DEBT MANAGEMENT DIRECTORATE

Introduction

The Debt Management Directorate (DMD) was established within the Treasury department in December 2006 with responsibilities for debt and cash management for the central government and for providing specified funding requirements as authorised by Parliament.

The principal objective of the Directorate in its debt and cash management activities is to raise funds as well as carry out other financial transactions in such a way as to ensure that:

- The central government borrowing programme (short- and long-term) is financed prudently and cost effectively consistent with an acceptable level of risk;
- The annual debt servicing costs are met at the lowest possible cost;
- The development of the domestic financial markets is given the necessary support; and
- The liquidity of government funds is adequate to meet government's payment obligations as and when they fall due.

I. Organisation and resources

The DMD is organized along functional lines under three main areas: a Front, Middle and Back Office to ensure a clear division of responsibilities according to international best practices.

The Front office co-ordinates and handles all the needs of the Directorate and its clients with respect to issuance of Government securities; the Middle office undertakes market research and risk analysis activities; whilst the Back office is responsible for the servicing, settlements and accounting of central government's debt and cash management transactions.

II. Legal framework for borrowing

The statutory basis for central government borrowing is set out under the following primary and subsidiary legislation:

- Malta Treasury Bills Act, Cap.133 *(relating to the issue of short-term borrowing up to 12 months maximum maturity*. The maximum amount of outstanding Treasury bills is established by Parliamentary Resolution. In 2002, the maximum amount was set at €698.8 million;
- Malta Treasury Bills (Dematerialisation) Regulations, 2007;
- Local Loans (Registered Stock and Securities) Ordinance, Cap.161 *(relating to terms and conditions applicable to loans authorised to be raised locally by the issue of stock in Malta);*
- Local Loans (Registered Stock) Regulations, S.L.161.01;
- Development Loan Act, Cap.229 *(in respect of bilateral loans raised outside Malta);*
- Government Borrowing and Granting of Loans to the Hellenic Republic Act, 2010 (Act III of 2010);
- Government Borrowing and Granting of Loans to Air Malta plc, 2010 (Act XVIII of 2010);
- An annual budget law that authorises the Minister for Finance to raise loans on behalf of the government for an established amount during the financial year by the issuing of securities and provides also the main purposes for which government can apply such borrowing.

Financing Instruments and Operations used in Debt and Cash management

Until now, the Government's policy to meet its financing needs has been that of relying almost exclusively on issuing euro-denominated financing instruments in the domestic market rather than raising funds on the international financial markets.

During 2013, as in previous years, the main financing instruments used to finance the central government funding requirements were Treasury bills (T-bills), being of maturity of 12 months or less, and Malta Government Stocks (MGSs).

The Treasury carried out its **cash management operations** by conducting regular public auctions of Treasury bills (T-bills) on a weekly basis. While T-bills are primarily issued to cover for temporary liquidity needs arising due to timing mismatches between revenue and expenditure flows, at the same time, such issuances maintain activity in the domestic Treasury bills market. T-bills issued to investors through such auctions are listed and traded on the Malta Stock Exchange.

The conventional fixed-rate MGS remained the Treasury's primary financial instrument by which it funded the **long-term borrowing** programme for 2013. The fixed-rate MGS issues were offered in the 6-year and 19-year parts of the curve. Alongside-fixed rate MGSs, Treasury continued to offer Floating-Rate MGSs (FRNs) linked to the six-month Euribor through the auction system. All MGSs are listed and traded on the Malta Stock Exchange.

In December the Treasury implemented successfully the third and last phase of the three-year ***Malta Government Stock Switch Auctions Programme*** launched in November 2011.

Malta Government Stock Financing Operations in 2013

During 2013 the Debt Management Directorate implemented successfully its funding programme announced at the beginning of the year amid high levels of uncertainty which have characterised sovereign debt markets for most of the last four years.

In terms of '*The Budget Measures Implementation Act'* (Act No III of 2013), the total amount of MGS issuances for 2013 was set not to exceed €650 million.

The funding programme was mainly applied for the purpose of financing:

- the redemption of MGSs amounting to €370.3 million;
- an estimated budget deficit of €163.8 million;
- Malta's share in the ESM capitalisation - €23.4 million;
- A scheduled capital injection of €40 million (2nd Tranche) in the national airline in terms of its restructuring programme; and
- Changes in Central Government's debt portfolio, in line with Government's debt management policies.

I. Issuance Strategy

Similar to last year, Treasury adopted a front loaded issuance programme whereby 57% of the MGS issuance programme for the year was covered by the end of June. The programme consisted of four issuances of Malta Government Stocks held in March, May, September and November, raising a total sum of €629.3 million. Details can be found in Table 1.

In line with the Indicative Issuance Calendar published on 28th January 2013, the issuance strategy focused mainly on fixed-rate, euro-denominated stocks with maturity horizons reaching both the short- and long-term. In this regard, the Treasury issued three new fixed-rate MGSs in the 6-, 15- and 19-year maturity buckets. The selection of MGSs was intended to satisfy the investment needs of the banking sector, insurance companies, fund managers and domestic retail investors. The three new fixed rate MGSs issued during 2013 were:

- 3.00% MGS 2019 (III);
- 4.50% MGS 2028 (II); and
- 4.65% MGS 2032 (I).

Moreover, the Directorate continued to support the development of the domestic debt market by promoting diversification of securities offered on the domestic capital market. In this regard, two new floating-rate stocks (FRNs) linked to the 6-month Euribor, primarily intended for institutional investors, were issued during the month of September. The ratio of total outstanding floating-rate notes to the total portfolio of outstanding MGS decreased slightly, from 4.6% in 2012 to 4.1% in 2013.

Table 1 – MGS Issuances in 2013

	Issuance Strategy *(€ million)*				
Issuance month	Short-Term	Long-Term	FRN	**Total**	**Bid-to-Cover**
March	44.6	155.1	-	199.6	2.44
May	38.4	131.6	-	170.0	2.83
September	-	-	79.7	79.7	2.16
November	39.5	140.5	-	179.9	1.91
TOTAL	**122.5**	**427.1**	**79.7**	**629.3**	**2.34**

Source: Debt Management Directorate (DMD) internal records. Figures may not add up due to rounding.

Demand for government paper by institutional investors and members of the public was strong for each of the four MGS issues held. Altogether, the average bid-to-cover ratio for 2013 was 2.34 compared to a ratio of 1.83 in 2012.

In line with Government's allocation policy, subscriptions by members of the public (offered at a fixed pre-offer price) were given preference over bids tendered by institutional investors during the competitive, multiple-price sealed-bid auctions. In all cases this policy has crowded out allocation for institutional investors, with the result that the demand for MGS by institutional investors could not be met in full.

In addition to the above issuances, an MGS amounting to €2.4 million was issued in November 2013 in partial settlement of transfer of ex-Church property to the government according to the Holy See and Malta Government Agreement of 1991.

Table 2 illustrates the ratio allotted by auction to total applications accepted, and the ratio of bids accepted against bids received.

Table 2 – Demand vs. Allotment of Bids by institutional investors					
Issuance	**Security Issued**	**Total Allotment** *€ millions*	**Allotted by Auction** *€ millions*	**% of Total Allotment**	**% of bids accepted/all bids received**
Mar	3% MGS 2019 (III)	44.6	31.8	71.3%	31%
	4.5% MGS 2028 (II)	155.1	44.0	28.4%	68%
	Total	**199.6**	**75.8**	**37.9%**	**45%**
May	3% MGS 2019 (III)	38.4	20.5	53.4%	18%
	4.5% MGS 2028 (II)	131.6	0.5	0.4%	3%
	Total	**170.0**	**21.0**	**12.4%**	**16%**
Sep	FRN MGS 2018 (VI)	39.0	39.0	100.0%	77%
	FRN MGS 2019 (IV)	40.8	40.8	100.0%	71%
	Total	**79.7**	**79.7**	**100.0%**	**74%**
Nov	3% MGS 2019 (III)	39.5	24.5	62.0%	24%
	4.65% MGS 2032 (I)	140.5	5.5	3.9%	8%
	Total	**180.0**	**30.0**	**16.7%**	**18%**

Source: DMD internal records. Figures may not add up due to rounding.

II. Bond Switch Operation

In November 2011 the directorate launched a voluntary MGS Switch Auction Programme to be conducted over a three-year period (2011–2013). The programme formed part of its wider debt and risk management strategy and its aims were to lengthen and smoothen the MGS portfolio interest and redemption profile whilst also, to some extent, provide institutional investors with an opportunity to diversify the asset maturity structure of their fixed-income portfolios. Prior to the launch of this programme, consultations were held with the main market players and stakeholders.

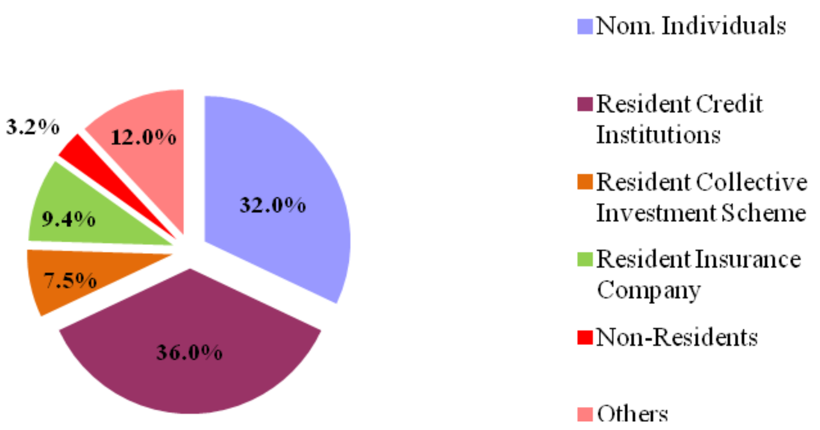
After the successful conclusion of the first two operations, the final stage of the programme was conducted in December 2013. Through this bond exchange operation, the level of MGS maturing in 2014 was reduced from €511.3 million to €361.3 million. A nominal amount of €150 million of the 5.1% MGS 2014 (III) (the 'source stock') was exchanged for a total nominal value of €147.8 million, distributed across two new MGSs (the 'destination stocks'): €83.7 million were allotted in the 3.2% MGS 2019 (V) and €64 million were issued in the 3.35% MGS 2020 (IV). The voluntary participation in this market operation was conducted by auction on a bid price basis.

Such market operation had a positive effect on the debt-to-GDP ratio and also avoided any negative effects on the budget deficit.

III. MGS Holder Distribution by investor type

Chart 1 below depicts a classification of the various types of investors of outstanding MGS as at the end of 2013. Following the trend in preceding years, the two most significant holders of MGS are *resident credit institutions* and *resident nominal individuals*, with 36% and 32% respectively. *Resident insurance companies* held almost 10% of all outstanding MGSs on the market, whilst 7.5% of the total was held by resident collective investment schemes. The level of *non-resident* holdings did not change when compared to the previous year, and remained stable at 3%. Holdings by other investors, principally resident entities not falling under the main categories, including non-profit entities, local councils and public non-market units collectively amounted to 12%.

Chart 1 – MGS Holder Distribution as at 31st December 2013



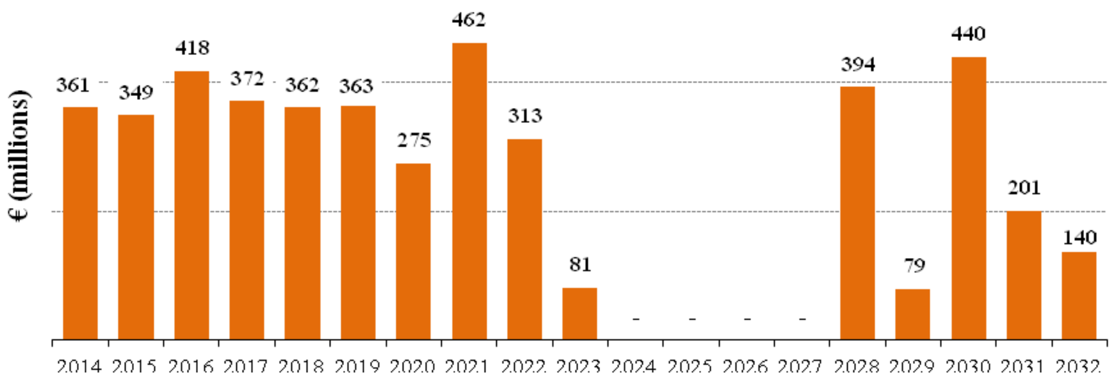
Source: DMD internal records

IV. Maturity Profile

The outstanding nominal value of MGS as at 31st December 2013 reached € 4,610.9 million. Chart 2 illustrates the distribution of outstanding MGSs by year of maturity.

As a result of the measures taken by the directorate to achieve its strategic objectives, and in particular through the implementation of the 3-year MGS Switch Auction Programme, both the skewness of the MGS maturity profile and the weighted average maturity (WAM) of the MGS portfolio continued to improve during 2013. The skewness for the 4-year period from 2014 to 2017 was lowered to 33% compared to 38% for the period 2013-2016, while the WAM reached 7.9 years when compared to 7.3 years at the end of 2012.

Chart 2 - Outstanding MGS Profile as at 31 December 2013

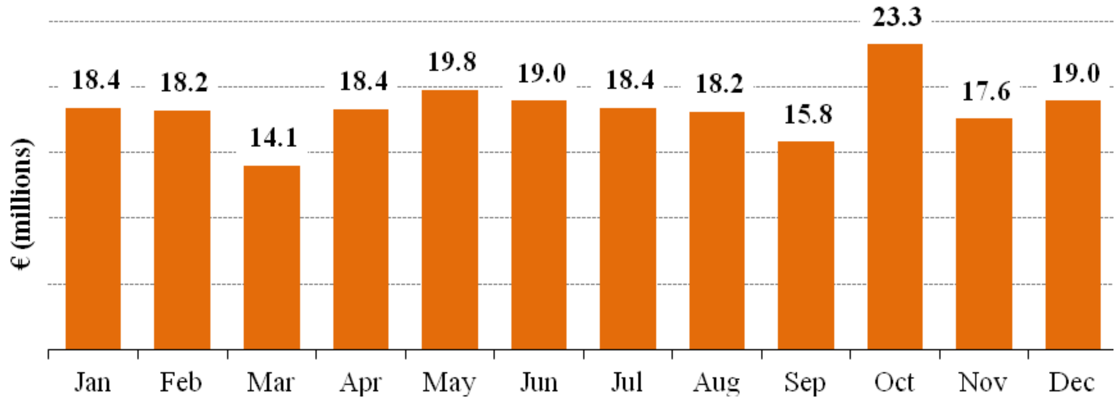


Source: DMD internal records

V. Cost of Borrowing

During 2013 total MGS interest payments amounted to €220.3 million. These semi-annual coupon interest payments were spread throughout the year as illustrated in Chart 3.

Chart 3 - Distribution of Monthly MGS Interest Payments - 2013



Source: DMD internal records

In the 12 months ending 31 December 2013, the year-on-year increase in total MGS interest payments amounted to only 1.7%, compared to a 6% increase in the outstanding MGS portfolio. The weighted-average coupon (WAC) of the entire MGS portfolio at the end of 2013 - excluding interest rates on FRNs - was recorded at 4.93%, compared to 5.13% in 2012. This reduction in the WAC is the result of an overall lower rate of borrowing locked in newly-issued fixed-rate debt, reflected in lower yields in the secondary market for MGS.

Treasury Bills

Over the past few years, the debt management directorate's policy has been to change the composition of debt away from short-term instruments in the form of Treasury Bills and in favour of more medium-to- long term securities (MGSs). This trend has not materialized to the full in 2013, as for the first time in recent years the closing balance of outstanding Treasury Bills registered an increase of €94 million over the closing balance of the previous year, reaching €248.1 million. Most of this increase is reflected in a larger cash balance held in the Government's account and lower MGS issuance than originally planned.

I. Issuance Strategy

Total offers of T-bills accepted and redeemed by the Treasury during 2013 with respect to each tenor are presented in Table 3. The issuance strategy was mainly focused towards the issuance of the benchmark 91-day Treasury-Bill taking up 53% of total issuance, followed by the 182-day maturity making up 23% of all T-bills issued. This reflected a return to a recent pattern, interrupted only in 2012 (where 28-day T-bills were the second most offered maturity). Reliance on longer dated maturities increased the weighted-average maturity (WAM) of T-bills issued by 13 days (115 days in 2013 against 102 days a year earlier).

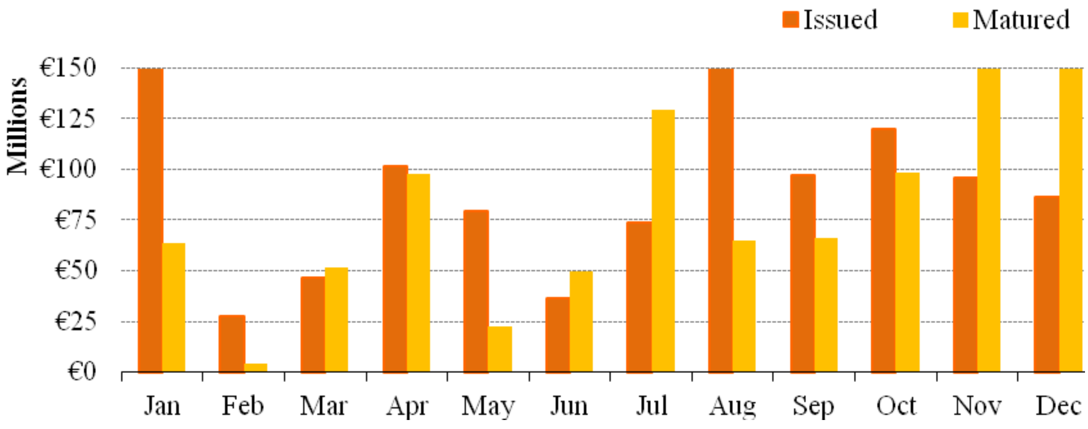
Table 3 - T-Bills issued & redeemed by tenor in 2013

Tenor *(days)*	**Issued** *(€ million)*	**% of Total**	**Redeemed** *(€ million)*	**% of Total**
28	187.0	17%	187.0	18%
91	592.1	53%	558.0	54%
182	257.8	23%	241.0	23%
273	85.0	8%	32.4	3%
364	0.0	0%	9.5	1%
Total	**1,121.8**	**100%**	**1,027.9**	**100%**

Source: DMD internal records. Figures may not add up due to rounding.

Chart 4 depicts the 2013 issuances and redemption of T-Bills on a monthly basis. The first three quarters of the year saw an increase of €268.5 million in the outstanding balance, which was partially reduced (by 65%) in the last quarter of the year leaving an outstanding balance of €248.1 million. Auctions are regularly oversubscribed by the various participants.

Chart 4 - T-Bills issued and redeemed per month in 2013

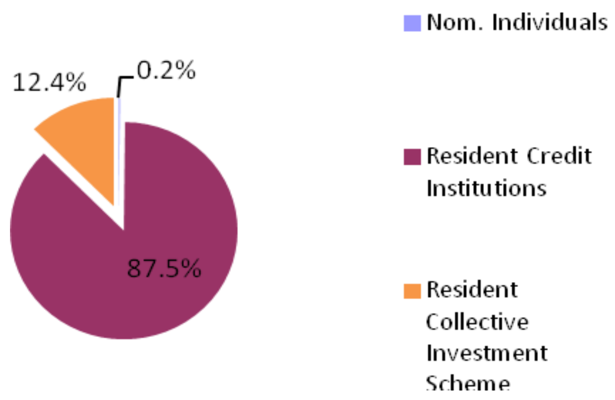


Source: DMD internal records

II. Treasury Bill Holder Distribution by investor type

The distribution of T-bills among investors is shown in Chart 5. The overwhelming majority of bills is held by *resident credit institutions*, with almost 88% of all outstanding T-bills. *Resident collective investment schemes* held the remaining 12%, and a small portion (<1%) were held by *domestic individuals*. No T-bills were held by non-resident investors.

Chart 5 – Treasury Bills Holder Distribution as at 31st December 2013

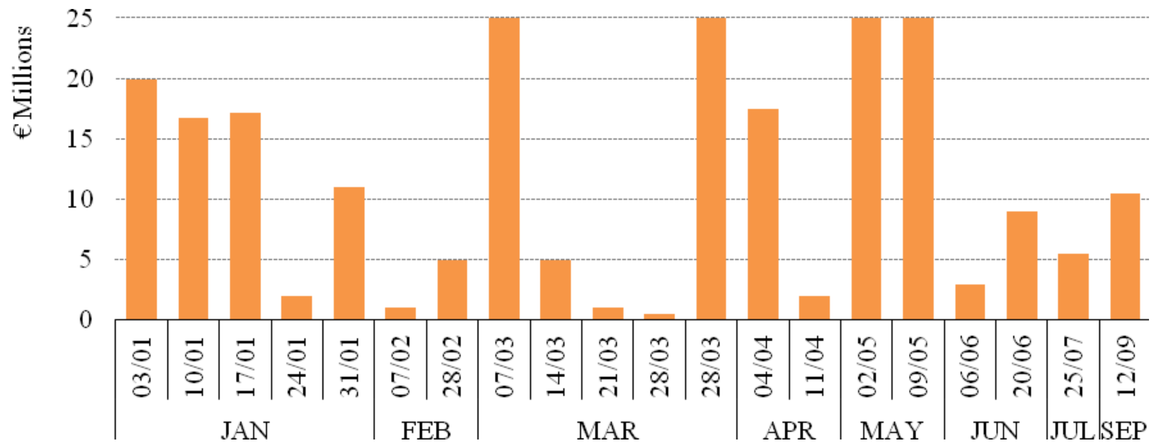


Source: DMD internal records

III. Redemption Profile

By the end of December 2013, the nominal value of outstanding T-bills stood at €248.1 million. Chart 6 shows how this balance will be redeemed throughout 2014.

Chart 6 - Outstanding Treasury Bills as at end 2013



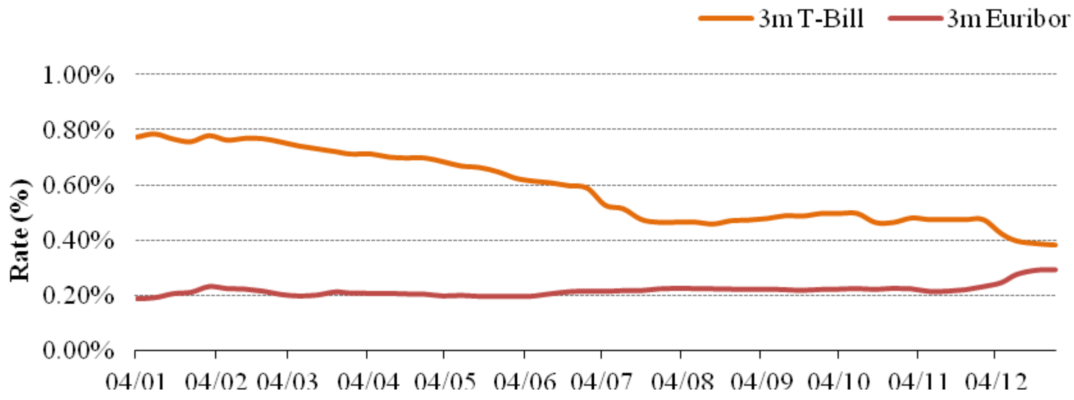
Source: DMD internal records

IV. Yields & cost of borrowing

The low interest rate environment experienced in 2012 persisted in 2013. Domestic money market rates hovered above Euribor rates with a downward trend whilst the latter remained quite stable throughout the whole year. This led to a continuous tightening of the spread between the local money market rate and the respective Euribor rate.

Chart 7 shows the weighted average 3-month rate on accepted bids against the 3-month Euribor for 2013. The benchmark 3-month T-bill rate registered a cumulative 40 basis-point decrease whereas the equivalent tenor Euribor remained close to the 0.2% level, somewhat edging up in the last weeks of the year.

Chart 7 – 3-month Euribor vs. Accepted 3-month T-bill rates



Source: DMD internal records; European Banking Federation (www.euribor-ebf.eu)

The servicing cost on new T-bills issued in 2013, including those still to be redeemed during 2014, reached €2.4 million compared to €2.7 million for 2012. On a purely cash basis, the servicing cost incurred on maturing T-bills during 2013 reached €2.6 million compared to €3.5 million in 2012.

Both the volume and average term-to-maturity of T-bills issued in 2013 were higher than 2012 levels (€1,121.8 million vs. €845.2 million; 115 days vs. 102 days respectively). Still, the total cost of borrowing for 2013 fell by €1.1 million, mostly due to the increased downward pressure experienced by benchmark short-term interest rates, especially during the second half of the year. The entire portfolio weighted average yield on accepted bids as at end 2013 stood at 0.663%, or 44.5 basis points lower than the corresponding weighted-average yield for 2012 (1.108%). Table 4 below shows the maximum and minimum accepted rates together with the weighted average rate for each tenor.

Table 4 - T-Bills borrowing rates in 2013 (Issues)

Tenor	Max	Date	Min	Date	WAY
1 month	0.536%	01-Nov-2013	0.390%	29-Nov-2013	0.446%
3 months	0.786%	11-Jan-2013	0.385%	27-Dec-2013	0.583%
6 months	0.945%	04-Jan-2013	0.436%	20-Dec-2013	0.787%

Source: DMD internal records.

Developments in the Primary & Secondary MGS Markets during 2013

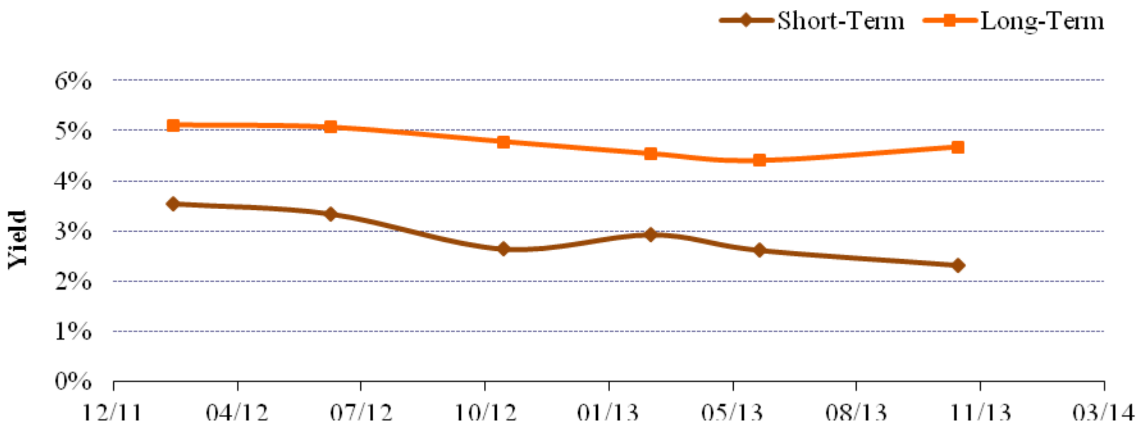
The heightened volatility that characterised international sovereign debt markets for the past four years, caused by a variety of factors including speculation on a possible Greek exit from the euro, contagion risks for other euro members, insufficient growth, recessions and high unemployment, started showing signs of abating in the second half of 2012, when ECB President Mario Draghi pledged to "do whatever it takes" to save the euro, and resulted in a relatively calm 2013. Differentials between most euro-area peripheral states' (Italy, Spain, Ireland and Portugal) secondary market bond yields and benchmark German Bunds fell significantly.

The improvement in investor confidence spilled over also into the domestic capital market and had a positive effect on Malta Government Stocks. Yield spreads over the benchmark Bund shrank and provided the directorate with opportunities to borrow on the primary market at record low interest rates.

I. Primary Market

Chart 8 illustrates the short-term and long-term ISMA yields conceded to retail investors, for all primary market issuances offered during the past two years ending December 2013. The long-term yield fell throughout the year, reaching its lowest point in May 2013. The November 2013 issue recorded a reversal in this trend, mostly due to the fact that a new longer-dated MGS was issued (2032 in November vs. 2028 in May). Also short-term yields kept a generally downward trajectory, and remained under the 3% mark throughout the whole 2-year period, with the November 2013 short-term issuance reaching 2.327%.

Chart 8 – Medium- & Long-Term Primary Market MGS Yields (Retail) Dec 2011- Dec 2013



Source: DMD internal records.

Table 5 shows how the improving general market sentiment throughout the year has benefitted the local primary bond market. Both short- and long-term MGSs experienced significantly diminishing yield spreads over the Bund. As illustrated in the table below, the short-term spread decreased by 129 basis points from the June 2012 high. The spread between long-term MGSs and similar Bunds shrank by 76 basis points over the same period.

Table 5 – Primary Market MGS Yield Spreads Over Bund in 2012-2013 (basis points)

Year	Issuance	Short term		Long term	
		Retail	Auction	Retail	Auction
2012	Feb	+256bps	+252bps	+252bps	+256bps
	Jun	+270bps	+269bps	+296bps	+290bps
	Nov	+209bps	+214bps	+269bps	+276bps
2013	Mar	+201bps	+218bps	+242bps	+252bps
	May	+197bps	+180bps	+247bps	+235bps
	Nov	+141bps	+144bps	+220bps	+212bps

Source: DMD internal records; Deutsche Bundesbank (www.bundesbank.de).

II. Secondary Market

Table 6 illustrates how benchmark secondary market MGS yields fluctuated throughout 2013. Figures refer to ISMA yields, sampled at regular intervals during the year resulting from closing bid prices at which the Central Bank of Malta Stockbroker actually traded or would have been prepared to buy on the dealing date.

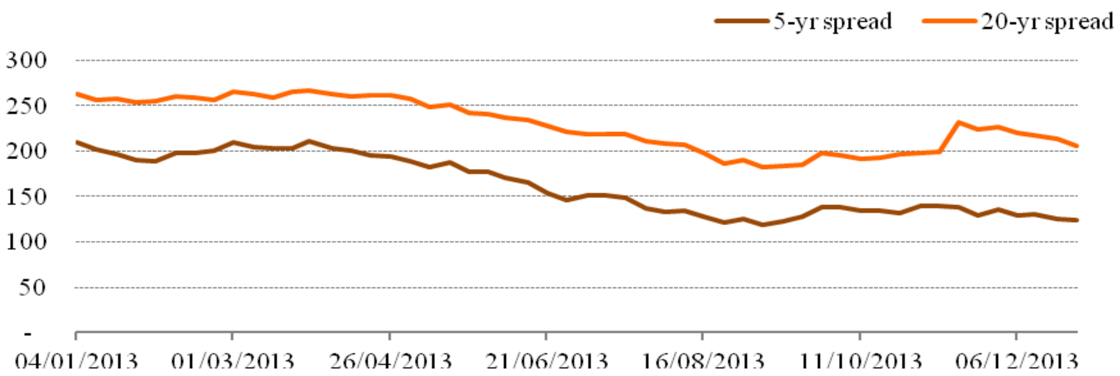
Table 6 – Benchmark secondary market MGS Yields in 2013			
Term	Lowest	Highest	Average
2-year	0.715%	1.389%	0.982%
5-year	1.933%	2.602%	2.203%
10-year	3.128%	3.810%	3.382%
20-year	4.430%	4.890%	4.641%

Source: Central Bank of Malta (www.centralbankmalta.org).

Chart 9 illustrates how secondary market 5-year and 20-year MGS yield spreads over equivalent maturity Bunds fluctuated throughout the year. The 5-year spread was fairly constant during the first quarter of 2013 (at around 200 basis points), slid steadily in quarters two and three, reached a low of 119 basis points towards the end of August, and stabilised along the 130 basis point level thereafter.

The 20-year spread followed a similar path, with a dip occurring later (end quarter 2), bottomed out at 183 basis points (end quarter 3), and then stabilised around 200 basis points. The spread peaked again at 232 basis points in mid-November, partly due to the issuance of a new longer maturity benchmark MGS. It approached once again the 200 basis points level by the end of the year.

Chart 9 – 5yr & 20yr MGS vs. Bund Spreads in 2013 (basis points)



Source: DMD internal records; Financial Times (www.ft.com); Bloomberg (www.bloomberg.com).

Foreign Loans

Bilateral loans with foreign entities are specifically undertaken to finance large capital projects. Nearly €11 million was repaid in 2013 according to the established repayment schedules, resulting in an end-of year outstanding balance of almost €51 million.

Interest costs incurred during 2013 to service these loans amounted to €2.8 million. The majority of Government's bilateral loan agreements are denominated in euro as shown in Table 7, hence making any exchange rate risk insignificant.

Table 7 – Outstanding Foreign debt and distribution by currency as at end 2013						
	euro	**GBP**	**JPY**	**USD**	**CAD**	**Total**
Amount (€ millions)	50.4	-	-	0.4	0.2	51.0
% of outstanding balance	98.96%	0.00%	0.00%	0.69%	0.35%	100.00%

Exchange rates as at 31/12/2013.

Source: DMD internal records; Central Bank of Malta (www.centralbankmalta.org)

The Introduction of Collective Action Clauses in newly issued MGS

As from 1st January 2013, in accordance with Paragraph 3 of Article 12 of The Treaty establishing the European Stability Mechanism (ESM) Treaty – endorsed on 2nd February 2012 by all 17 euro area Member States – it has become mandatory on such Member States to incorporate the Model Collective Action Clauses (CACs) in all *new* Euro Area government securities with maturity above one year.

The objective of CACs is to facilitate agreement between the sovereign and its private-sector creditors to the possible modification of euro area government debt securities that contain a standardised CAC, such that they allow a majority of bondholders to re-contract sovereign debt without a minority of stockholders obstructing the process. The standardized European model CACs can be found on the EFC's website.

CACs Implementation – Malta Government Stocks

The harmonised model CACs were introduced on all *new* Malta Government Stocks (maturity of more than one year) with effect from 1st January 2013. The CACs were contractually included in the terms and conditions of the MGS Offering document/ Prospectus. The full text of the Model CACs can be accessed on the Treasury website (www.treasury.gov.mt) under the section reserved for the Debt Management Directorate.

The introduction of the Model CACs will not affect any Malta Government stocks (MGS) issued prior to 1st January 2013.

The EU Emissions Trading System (EU ETS)

The EU Emission Trading System is a major pillar of the European Union's strategy aiming to reduce emissions of anthropogenic greenhouse gasses, which are considered to be the main cause of climate change. The scheme operates in the 28 EU member states (including Croatia after becoming a full member of the EU). Three non-EU member countries, Iceland, Liechtenstein and Norway also participate in the scheme.

In terms of Legal Notice 402/2012, the Debt Management Directorate within the Treasury has been appointed by the Government of Malta to auction aviation allowances under the EU Emissions Trading System on its behalf.

The majority of participating governments, including Malta, use a common 'platform' for these auctions. Trading is conducted on the European Energy Exchange (EEX), whilst trades are cleared and settled through ECC - the exchange's clearing house.

In 2013, 142 EUA auctions were held (usually on Monday, Tuesday and Thursday of every week), with Malta's allocation for the year set at 1,009,500 allowances. Malta's 2013 share of revenue generated from such auctions amounted to €4.5 million.

Relations with other institutions

I. International Monetary Fund

The Directorate gave its input towards the Article IV consultation process carried out by the International Monetary Fund's (IMF) mission which visited Malta in April 2013. Jointly with officials from the Ministry for Finance the Directorate participated in one of the meetings during which issues related to Debt Management and Central Government Debt were discussed.

II. DG ECFIN and Credit Rating Agencies

Jointly with officials from the Budget Office and the Economic Planning Division, the Directorate participated in two meetings held in April and October with officials from DG ECFIN in connection with the preparation of Spring and Autumn forecasts publications respectively. During these meetings reviews and outlooks related to Central Government Debt and Debt Management were discussed.

The Directorate also participated in meetings held with Credit Rating Agencies who visited Malta in connection with the assignment of Malta's credit rating.

III. EFC sub-committee on EU Sovereign Debt Markets (ESDM)

The DMD continued to participate in the meetings of the Economic and Financial Committee (EFC) Sub-committee on EU *Sovereign Debt Markets* (ESDM) in Brussels. The main objectives of the sub-committee include discussions on issues related to the efficient functioning of the EU's primary and secondary government debt markets as well as contribute to the preparation of EFC common positions on issues which significantly impact the sovereign debt markets.

During the course of the year 2013, the Debt Management Directorate jointly with officials from CBM participated in three meetings. The key areas of work focused on the functioning of sovereign debt markets, streamlining of market practices, as well as other emerging issues and developments which could have potential impact on sovereign debt markets. Moreover, the committee also followed-up the implementation of Euro Area (EA) model CACs which became mandatory on the Euro Area Member States in respect of government securities issued with maturity above one year issued on or after 1st January 2013.

IV. Central Bank of Malta

The Directorate regularly held meetings with officials of the Central Bank of Malta (CBM) to discuss matters pertinent to Government securities and market functioning. CBM assisted the Directorate in researching bond prices and yields in the secondary market, as well as offered advice during the pricing process of primary market MGS issuances.

In April 2013 officers from the Directorate attended a seminar about sovereign debt organised by Central Bank of Malta for the participants of the Financial Markets Committee (FMC).

V. Other Institutions

During 2013, staff from the DMD attended various Target 2 Securities (T2S) information sessions organised by Central Bank of Malta and Malta Stock Exchange in relation to the migration to Target 2 Securities systems.

Staff Training and Development

The Directorate is committed to invest in the training and professional development of its human resources, both through in-house programmes and also through external courses organised by local and foreign organisations. During 2013 opportunities were offered to directorate staff to attend training courses, seminars and annual conferences organised by local institutions. These included:

- AFME 8th Annual European Government Bond Conference timed in conjunction with the ESDM meeting held in November 2013;
- Interpreting And Using Evidence (2nd Module), organised by CDRT in collaboration with Malta Business School;

- Workshop on the identification of the impact of adopting Accounting Standards conducted by the Chartered Institute of Public Finance and Accounting (CIPFA)

Support Services

As in previous years, the Directorate's front office continued to offer guidance and the necessary services to the heirs of deceased MGS holders so that the heirs can have any inherited government stocks transferred in their name through a *Causa Mortis* procedure initiated through the heirs' own legal adviser.

In 2013 the Directorate received 346 new *Causa Mortis* claims, representing an 8.5% reduction in new claims compared to the previous year. During the course of the same year the directorate resolved 320 cases, 216 of which were new claims submitted in 2013 whilst the remaining 104 cases related to claims opened in previous years.

Online Services

During 2013 the Debt Management Directorate continued to make use of the Treasury's website to increase the data available to stakeholders and market participants such that it better meets the needs of its clients in a faster and more efficient manner. The information/forms uploaded on the website include:

- The yearly indicative issuance calendar of Government Securities.
- Monthly issuance calendar for Treasury bills;
- Treasury bills auction tender forms;
- The publication of weekly Treasury bills auction results;
- Weekly Treasury bills' auction bid analysis report;
- Malta Government Stocks auction results;
- Investors base of Malta Government Securities;
- The outstanding MGS portfolio;
- The latest credit ratings for Malta government debt;
- The full text of the Model Collective Action Clauses (CACs);
- Concise guidelines intended for the heirs of deceased stockholders with respect to *'Causa mortis'* claims;
- Various other occasional reports, both of a technical and an informative nature.