the countries of the Southern EU wing in 2010-2012. High level of public debt is an ordered pair with the phenomena of financial instability and a main source of the government bond credit risk. Serbia is no exception to this general rule. Public debt growth over the last two years and absence of the credible strategy of long-term debt management remain important factors limiting the supply of the low-risk government bonds in Serbia.

6. Another set of important factors, affecting the features of government bonds, is the structure of public debt in terms of domestic-foreign debt ratio. Generally speaking: domestic debt growth is less risky for the government than the growth of foreign debt. We can draw this conclusion by simply comparing the pairs of highly indebted countries having different debt compositions. A good example of the said is comparison between Japan and Greece. Prior to crisis, both countries had high levels of indebtedness. The main difference lies in the fact that the greatest portion of Greek public debt was, at the same time, foreign debt. Despite this fact, the governments prefer foreign debt growth in times of crisis. The main reason for such a paradox lies in poor domestic savings. In a number of cases of emergency, the governments rapidly increase foreign debt. The consequences in the medium and long term are as follows: difficult re-borrowing, abrupt fluctuations in interest rates and in exchange rate, changes in investors' perceptions regarding investment risk. Serbia is no exception to this case either. Until the beginning of 2009, Serbia mostly borrowed from abroad. Expansion of domestic debt in recent years has been burdened with an important problem - negative maturity structure of debt in terms of the treasury bills and notes domination (medium-term bonds).

7. Such an outcome of accelerated borrowing has been expected. Almost all countries with underdeveloped market borrow in the initial stage, mainly in the short term. This phenomenon generates the risk of a sudden withdrawal of capital and, consequently, of liquidity crisis. Short-term dominance leads to a high term premium, which increases the price of refinancing the current stock of debt. Heavy pressure on the demand for short-term financing generates negative difference between the yields of long-term and short-term debt instruments and inversion of yield curve. This phenomenon has also characterized the public debt market operations in Serbia in recent years.

8. Other important sources of risk are features of the national strategy of fiscal consolidation. Generally, there are two groups of possible solutions: reducing expenditures and increasing taxes. Investors and markets prefer fiscal deficit decrease through reduction of public spending, because the method of financing current consumption affects the risk of default on the country's obligations. Current spending, financed by debt, increases the risk of default on the country's obligations more than the current consumption financed by taxes. On the other hand, the fiscal recovery strategy based on increasing taxes and other state revenues is less acceptable for central banks because of its direct impact on inflation. In the long run, fiscal recovery, achieved by reducing consumption, is sustainable.

Results of applying the fiscal recovery strategy, based on increasing revenues, are predominantly short-term.

9. In addition to public debt-to-GDP ratio, the dynamics of the ratio growth is also relevant from the standpoint of fiscal sustainability. Its critical value, above which a country becomes vulnerable to shocks, is not precisely defined and depends on the level of private savings, history of default on the country's obligations, the level of economic and institutional development, as well as economic and political conditions. Thus, the critical level of the debt-to-GDP ratio is higher in developed countries than in countries with emerging markets. In the case of Serbia, the fundamental factors, particularly the level of domestic savings and the poor history of performance of obligations, lower the value of this ratio deep below the Maastricht Convention of 60%.

10. A special group of the level of risk determinants of investing into government bonds comprises factors related to the stability of the exchange rate and inflationary dynamics. These factors are particularly important in the countries with a dual currency system. Serbia is an extreme case of deep financial euroization. Private and imported savings are denominated in foreign currency. Thus, the dominant sources of demand are highly sensitive to euro and dinar exchange rate fluctuations. On the other hand, the dual currency systems show high sensitivity to outbreak of currency crises. Possible causes of the currency crisis are exchange rate regime, the mechanism of spreading financial contagion, abrupt withdrawal of investors, the balance-of- payments deficit, the current budget deficit, low GDP growth rate, high inflation, low level of exports, the deviation of the real from the effective exchange course, excessive money supply growth, low foreign exchange reserves, high loan growth rate, etc... This set of problems is strongly reflected in the problem of choosing the government bond denominator: Euro or Dinar. The previous practice followed the logic of maximizing borrowing: Thus, short-term instruments were mainly denominated in dinars, while medium- and long-term were mainly denominated in euros or in U.S. dollars. If the state would sought not only to maximize the flow of borrowed funds, but also medium- and long-term sustainability of the public debt, the question would arise of whether this choice is necessary. Preliminary note: public debt denominated in foreign currency exchange increases the risk in public finance and, basically, acts in the same way as the foreign one.

3. Market evolution in short and medium term: goals, recommendations and constraints

11. Short-maturity government debt is beneficial neither to the issuer nor to the investor. In each subsequent emission the issuer faces risk of refinancing and the investors, especially institutional ones, have no possibility to immunize own portfolios. Therefore, an extension of maturity can be considered a desirable choice. Public Debt Administration obviously tries to extend the maturity dates, but the efforts are limited by global crisis and local fiscal crisis. The main constraint to deadline extension will also be active in the future: high term premium, which is a result of the high degree of macroeconomic uncertainty. Term premium growth and high costs of public debt have resulted and will result in deficit in demand for long-term securities, even at very high interest rates. This does not mean that the market of short-term instruments should be extinguished. On the contrary, stable emission of short-term securities is one of the conditions for successful placement of securities with longer maturities. But, excessive increasing in the volume of emission of short-term instruments under conditions of low demand for short-term and long-term securities is equally dangerous.

12. The dominance of foreign debt over domestic raises the question of the need to formulate the public debt management strategy, one of the goals of which would also be to determine the increase in the national debt share. Argument in favor of this recommendation is extremely unfavorable experience of countries (e.g. Greece) whose pubic debt was predominantly in foreign ownership.

13. Since the domestic markets is burdened with inflation risk and refinance risk, it is desirable to consider the advantages and disadvantages of the dinar-indexed bond with a variable interest rate. This bond would be an alternative to euro-denominated bond, but, under conditions of high macroeconomic stability, it bears significant risk for investors. The main reason for the increased risk of such bond, in the dual currency system, results from the fact that the dynamics of inflation and dynamics of depreciation of the national currency are different. This opens up the problem of the composition of index which would be used to adapt the coupon rate or value of the principal. Despite the drawbacks, the experience of several Latin American countries shows that indexed bonds can be useful instruments when changing ownership and extending the average maturity of the public debt. Inflation-indexed bond can be a useful substitute for fixed income bonds under the conditions of low inflation, particularly for institutional investors such as pension funds. This type of investors may, for the sake of immunizing their own portfolio, hold securities until maturity, which is of great importance since experiences of many countries show that indexed bonds have relatively low liquidity in secondary markets.

14. Fragmentation of the public debt market is a typical problem of the large number of countries in the initial stage of development of the government securities market. Even if there are only few maturity dates, investors are faced with bigger problem raised by the creation of new emission at each auction. Serbia has made significant progress by consolidating debt management at one institution - the Public Debt Administration. The next step would be to reduce the number of public debt instruments and to increase the scope thereof as well as to refinance non-market debt sources. A special form of fragmentation is the frequency of auctions, where each of the auctions has its own code. Such a practice discourages investors to participate in secondary markets because they are able to immunize their portfolio through the primary market. It is therefore desirable to gradually reduce the frequency of primary auctions simultaneously with extensions of maturity instruments.

15. Integrated secondary market of public debt in Serbia practically does not exist. Even if there are secondary transactions they are not sufficiently transparent. The fundamental cause of the secondary market absence is the absence of diversified pool of investors. In Serbia as well as in most of comparable countries, commercial banks are the greatest investors in the primary securities market. At the same time, banks are the greatest closed source of financing the government needs. The pool of institutional investors who would be motivated to create secondary market is poor and of small capacity since the level of contractual savings, or precautionary savings in Serbia, is much lower than in comparable countries. Insufficient market depth and liquidity can arise if foreign investors have limited access to the government securities market. The first step in creating secondary market is to develop a diversified pool of investors and to change the policy of government borrowing in terms of reducing the share of closed (non-public) funding.

16. The current stage of market development in most countries, including Serbia, is characterized by low participation of foreign investors in the placement of total government securities issued, and in the secondary markets trading. The main reasons are the lack of macroeconomic stability, adverse regulatory conditions or requirements of the market infrastructure. Non-resident investors become wary of entering secondary markets if their liquidity is negligible. In such a situation, the market exit can be potentially expensive. Participation of non-residents in the domestic market of government securities is not recommended in the initial phase of market development because there is a high risk of sudden and massive reversible flows of money that can influence the creation of the balloon price, and subsequently bursting thereof if secondary markets are shallow and illiquid. Only with significant deepening and maturing of the market, a significant involvement of foreign investors in the domestic secondary market makes sense.

17. Interbank market, as part of the secondary market, in Serbia, as in most comparable countries, is characterized by illiquidity and volatility. Interbank interest rates are volatile, making it difficult to define the yield curve. There is a lack of necessary infrastructure for launching the market of non-commercial repo transaction, including the standards for contracts on repurchase and adequate procedures of trade and settlement of commercial (horizontal) repo transactions. High level priority in this situation is the development of technical infrastructure of interbank repo market. In this context, two issues are relevant: creation of the national platform or the choice of some of the global trade platforms and repurchase regulated in legislative terms, especially trading and settlement procedures. The central bank can have a positive impact on the evolution and promotion of repo activities using the government securities for its open market operations. Tax treatment of repo transactions should be used to promote tax neutrality.

18. If fiscal consolidation is achieved within the planned timeframe, it is desirable to speed up solving of the debt fragmentation problem. The basic idea is as follows: many securities are consolidated on few maturity dates. This would allow the creation of comparative yield curve, which requires well-defined strategy, including: understanding of market preferences through close consultation with market participants, standardization of debt instruments to reduce the fragmentation of debt as a result of the existence of different types of bonds, interest rates, maturity dates, scope and frequency of emissions, adequate distribution of maturities for comparative emissions, determining the appropriate size and frequency of comparative emissions.

19. Creation of comparative emissions can be accompanied by additional emissions operations (reopening)[4] and securities repurchase (buy-back) by the Public Dept Administration. Repurchase, together with additional emission, contributes to increasing the scope and extension of life-cycle of the emissions targeted as comparative emissions. This is achieved by eliminating inactive emissions and standardizing the currently issued bonds.

20. Stock market should remain the active market of government securities. Trading frequency will dominantly depend on solving the debt fragmentation problem, on the extension of maturity dates and on the small investors' interest. Bond dealers provide liquidity of the small investors' transactions. Banks and institutional investors trade in OTC more effectively. Key regulatory requirement of effective functioning of this market segment is dealers' adequate level of capital. The collapse of one or more dealers can create the crisis of confidence in the government securities market.

21. If market stabilizes and deepens in the next 2 to 3 years, it would be desirable to raise the question of introducing the system of primary dealers. Experiences with primary dealers are diverse. Some countries established a system of primary dealers in the early or middle stage of market evolution and some developed countries introduced a system of primary dealers only in the late '90-ies. The primary dealer status contains two important elements: the privilege of primary market approach and creation of secondary market. The main risk of premature introduction of primary dealers in a thin and illiquid market is a high probability of establishing coalitions in the primary market auction procedure. If a concrete market is deeper and more liquid, fewer incentives are necessary for primary dealers to participate in the primary markets and to perform the role of the secondary market creator. Prior to introducing this system, it is desirable to carefully analyze, regulate and, where needed, correct the obligations and benefits of primary leaders.

4 Explanation: additional emission (re-opening) is the offer for the sale of additional quantities of securities of the existing emissions rather than completely new emission. Additional emissions always have the same maturity date, identification number of emission and interest yields as the original emissions.

CONSTRAINTS – SOLUTION PROPOSALS

Branko Drčelić

1. CONSTRAINT: Underdeveloped secondary market for government securities. Underdeveloped secondary market for government securities affects the cost of borrowing and the focus of domestic and foreign investors on the shorter-term securities.
   SOLUTION PROPOSAL: Platform for secondary trading on the Bloomberg (EBND) commenced operations on November 1, 2012. To consider introduction of another form of secondary trading on the stock market.

2. CONSTRAINT: Issuance of long-term securities (7 to 10 years) in local currency does not exist.
   SOLUTION PROPOSAL: Successful issuance of these securities is influenced by the long-term savings growth (life insurance in dinars, insurance through the voluntary pension funds).

3. CONSTRAINT: The lack of primary dealers diminishes the successful issuance of individual government securities. Results of the survey on introduction of primary dealers among banks were not encouraging.
   SOLUTION PROPOSAL: To continue work of intersectoral working group at relevant institutions and to make final conclusions about the primary dealers. To introduce primary dealers for the securities issued in domestic and international markets by 2015.

4. CONSTRAINT: The existence of market segmentation on maturities of up to two years.
   SOLUTION PROPOSAL: Instead of issuance of 18 - and 24 - month bills to switch to issuance of two-year bonds.

5. CONSTRAINT: The existence of several regulations on the securities - Regulation on general conditions for the issuance and sales of government securities in the primary market, Regulation on general conditions for the issuance and sales of short-term government securities in the primary market and Regulation on general conditions for the issuance and sales of long-term government securities in the international financial market.
   SOLUTION PROPOSAL: In January 2013 the new Regulation will be adopted on the securities issued in the domestic market, as well as the Regulation on the issuance of Eurobonds.

6. CONSTRAINT: Monthly auction plan does not provide sufficient predictability for investors.
   SOLUTION PROPOSAL: It is necessary to make quarterly auction plan and the general plan on an annual basis, with the option of changing the plan in accordance with market conditions and the liquidity position of the state.

7. CONSTRAINT: Re-opening of issuance is possible only to the extent of issuance volume registered at the Central Registry.
   SOLUTION PROPOSAL: To allow re-opening by increasing the volume of issuance (as is the case with Eurobonds) through changes at the Central Registry.

8. CONSTRAINT: The lack of permanently organized communication with local investors. The practice is mainly focused on individual contacts with local investors.
   SOLUTION PROPOSAL: It is essential that investors periodically submit proposals to the Public Debt Administration, jointly and in coordination, with the aim of improving the securities market.

9. CONSTRAINT: Underdeveloped retail securities market and limitation on placements made by natural persons into government securities.
   SOLUTION PROPOSAL: Public Debt Administration considers introduction of government securities of lower nominal value only intended for natural persons in accordance with the current practice of the countries like Hungary and Austria.

10. CONSTRAINT: Government securities are not registered at Euroclearable and Clearstream systems.
    SOLUTION PROPOSAL: To continue the work of intersectoral working groups at relevant institutions and to make clear decision about prompt introduction of government securities into the said systems.

CONSTRAINTS – SOLUTION PROPOSALS

Filip Stikić

1. CONSTRAINT: Insufficient number of institutional investors who are involved in government securities trading is due to the fact that Serbia positioned itself as issuer in international market practically just two years ago. Creating larger and more diversified base of institutional investors is crucial to the secondary market liquidity.
   SOLUTION PROPOSAL: It is necessary to continue (and to increase) the activities that present Serbia to institutional public as the issuer, in order to create wider base of investors with different risk portfolios.

2. CONSTRAINT: The existing legislation stipulates that, as for the primary issuance of government securities, the issuance volume is defined in advance. As a result, we have a large number of ISINs with the smaller volume, and, at the same time, the lack of the so-called benchmark issuances, which negatively influence the secondary trading in these securities.
   SOLUTION PROPOSAL: Consider the possibility of amending legislation which will terminate limitations when re-opening individual issuance.

3. CONSTRAINT: Although investing into government bonds is supported by legislation that provides more favorable tax treatment when investing in these securities, the existing legislation provides for a certificate of taxes paid prior to repatriation of funds by institutional investors other than banks.
   SOLUTION PROPOSAL: Facilitate acquiring of certificate of taxes paid.

CONSTRAINTS – SOLUTION PROPOSALS

Bojan Lečić

1. CONSTRAINT: LACK OF INVESTORS: In addition to banks, insurance companies and pension funds as well as the small number of foreign institutional investors, there is no demand from the domestic legal and natural persons.
   SOLUTION PROPOSAL: It is necessary to develop the secondary and the repo market as well as to reduce transaction costs in order to enable small investors decide to invest in government securities.

2. CONSTRAINT: LIMITED SUPPLY OF SECURITIES: Supply of securities is determined by the state need for financing. Recently, the securities supply is not enough for covering the total demand.
   SOLUTION PROPOSAL: Disclose a long-term plan for the primary auctions with real, planned amounts of realization.

3. CONSTRAINT: SECONDARY MARKET DEELOPMENT: In order to increase the liquidity of T-bills it is necessary to improve the secondary market.
   SOLUTION PROPOSAL: Development of the secondary trading platform, e.g. Bloomberg E-Bond or within the primary auction platform.

4. CONSTRAINT: PROBLEMS IN REPO MARKET: The legislation limits the possibility of legal protection of participants in repo transaction.
   SOLUTION PROPOSAL: Amendments to legislation.

5. CONSTRAINT: HIGH TRANSACTION COSTS: Fees of the Central Securities Depository in the segment of secondary trading and partly in primary trading, are too high.
   SOLUTION PROPOSAL: Reduce the fees to the level of fees in EU.

6. CONSTRAINT: DISCRIMINATORY TREATMENT OF THE FOREIGN GOVERNMENT SECURITIES BY NBS: Foreign government securities are not considered the bank's liquid assets, so that, in terms of the liquidity index, they are unattractive to banks.
   SOLUTION PROPOSAL: Introduce equal treatment of foreign government securities as it is for the dinar government securities.

7. CONSTRAINT: UNSTABLE PUBLIC FINANCE: Unstable public finance (especially high budget deficit) adversely affects the appetite of serious foreign investors.
   SOLUTION PROPOSAL: Reducing the budget deficit at budgeted levels over a longer period in order to reflect the long-term focus on budgetary discipline.

8. CONSTRAINT: UNSTABLE EXCHANGE RATE: Foreign investors can lose interest yield on exchange rate differentials due to exchange gains.
   SOLUTION PROPOSAL: To reduce the balance-of-payments deficit in the long run and to imply active NBS interventions in the case of increased exchange rate volatility in short term.

9. CONSTRAINT: LIMITED FLEXIBILITY OF PRIMARY AUCTIONS: As for the primary auctions, the auction amount is disclosed in advance so that, in a situation of increased demand, MF cannot respond.
   SOLUTION PROPOSAL: Instead of disclosing a fixed amount of primary auction, MF should disclose the targeted amount of securities to be sold and should assess, on the basis of demand, what will be the amount of issuance.

10. CONSTRAINT: Primary auctions last unnecessarily long.
    SOLUTION PROPOSAL: Shorten the pre-opening phases.

CONSTRAINTS – SOLUTION PROPOSALS

Joko-Lola Tomić

Volatile environment prevents the growth of the RSD debt

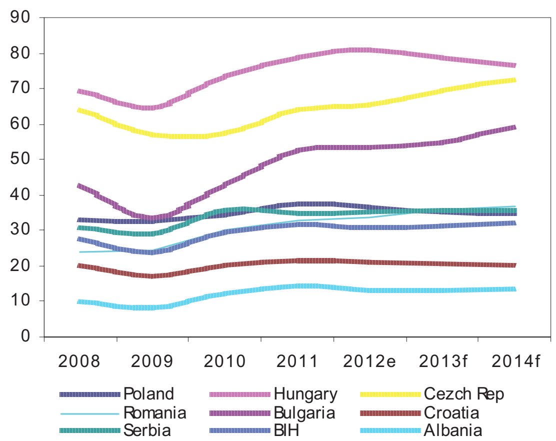
Challenges in macro-environment of the domestic economy:

- rising inflation (Oct/12: 12.9% y-o-y), which reduces the real yields on dinar investments
- high volatility of the exchange rate due to reduced capital inflows (FDI, portfolio investment) and remittances
- a growing budget deficit, financed by public debt growth, exerts pressure on servicing due obligations because of slowdown in exports growth
- lack of IMF arrangements to anchor investors expectations enhanced the credibility of fiscal consolidation measures and reduced costs of borrowing
- still a very high degree of euroisation that weakens the transmission mechanism of monetary policy and development of the dinar debt market

Public debt growth supported by foreign debt

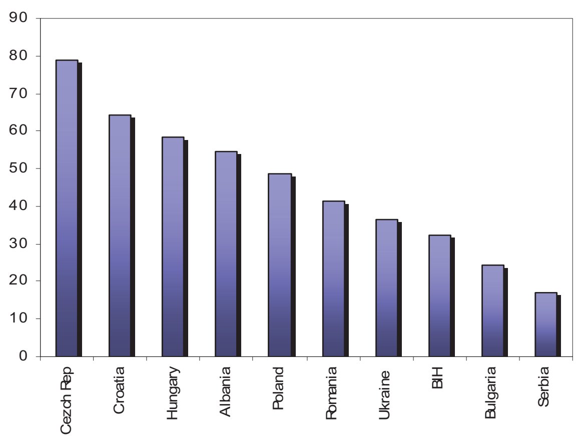
- **In the period 2001-2008 the government net discharged in net terms (- EUR 5,4bn, cumulatively)**
- **Since 2009, the public debt increased to a current EUR 16,6bn in October 2012 (cumulative growth of EUR 6,74bn or 68.5%)**
- The growth of public debt in the same period is financed in:
    - **Domestic market (EUR 2.6bn), and**
    - **Foreign market (EUR 4.2bn)**
- Despite high reference rate, the appetite for local currency debt was volatile due to a higher political risk in the country and the recession in the EU compared with 2011.
- Consequently, the share of the dinar debt in August 2012 decreased to 17.4% from 20.00% when in July 2011 was at a maximum, and further decline after is expected after two issues of Eurobonds.

Export/GDP in CEE countries



Siurce: Ministry of Finance, Raiffeisen RESEARCH

The share of RSD debt in total debt



Siurce: Ministry of Finance, Raiffeisen RESEARCH
*Croatia: important debt share in the national currency is pegged to euro

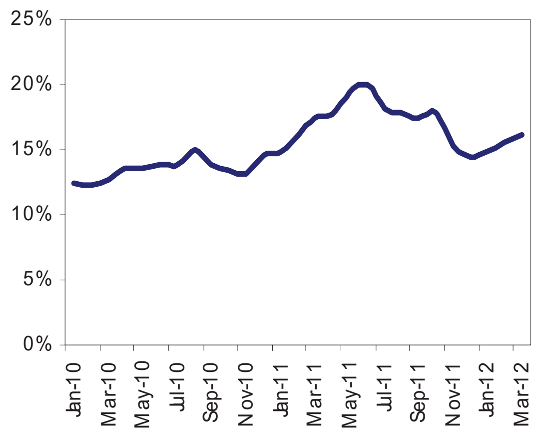
Dinarisation is a prerequisite of the dinar debt market growth.

- Experience in many countries shows it is difficult to achieve complete de-euroisation if it is explicitly defined as a major goal, but it is usually a by-product of implementation of different policies.
- However, a key factor of dinarisation success is macro-economic stability and implementation of additional policies
- Assumptions for successful dinarisation are the following:
    - stable and low inflation, which leads to restoring confidence in a local currency
    - the flexible exchange rate regime that discourages financial euroisation, because the existence of foreign exchange risk becomes clearly visible
- Naturally, additional policies are needed to reduce high euroisation:
    - adequate liquidity management policy to reduce the volatility of domestic interest rates
    - Public debt management that would stimulate demand for instruments denominated in local currency
- Prudential measures, together with the control of capital flows, have only a short-term effect

Dinarisation strategy is placed on three pillars

- Heavy pressure in the establishment of still strong inflationary expectations is the result of a bad experience with hyperinflation during the '90s
- Therefore, the market stakeholders' assessment of future trends in the economy is mostly coloured by such experience.
- NBS has defined three strategy courses of increasing dinarisation:
    - maintaining macro-economic stability through low and stable inflation
    - developing primary and secondary markets of dinar debt in order to build a long-term yield curve
    - development of instruments market to protect against foreign exchange risks

Share of RSD debt in total debt



Source: Ministry of Finance, Raiffeisen RESEARCH

Constraints and solutions

1. Unstable political environment
2. Unstable economic environment
3. inconsistency in the process of public debt management
4. Poor communication with existing investors
5. Extremely low local institutional investors' demand for domestic securities

- A stable government that implements a credible economic policy
- Signed arrangement with IMF
- Reduction of public debt in the medium term to the targeted level of 45% i.e. budget deficit / GDP to 1% in the medium term
- Long-term sustainable low inflation rate (the policy of commodity reserves, de-monopolization of the food market)
- Disclosing the objectives of the public debt policy, i.e. targeted currency and maturity structure, the level of public debt, the ratio of debt service
- Development of IR, i.e. relationships with existing and new investors through quarterly video conferences, press material, analyses
- Introducing mandatory private pension insurance

CONSTRAINTS – SOLUTION PROPOSALS

Nataša Marjanović

1. CONSTRAINT: More stable and transparent macroeconomic system
   SOLUTION PROPOSAL: More transparent fiscal and monetary policy

2. CONSTRAINT: Undeveloped secondary market
   SOLUTION PROPOSAL: Listing of certain series on the Belgrade Stock Exchange (BELEX)

3. CONSTRAINT: Insufficient diversification of maturity (primarily for securities denominated in EUR) - inability to form the yield curve
   SOLUTION PROPOSAL: Introduction of securities with different maturities

4. CONSTRAINT: Insufficient transparency of auction schedule
   SOLUTION PROPOSAL: Disclosure of auctions at least on a quarterly basis

5. CONSTRAINT: Ad hoc auctions (primarily for securities denominated in EUR)
   SOLUTION PROPOSAL: More transparent approach, at least quarterly schedule

6. CONSTRAINT: Barriers to participation of natural persons in the primary auctions
   SOLUTION PROPOSAL: Lowering the minimum limit for participation in the primary auctions (primarily for securities denominated in EUR)

7. CONSTRAINT: The practical impossibility for local investors to participate in the Republic of Serbia's auctions in international market
   SOLUTION PROPOSAL: Abolition of barriers to participation of local investors in the Republic of Serbia's auctions in international market

8. CONSTRAINT: Primary auction implementation below maximum
   SOLUTION PROPOSAL: Restoring post auctions

CONSTRAINTS – SOLUTION PROPOSALS

Milan Kovač

1. CONSTRAINT: The low level of liquidity in the secondary market of public debt as a constraint to optimal management of maturity and currency structure of investment.
   SOLUTION PROPOSAL: Introducing a single trading platform or quotation of government securities on the stock exchange would have certain positive effects on increasing the volume of secondary trading.

2. CONSTRAINT: Disclosing monthly calendars of primary auctions is too short a time horizon to plan and implement appropriate investment policy, particularly in the case of longer maturity bonds when issued at irregular intervals.
   SOLUTION PROPOSAL: Disclosing the calendar of auctions for a period of at least one quarter as was done in 2011, with the possibility of introducing additional auctions. Predictability and continuity in the organization of longer maturity issues are particularly important for effective implementation of investment policy.

3. CONSTRAINT: The relatively limited type of instruments issued by the Treasury.
   SOLUTION PROPOSAL: In order to increase the efficiency of this market segment more frequent auctions of instruments with variable interest rate should be considered. Observing from the perspective of pension funds, the proposal is related to introduction of instruments with interest rate pegged to the rate of inflation, and the alternative proposal is to continue the auctions of bonds the interest rate of which is pegged to the Central Bank reference rate.

CONSTRAINTS – SOLUTION PROPOSALS

Zoran Ćirović

1. CONSTRAINT: Significant development of the government bond market in the context of an unstable macroeconomic environment in the country.
   SOLUTION PROPOSAL: It is unlikely that the market for government bonds significantly develops in an unstable macroeconomic environment, and in particular in the conditions of the relatively high reference interest rate, the inflationary risk, the unstable exchange rate of the local currency and a reduced credit rating of the country. The basic prerequisites for intensive investment in government securities are not considered created unless previously provided adequate political stability in the country, good legislation, favorable tax policies, economic growth, moderate and controlled inflation, and the relatively stable exchange rate.
   Therefore, a prerequisite for the further development of this market is primarily establishment and maintenance of macroeconomic stability. Stability of monetary and fiscal policy, and of exchange rates, reduces uncertainty in terms of future returns, and investors are becoming more willing to invest in the long term and, at the same time, do not require excessive premiums for the risk of such investments.
   In this sense, continued efforts are necessary to establish macroeconomic stability, favorable business conditions as well as elimination of regulatory and fiscal obstacles and irregularities.

2. CONSTRAINT: High public debt of the country and relatively unfavorable structure thereof.
   SOLUTION PROPOSAL: The share of our public debt to GDP is currently around 57.5%, which is still below the Maastricht criterion of 60%, but rather unfavorable structure of the public debt is alarming. The share of foreign-currencies denominated debt in the total debt is very high, amounting to 80.5%.
   In conditions of current indebtedness, the state should develop an appropriate strategy for further borrowing through the issuance of government bonds, whereby all the possible risks would be considered and harmonization of dynamics at which financial funds will be obtained with obligation maturities would be attempted in order to achieve as lower costs as possible on medium and long term.
   Also, the management and the stabilization of the public debt would be supported by extended maturity of government securities. Therefore, further borrowing should be mainly of a long-term nature and denominated in local currency.

3. CONSTRAINT: Harmonization of the basic objectives of monetary policy with public debt management strategy.
   SOLUTION PROPOSAL: National Bank and the Ministry of Finance may often have rather divergent goals. Therefore, we need consistent coordination of basic macroeconomic policies. This is particularly important in a situation where both institutions issue their own debt securities (treasury bills and government bonds - as is the case here). Then, we should particularly take care to avoid overlapping activities of the same group of professional investors (in particular banks) in the relevant market segment (this problem is not particularly acute in our case because the maturities of these financial instruments are very different).

4. CONSTRAINT: Providing an adequate level of institutional cooperation between the main players in the market.
   SOLUTION PROPOSAL: First of all, it is necessary to make market regulators operate in a coordinated manner. The experience in many countries shows that such cooperation can be achieved through appropriate working groups, comprising representatives of these institutions. In our conditions, it is necessary to establish a closer and more active cooperation primarily between the Ministry of Finance, the National Bank and the Securities Commission, particularly in formulating the basic directions and strategies of borrowing.

5. CONSTRAINT: Bank-centered market in historical terms, with no tradition of borrowing through financial market, and rather undiversified base of investors in government bonds.
   SOLUTION PROPOSAL: Government bonds are in our country mostly bought by the banks, insurance companies, private pension funds and mutual funds to an extent. It is necessary to significantly diversify the structure of investors, because it is important for the development of the overall market instruments of government debt.
   This would be particularly important due to the fact that our market is historically bank-centered, thus there is not tradition to borrow through financial market. Also, there is still a big problem of distrust in the financial markets. Therefore, it is necessary to work on developing a wide base of potential investors through education and promotion of this market, whereby the basis for more stable demand for government securities would be created in the long run, and competition in the banking sector would be encouraged, thus contributing to reduction of interest rates on loans.
   There are no specialized institutions in our country for education of investors, so the National Bank and the Securities Commission have to be more active in taking up this role. Even in the conditions of very small accumulation which the household sector can objectively generate, it is important to educate certain categories of population in terms of different investment alternative, since this would encourage their active presence in the financial market as well as in the segment of investing in government bonds.

6. CONSTRAINT: Providing optimal organization of the primary market for government securities market and further strengthening of market infrastructure.
   SOLUTION PROPOSAL: In the last few years the Ministry of Finance has come up with some good organizational solutions. First, a completely new platform was built for government securities trading and second, public debt management was separated from the Treasury and Public Debt Administration has been established. The trading system was organized on the principle of a unique price (which has both advantages and disadvantages) without the existence of primary dealers as market-makers (the possibility of introducing them still exists and it is very likely they would bring important positive effects in this phase of developing our market of securities).
   Further strengthening of market infrastructure through the establishment of a system of primary dealers, whose main role would be to create the primary market for government securities and ensure their placement and distribution to investors, would allow increased turnover and liquidity of government bonds, narrowing of sales and increased market transparency. If the state opts for a system of primary dealers, it is necessary to define clear and strict requirements for the status of primary dealers, their obligations and the manner of supervision over their operations.

7. CONSTRAINT: Improving secondary trading in government securities, or illiquid and underdeveloped secondary market.
   SOLUTION PROPOSAL: Government bonds (excluding foreign currency savings bonds) are traded only on the OTC market. Although the experience of developed countries generally do not favor exchange trading in treasury bonds, in our circumstances it would be quite a good solution, because it would significantly increase the liquidity of these financial instruments, the

transparency of their trading, the possibility of determining fair market value, and the possibility would be provided for constructing different yield curves, which would be particularly important for the formation of the overall structure of interest rates in the entire financial system.

One of the major obstacles to the development of a secondary market in the past was the lack of issues of government bonds with longer maturities. The situation in this respect has changed over the last few years by issuing bonds with maturities longer than two years.

However, it is necessary to take further steps towards the improvement of secondary trading in government securities, primarily through the development of confidence and diversification of potential investors by improving transparency and reporting standards. We should consider the inclusion of primary dealers in the market, and constantly work on improving the technical and legal framework through introduction of standardized contracts. In order to encourage the inclusion of these securities on a regulated market is necessary to reduce costs, both those related to listing and transaction costs.

8. CONSTRAINT: Underdeveloped system of reporting and disclosing information related to government bonds.
   SOLUTION PROPOSAL: It is necessary to create a centralized system of reporting and disclosing information on the primary and secondary trading in government securities, particularly the data on the schedule of auctions, concluded transactions, as well as the daily listings. These data have to be readily available and have to be stored in one place.

9. CONSTRAINT: Introduction of new types of government bonds in our financial market.
   SOLUTION PROPOSAL: The last series of old savings bonds is due for payment in 2016, so these financial instruments will soon no longer be available in our financial market supply. According to announcements, they will be replaced by restitution bonds by 2015, by which the old owners of seized property that cannot be returned in kind would be compensated. The state manages to gradually extend maturities of the securities issued, so thus far two issuances of five-year dinar bonds have been realized as well as two issuances of 15-year Eurobonds, but new types of bonds have also been introduced. Thus, three issuances of inflationary-indexed dinar bonds have thus far been realized, as well as one issuance of depreciation dinar bonds. Both types of bonds are very suitable for our conditions, as evidenced by their rate of realization that was in all cases 100%.
   As for attracting a large number of investors in government bonds, it would be desirable to issue various types of government securities, in terms of maturity, their rights, options and the like, since it would thereby enable investors diversify the risks when optimizing their portfolios.

10. CONSTRAINT: Inadequate presence of government securities in the international financial market.
    SOLUTION PROPOSAL: Thus far, we have had three very successful issuances of Eurobond. This is an important step that we have made towards greater presence in the international financial markets, whereby we have managed to get very favorable borrowing terms.
    It is important, within the limits of allowed borrowing, to continue with this practice, because in this way, in addition to raising funds under favorable terms, willingness of foreign investors to invest in our securities is tested at the same time.

CONSTRAINTS – SOLUTION PROPOSALS

Tatjana Rakočević

1. CONSTRAINT: Yield curve with limited maturity – in addition to issuance of government securities with the maturity by 2026, there are no long-term government securities in Serbia with the maturity longer than 5 (five) years.
   SOLUTION PROPOSAL: Issuing government securities with longer maturities

2. CONSTRAINT: Low liquidity - daily trading in government securities is extremely low.
   SOLUTION PROPOSAL: Include local, foreign investors as well as the citizens in trading.

3. CONSTRAINT: Lack of local investors, particularly the population, although the savings in banks reached EUR 8 billion.
   SOLUTION PROPOSAL: Education and involvement of the population in government securities trading.

4. CONSTRAINT: Insufficient participation of foreign investors.
   SOLUTION PROPOSAL: Restore investors' confidence by raising the country's credit rating. Improve business conditions in accordance with the Doing Business World Bank technology. Promote market transparency and reduce the abuse and disregard of legal provisions. Tighten the supervision and control of participants by all regulatory bodies.

5. CONSTRAINT: Regulated secondary trading – there is currently no regulated secondary trading in treasury bills, but only OTC.
   SOLUTION PROPOSAL: Introduce trading platform. In order to raise liquidity it is possible to introduce market makers. It is necessary to ensure the transparency and predictability of the process of general and central government borrowing. Provide insight into the auction schedule quarterly and semi-annually, instead of the current practice to come up with a schedule for the next month auction.

6. CONSTRAINT: Municipal bonds – the municipalities predominantly rely on bank loans in financing.
   SOLUTION PROPOSAL: Encourage the issuance of municipal bonds as an alternative method of financing with the aim of diversification, cost reduction and involvement of population in this process. The first step has been taken and some cities/municipalities have issued bonds, but the customers are mainly banks. To promote the municipal bond market local self-governments have to manage their public finance transparently, prepare their financial statements responsibly and carry out the external audit of the said. Also, rating agencies have to provide local self-governments ratings. It is necessary to accelerate the process of restitution to local self government.

7. CONSTRAINT: Tax incentives.
   SOLUTION PROPOSAL: To continue the practice of tax incentives for government securities bought, especially for dinar nomination and longer maturity dates.

8. CONSTRAINT: introducing derivatives aimed at reducing market risks.
   SOLUTION PROPOSAL: Using financial derivatives in order to limit the exchange rate risk of reference currencies in which the debt is issued.

SPEAKER'S CV

Aleksandar Vlahović

Aleksandar Vlahović graduated from the Faculty of Economics, University of Belgrade in 1987.

He began his career as a consultant at the Economics Institute where he was appointed Managing Director of the Consulting division in 1992. In 1996 he joined Deloitte & Touche as a consultant and in 1999 became an equity partner of DT Central Europe.

In July 2000 he was appointed Office Managing Partner DT for Yugoslavia, as well as Lead Partner Valuation for the Balkan countries.

He specialized in providing all kinds of Financial Advisory and M&A services in accordance with international applied standards.

From 2001 to March 2004 Aleksandar Vlahović was the Minister of the Economy and Privatization in the first democratic government of Serbia, appointed by the Prime Minister Zoran Đinđić.

During his term of office, numerous important reform statutes were prepared and adopted, of which the principal one was the Privatization Law. By the end of his mandate, more than 1,300 companies were successfully privatized.

From April 2004 to 2012, Mr. Vlahović is a Democratic Party representative in the Serbian Parliament, a member of the Committee for International Economic Cooperation, Head of the Serbian Delegation to the Parliamentary Assembly of the Black Sea Economic Cooperation, and Chairman of the National Assembly's Parliamentary Friendship Group with Japan.

In 2004, he founded EKI Investment, investment and consulting company.

In October 2011 he took up the position of Chairman of the Economics Institute, the oldest R&D and consulting company in Serbia (established in 1947). In December 2011 he was appointed President of the Serbian Association of Economists.

He holds memberships in the Serbian Business Club “Privrednik” (since 2005), the Board of Directors of the Belgrade Chamber of Commerce (since 2006), and the Managing Board of Erste Bank (since 2006).

He volunteers as Vice President of the Volleyball Federation of Serbia.

He speaks English and Russian.

SPEAKER'S CV

Joe Lowther

Joe Lowther is Chief of Party of the USAID Business Enabling Project.

Joe is an expert on business environment reform with over 12 years of experience in Southeast Europe. Joe was Chief of Party of innovative projects in Bulgaria and Croatia that developed and utilized local capacity to improve economic policy, commercial laws, and sector competitiveness. He has also worked extensively in Bosnia & Herzegovina and Macedonia on economic transition programs.

Joe has written publications on policy issues for the World Bank, OECD, USAID, and think tanks and business associations. Prior to coming to Serbia he was a Director at Cardno Emerging Markets in Washington, DC where he oversaw a portfolio of projects in a variety of countries and technical areas. Prior to working in economic development, Joe was a commercial lawyer in California for 11 years.

His education includes Juris Doctor and Masters of Business Administration degrees from Whittier College, Los Angeles, CA and a Bachelor of Science in Business Administration from University of Southern California.

SPEAKER'S CV

Boško Živković

Boško R. Živković was born on January 10, 1954. He finished the Gymnasium in Pljevlja and graduated in 1977 from the Faculty of Economics, University of Belgrade. He received his M.Sc. in 1982 and a Ph.D. in 1988 from the same Faculty. In 1988 he stayed at the University of Rhode Island, U.S.

In 1990 he was elected to the position of an assistant professor at the Faculty of Economics, University of Novi Sad. Since 2003 he has been lecturing at the Faculty of Economics in Belgrade. As of July 2009 he is a full professor.

He teaches Financial Markets, Securities Analysis, and Financial Economics at undergraduate studies and Investment in Securities, Investment and Portfolio Management at postgraduate studies at the Faculty of Economics in Belgrade. He is the Head of the specialist course for acquiring the title of Investment Advisor and Portfolio Manager at the Faculty of Economics in Belgrade. He is a member of professional associations of Serbian economists.

SPEAKER'S CV

Branko Drčelić

Branko Drčelić was born in 1979. in Priboj on the Lim river.

He finished elementary and high school in his birthplace. He graduated from the Faculty of Economics in Belgrade in 2003 and in the same year started his career at the Ministry of Finance and Economy of the Republic of Serbia, Public Debt Department.

In the period 2005-2011 he acquired his experience at PE Electric Power Industry of Serbia, Delta Generali Insurance, Department of Macroeconomic and Fiscal Analyses and Forecasts at the Ministry of Finance of the Republic of Serbia.

In early 2012 he was appointed General Manager of the Public Debt Administration at the Ministry of Finance of the Republic of Serbia.

SPEAKER'S CV

Filip Stikić

Filip Stikić (1978) is Head of the Division of financial market operations at UniCredit Bank Serbia a.d.

Since 2004 he has been engaged in government securities trading as a broker and as of 2006 has been employed at the Broker-Dealer Division of UniCredit Bank. In 2012 Philip was appointed Head of the Division of financial market operations.

During his career he has also worked as a project manager in the process of issuing the first municipal bond in the Serbian financial market, the bond of the city of Novi Sad, in which UniCredit Bank acted as underwriter. UniCredit is a leader in the Serbian market when it comes to trade in government securities in the primary auctions organized by the Ministry of Finance and the Public Debt Administration, and in the government securities secondary market.

As a lecturer and panelist Philip has participated in many conferences of national and regional importance in the area of capital markets, especially those in the field of government, municipal and corporate bonds. He has also attended numerous conferences, seminars and round tables in the given areas.

SPEAKER'S CV

Bojan Lečić

Bojan Lečić was born on September 19, 1978 in Belgrade.

After graduation from the Faculty of Economics Belgrade in 2001, he started his banking career at Delta Banka, Treasury Department.

From 2004 to 2005 he was Deputy Head of Treasury at Delta Banka and after the acquisition by Banca Intesa he continued to hold the same position until 2008.

From October 2008 he has performed the function of Head of Treasury Department at Banca Intesa, the biggest bank in Serbia.

He is a member of ACI Serbia Presidency.

He is fluent in English.

He is married with one child.

SPEAKER'S CV

Joko-Lola Tomić

Joko-Lola Tomić was born on December 20, 1974 in Belgrade. He graduated from the Faculty of Economics, University of Belgrade.

He holds A.C.I. Dealing Certificate and he is a member of the A.C.I. Serbia Presidency.

He began his business career in 1999 at Beogradska banka a.d. where he was engaged in exchange-rate regime, and since May 2011 in project management at Department of disputed loans.

As of February 2002 he has been employed at Raiffeisen Bank a.d. Belgrade, at Treasury and Investment Banking Department. Since 2002 he has been engaged in activities related to foreign exchange and securities market, and since November 2005 he has been Head of FX and MM Department. As of November 2008 he has been Deputy Head of Treasury and Investment Banking Department.

In the period September 2010-October 2011 he was Head of Broker Department and since October 2011, in addition to the above function, he has also been Deputy Head of Treasury and also Head of the Department of Trading and ALM operations at Raiffeisen Bank a.d. Belgrade.

SPEAKER'S CV

Nataša Marjanović

Nataša Marjanović was born on December 7, 1978 in Belgrade. She graduated from the Faculty of Economics, Belgrade University before the deadline, with an average grade 9.81.

She started her carrier in 2001 at the Department of Foreign Currency Reserves Management of the National Bank of Serbia, where she soon became the youngest dealer/portfolio manager in the history of NBS. She was responsible for managing a portfolio of securities that make up the major portion of the NBS foreign currency reserves.

In August 2005 she became a Treasury Manager at Piraeus Bank a.d. Belgrade where she was in charge of the establishment and organization of the modern Treasury Department.

She joined Delta Generali in September 2006 as the first Portfolio Manager of the first voluntary pension fund in Serbia.

Since early 2007 she has been Head of Delta Generali Voluntary Pension Fund.
Since 2011 she has also been responsible for asset management for all companies within Delta Generali Insurance (Insurance, Reinsurance and companies in Montenegro).

In 2012 she was appointed a member of the Executive Committee of Delta Generali Insurance.

In 2005 she gained a Chartered Financial Analyst (CFA) designation, a highly estimated professional certification offered by the American CFA Institute, and the first Portfolio Manager license issued by the Securities Commission.

Simultaneously with her regular activities, she worked as an assistant at the Faculty of Economics and lectured in specialized courses for CFA exams.

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SPEAKER'S CV

Milan Kovač

Milan Kovač graduated from the Faculty of Economics, University of Belgrade in early 2002 at the Finance, Banking and Insurance Department. In July 2007 he acquired license, issued by the Securities Commission, for conducting portfolio management activities. He is the first-level Chartered Financial Analyst (CFA). He is an MA candidate on the programme "International Master in Quantitative Finance", SECCF and Faculty of Economics, University of Belgrade.

He started his professional career in 2002 at the PE Jugoimport SDPR, the Business Finance Sector. From 2003 to mid 2007 he was a consultant at the Economics Institute, where he participated in numerous national and international projects on financial market development and encouraging foreign investment in Serbia (World Bank, OECD, Government of the Republic of Serbia, etc…). He was also in charge of investment studies development, market and business sectors analyses, and business and organizational restructuring of companies. Since 2004 he is a member of the team of authors of "Macroeconomic Analyses and Trends (MAT)" journal. He has authored several professional papers published in national journals.

As of mid 2007 he participated in establishment and commencement of operations of the Investment Fund Management Company Ilirika DZU a.d., Belgrade and implementation of all business processes in the field of asset management, risk management, marketing and sales, and back office. As of late 2007 he managed the open-end investment fund Ilirika Southeast Europe (SEE), and then served as General Manager and Member of the Managing Board of Ilirika DZU a.d., Belgrade. Since July 2010 he has been Managing Director of DUNAV Voluntary Pension Fund Management Company and a member of the company's Investment Board.

SPEAKER'S CV

Zoran Ćirović

Dr. Zoran Ćirović was born on February 24, 1969 in Belgrade. He received his Ph.D. in Economics from the Faculty of Economics, University of Belgrade in 2003. He received his M.Sc. in 1995 and his B.Sc. in October 1992 from the same academic institution.

As of July 2011 he has been President of the Securities Commission of the Republic of Serbia. In September 2007 he was appointed Assistant Minister at the Ministry of Finance of the Republic of Serbia where he headed the Department of International Financial Relations and European Integration, and prior to that also the Department of Financial System and International Financial Relations. He led a number of negotiations for contracting new loans and donations of the World Bank, the European Bank for Reconstruction and Development, the European Investment Bank and the Development Bank of the Council of Europe. He was the head of the Serbian negotiating teams to resolve the issues of debt to the Chinese EXIM Bank and the State of Kuwait. He led the negotiations with the Ministry of Finance of the Russian Federation about the implementation of loan for budget support and financing of infrastructure. In the period 2010-2011 he was Director of the Project on the "Strategy of the Ministry of Finance for the successful process of European integration", which included the harmonization of national legislation with the EU directives on financial services, free movement of capital, public procurement, state aid control, taxes and duties.

He is a representative of the Republic of Serbia in the Council of Europe Development Bank. By September 2012 he was an authorized representative of the Republic of Serbia in the Joint Committee for the Allocation of Financial Assets and Liabilities of the former SFRY under the Annex C of the Agreement on Succession Issues, and a member of the expert group for the implementation of the Agreement on Succession Issues. He was a member of the Managing Board of the Belgrade Stock Exchange, a representative of the Republic of Serbia and Chairman of the Assembly of Shareholders of the Postal Savings Bank ad Belgrade, as well as Chairman of the Managing Board of the Deposit Insurance Agency. By June 2010 he was an associate professor at the Faculty of Economics, Finance and Administration (FEFA) Singidunum University, on Corporate Finance and Capital Markets at undergraduate studies, and Corporate Finance and Stock Exchange Operations at postgraduate studies. Prior to that, he was first an assistant and then an assistant professor at the Faculty of Management, BK University in Belgrade. He works as a lecturer on the brokers training and on the trainings for investment advisors and portfolio managers. Over the years, he lectured as a visiting professor at ISM University of Management and Economics in Vilnius, Lithuania. In 2005 he was engaged as a visiting professor on the graduate studies in Risk Management at the Faculty of Organizational Sciences in Belgrade.. He is a Council member of the Chamber of Certified Auditors and the Commission for the licensing of Certified Auditors at the Chamber of Certified Auditors. He is an Editor of the column on accounting and auditing in the journal Laws and Practice (ZIP), published by the Official Gazette. As of January 2004 he is an associate member of the Scientific Association of Economists. For a while, he was Director of the Centre for Financial and Corporate Consulting within the FEFA Institute Belgrade.

From May 1996 to February 2000 he was Director of Development and then Executive Director for Foreign Operations of the Karić Banka Belgrade. In the period 1992-1993 he worked as a broker at the Belgrade Stock Exchange. From January to May 2006 he was awarded scholarship at the Haas School of Business, University of California, Berkeley, USA, for the purpose of professional education and research in economics and finance. During his undergraduate studies he visited the London School of Economics, the United Kingdom, with the aim of research in the field of finance. He has received special recognition for outstanding results achieved during the studies (average grade 9.92) and the diploma for the best student in class at the Faculty of Economics, Belgrade University. He was the beneficiary of the Belgrade University scholarship for young talents. He has published three books thus far - Analysis of Financial Markets, Financial Derivatives, Portfolio Management, as well as a large number of scientific papers.

ROUND TABLES 2012

FOR BETTER BUSINESS CONDITIONS

ECONOMICS INSTITUTE
www.ecinst.org.rs

USAID Business Enabling Project
www.bep.rs

The archival records of the National Bank of Serbia, from the Collection of securities (ANB-30, Bonds, Kingdom of Serbia), were used for designing the material.