



AGENCE  
FRANCE TRÉSOR



# **Agence France Trésor - Managing the French state's cash and public debt**

**November 16th 2012**



# AFT: managing the French state's cash and the public debt

- Agence France Trésor (AFT) was set up on the 8th of February 2001 by order of the Minister of Economy, Finance and Industry, as a department with a national scope, reporting to the Treasury Directorate and managed by a Chief Executive.
- Its mission is to ensure public financing, in order for the French state to be able to meet its national, European and international obligations in all circumstances. Therefore, AFT is in charge with the management of the state's treasury and debt, 2 inseparable elements.

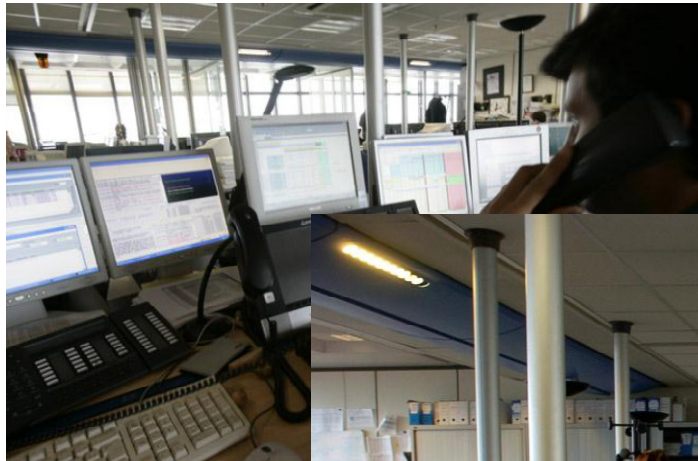


AGENCE  
FRANCE TRÉSOR

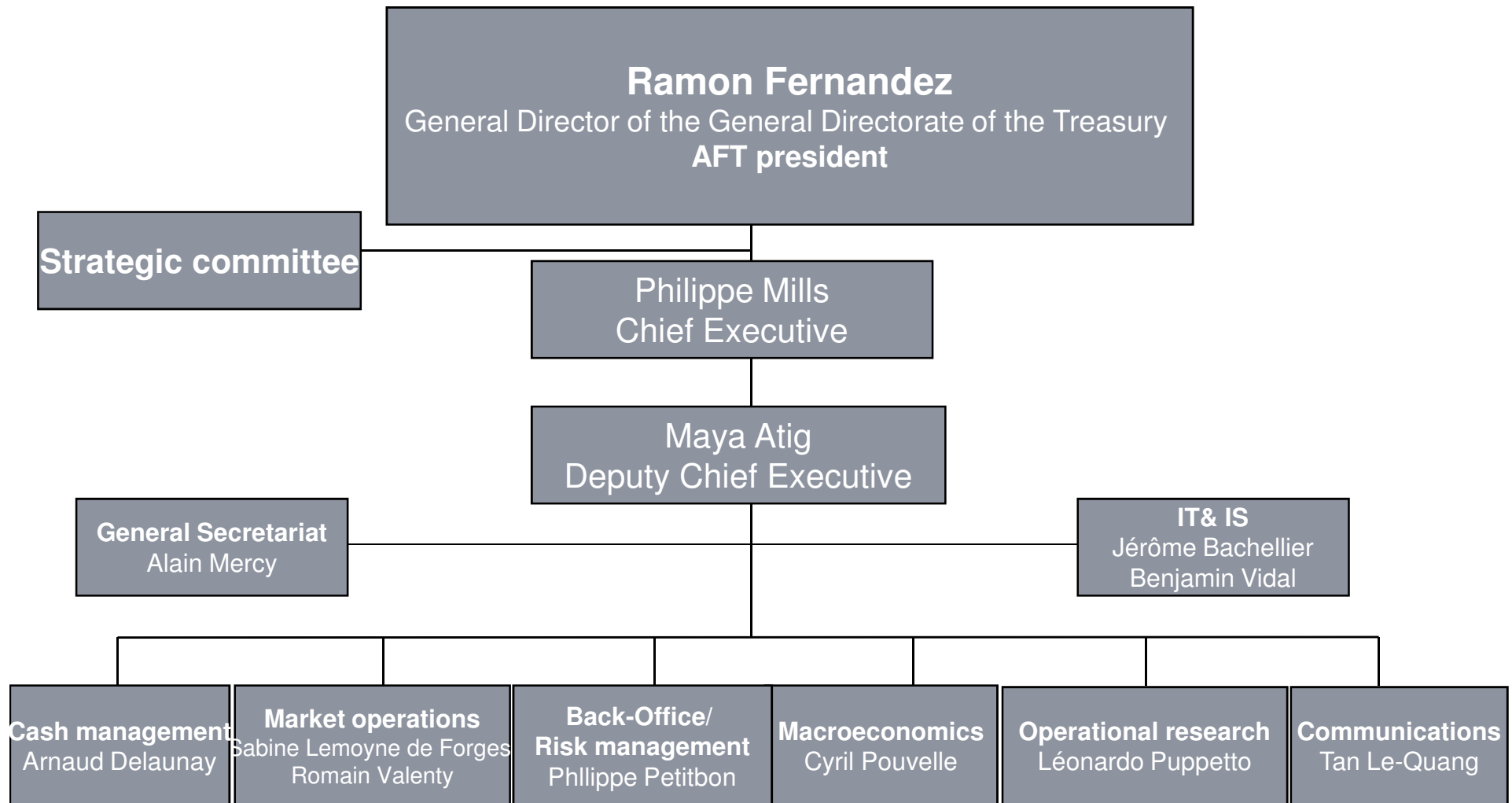
# Agence France Trésor: presentation

**How it works**  
**37 agents (19 civil servants)**

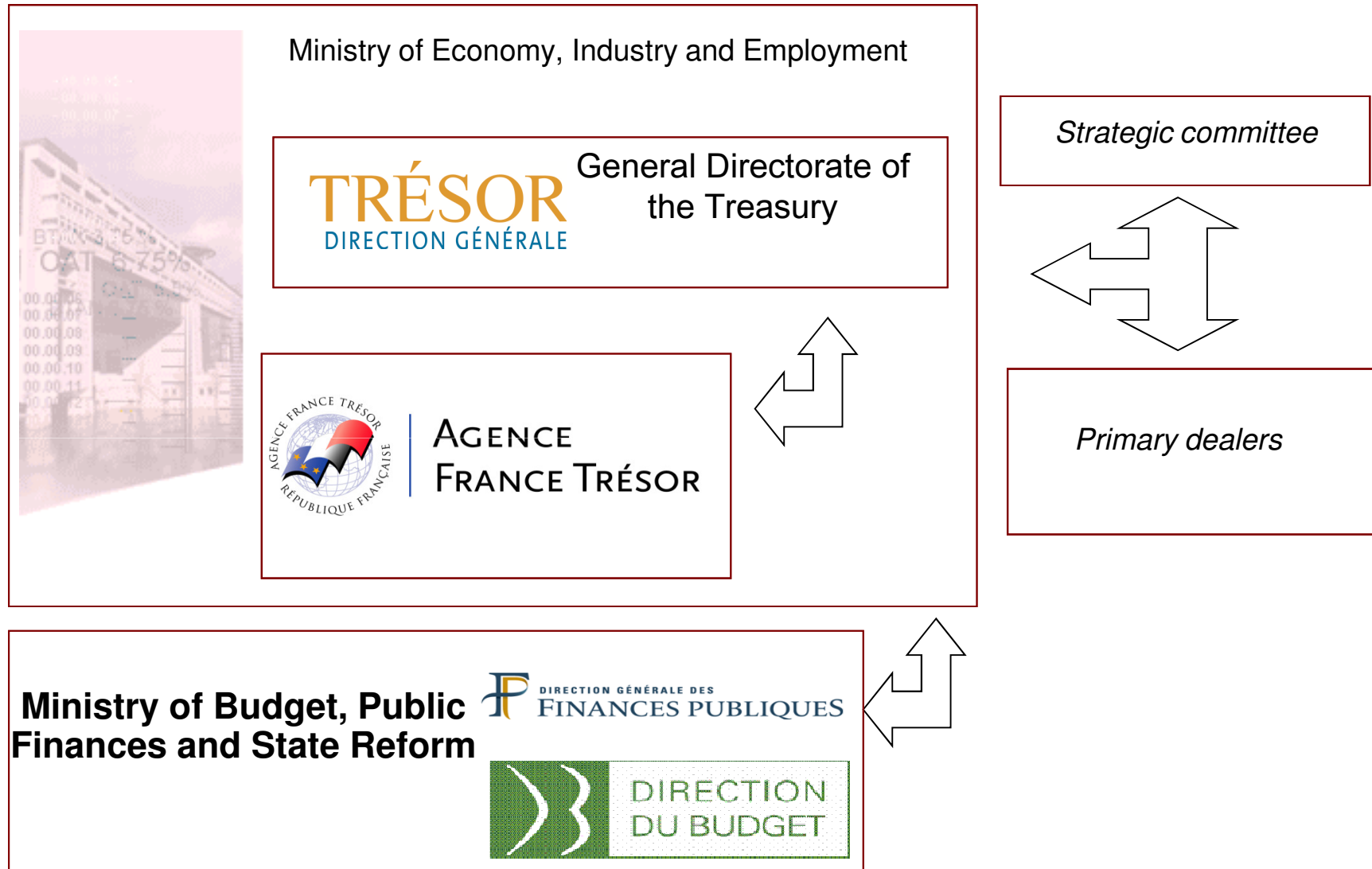
**Resources and investissements in**  
**2011: 6,3 M€**



# Organizational chart



# AFT: at the crossroads of financial information



## Key Figures

	In 2009	In 2010	In 2011
Transactions (debit or credit) on the state accounts	<b>€ 35.33 bn per day</b>	<b>€ 42.61 bn per day</b>	<b>€ 48.99 bn per day</b>

<b>Treasury Transactions</b> (Total no. of transactions)				
2007	2008	2009	2010	2011
6804 = 27 transactions per day	9802 = 38 transactions per day	16,804 = 67 transactions per day	12,315 = 49 transactions per day	8613 = 34 transactions per day

Debt management in 2011 (€bn)		
<b>Net issue above one year</b>		184
<b>Outstanding debt by the end of December</b>	BTF	178
	BTAN	247
	OAT	888
	<b>Total negotiable debt</b>	<b>1313</b>

# 1 – Cash Management

# Cash Management: “a vital function for the state”

**Objective:** Managing the state’s cash under the most secure conditions and in the best interest of the taxpayers

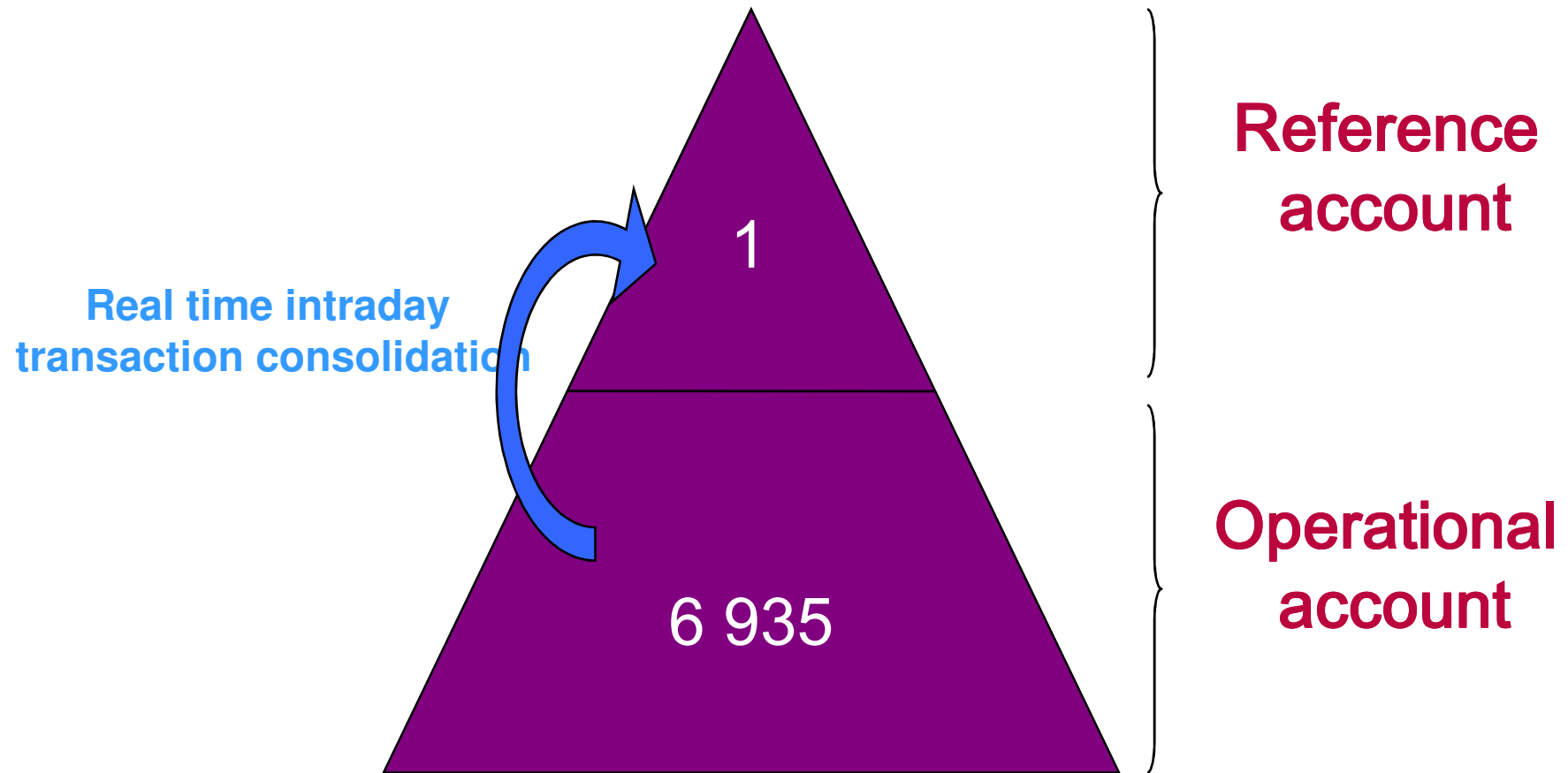
- Keeping a credit balance of the state account with the Banque de France. Article 101 of the EC treaty prohibits any advance from the central bank to the state.
- Guarantee, within this restrictive framework, that the state makes the payments it engaged;
- Placing cash surplus on the financial market with the lowest risk in the best conditions;
- Rationalize the bond issue



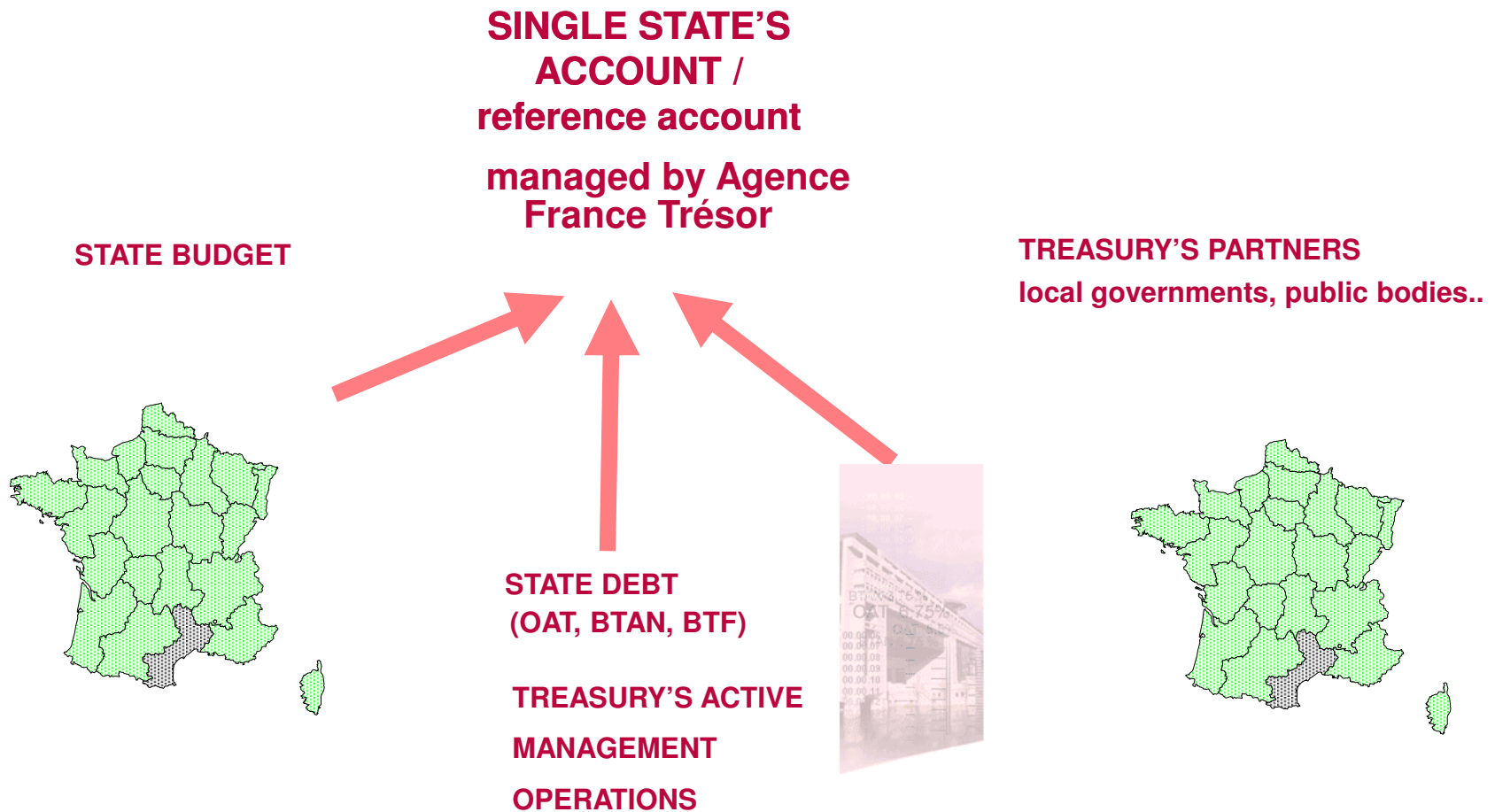
## In order to facilitate its management, the state's treasury is centralized in a single account

- A single account at the Banque de France, since 1857; its management is set out in a convention
- The Treasury's single account at the Banque de France is a record of all state transactions and those of the state's partners ("correspondants du Trésor")...  
... the state's transactions are carried by some 5,000 public accountants (the majority of them working within the General Directorate of Public Finances).

# Technical aspects: financial flow consolidation in a single account



In order to facilitate its management, the state's cash is centralized in a single account

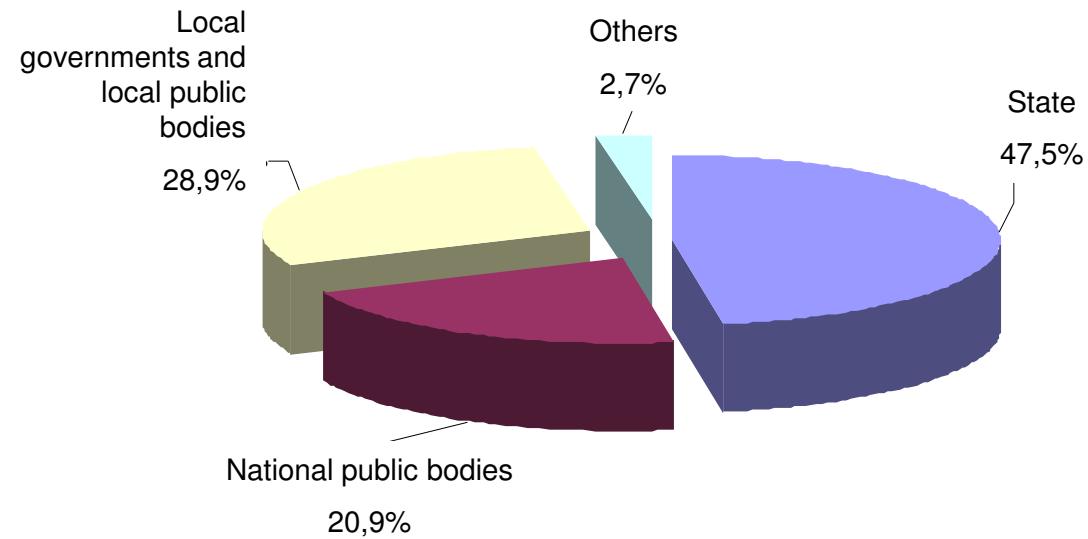


## The scope of the reference account: the state and the Treasury's partners

- Operations from the state's budget, fiscal and non fiscal revenues, operation or investment expenses
- Operations carried out by the Treasury's partners, i.e. bodies and institutions that have to deposit their cash with the public treasury (local governments, local and national public bodies, central banks of some African states),
- Financial operations carried out by Agence France Trésor

# The significant part of the Treasury's partners in the banking flows

Distribution of banking flows according to Treasury' partners in 2011



# An uneven cash flow...

## The need of reliable cash forecasts

Spontaneous balance realized in 2011



## Making cash flow forecasts more reliable

### Notification procedure at the Treasury

- ❖ The aim of the **notification procedure** is to allow the cash manager anticipate transactions, both in terms of spending and revenues.
- ❖ It contributes to the good use of public money – an objective with constitutional value (Decree n°2003-489 of December 29<sup>th</sup> 2003).
- ❖ It applies to local governments, public bodies (Decree no. 2004 – 660 of July 5<sup>th</sup> 2004), national public bodies (Decree no. 2007 – 1393 of September 27<sup>th</sup> 2007) and accounting departments of ministries via notification protocols.
- ❖ Each spending over €1 million has to be notified to the AFT at the latest at 4p.m. the day before the transaction is to be carried out.

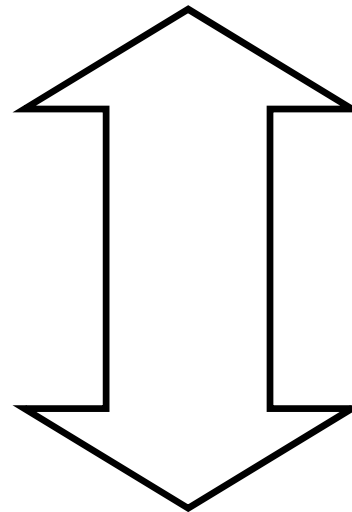
# AFT: an integrated model meant to optimize the state's cash and public debt management via the information flow

## For cash forecasts:

Upstream information about the financing program and, afterwards, about its execution.

**Result:** balance adjustments in the taxpayers' best interest

**Cash  
management unit**



**Debt unit**

## For the issuance of short-term bonds:

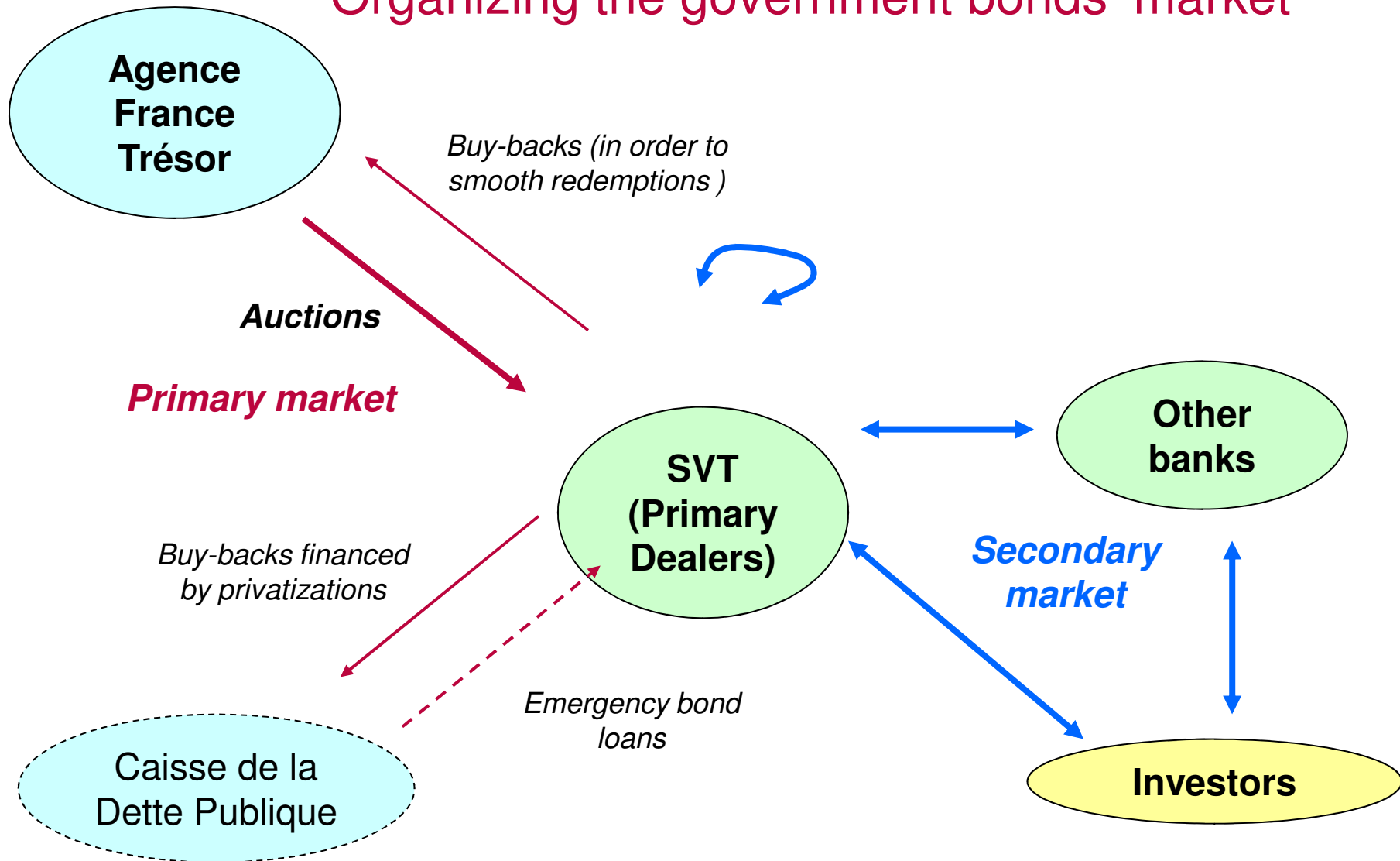
Information related to the cash needs, counterchecked against market information provided by the debt unit.

**Result:** combining safety and taxpayers' interests.



## 2 – Debt management

# Organizing the government bonds' market



# Investors

- **Monetary funds**
- **Commercial banks**
- **Central banks and sovereign wealth funds**
- **Insurers**
- **Pension funds**
- **Asset managers (indexed management, active management, alternative management...)**
- **Retail investors**
- **...**

# Primary Dealers (Spécialistes en Valeurs du Trésor – SVT)

BARCLAYS CAPITAL  
BoA - MERRILL LYNCH  
BNP PARIBAS  
CITIGROUP  
COMMERZBANK  
CREDIT AGRICOLE  
CREDIT SUISSE  
DEUTSCHE BANK  
GOLDMAN SACHS  
HSBC  
JP MORGAN  
MORGAN STANLEY  
NATIXIS  
NOMURA  
ROYAL BANK OF CANADA  
ROYAL BANK OF SCOTLAND  
SANTANDER  
SCOTIA BANK  
SOCIETE GENERALE  
UBS

According to the SVT charter negotiated by primary dealers in 2009 with Agence France Trésor, the primary dealers commit, for a 3-year period to

- ensuring auction proceedings (demand assessment before auction, participation in all auctions, minimum market share: 2.5% over a 12-month rolling period).
- maintaining the liquidity on the secondary market (coverage of all bonds issued by AFT, permanent quote of purchase and selling price – especially on electronic platforms)
- providing consultancy for AFT for its operations.

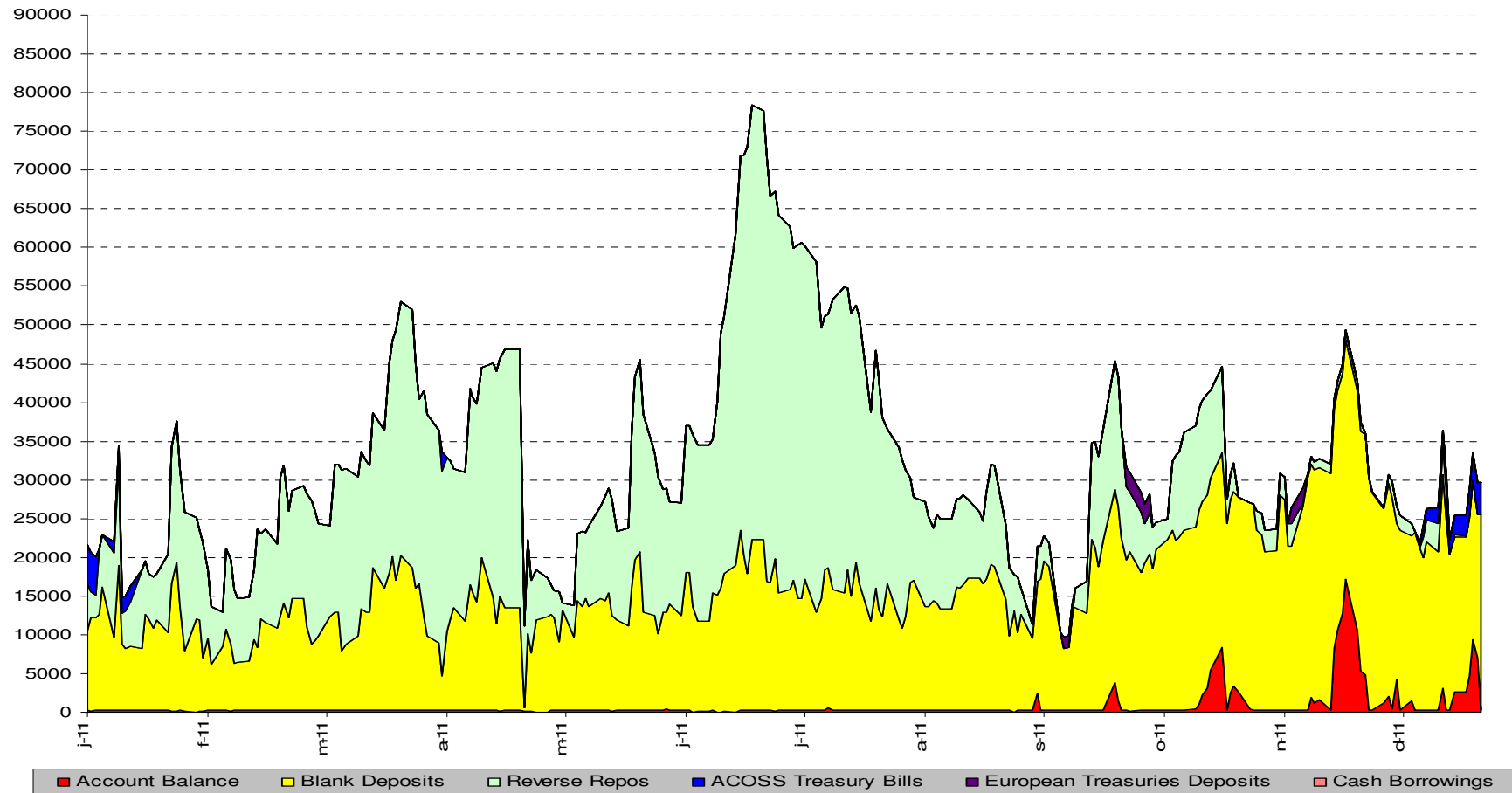
***Primary dealers' performance is assessed on an yearly basis by AFT and their ranking is published on the internet website of AFT.***

# Annexes

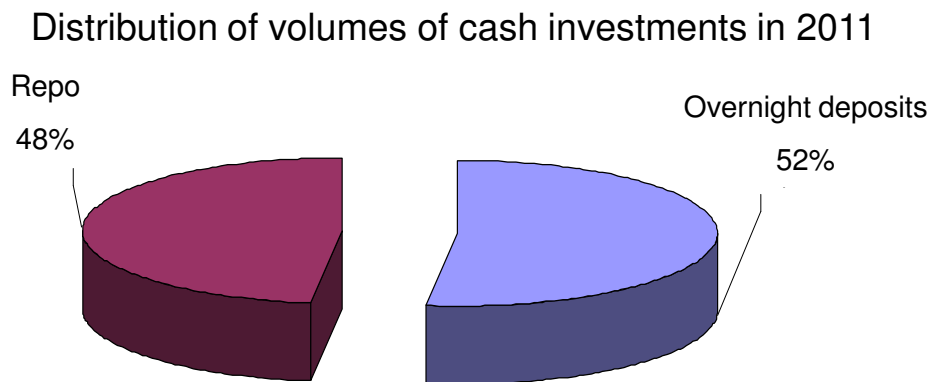
# Cash management tools

- ❖ **Investing cash surplus:**
  - Overnight unsecured lending transactions to the primary dealers,
  - Reverse repurchase agreement (over state securities) for several weeks
  - Loans granted to Eurozone Treasuries.
  
- ❖ **Financing very short-term cash needs:**
  - Loans taken out from primary dealers (SVT);
  - Loans taken out from Eurozone Treasuries (Belgian, German Treasury...);
  - Liquidity facilities granted by primary dealers (SVT).

# Reference account profile in 2011 before and after cash surplus investment



# Active management of the state's cash: operational aspect



Revenues (2011) :  
299M€



# Performance indicators

- Investing cash surplus at best price:

	2007 result	2007 objective	2008 result	2008 objective	2009 result	2009 objective	2010 result	2010 objective	2011 result	2011 objective
<b>Prêts en blanc dépôts</b>	EONIA +0,0781 %	EONIA	EONIA -0,0078 %	EONIA	EONIA -0,025%	EONIA	EONIA -0,062%	EONIA	EONIA +0,064%	EONIA
<b>Prise en pension (REPO)</b>	SWAP EONIA -0,027 %	SWAP EONIA -0,02%	SWAP EONIA -0,0447 %	SWAP EONIA -0,02%	SWAP EONIA -0,063%	SWAP EONIA -0,02%	SWAP EONIA -0,089%	SWAP EONIA -0,02%	SWAP EONIA -0,089%	SWAP EONIA -0,02%

- Optimization of the balance account measured by the adjustment rate of the balance according to the target established in certain market conditions

- Notification from the Treasury's partners

(In €bn)	2004	2005	2006	2007	2008	2009	2010	2011
Notification rate from local governments with respect to their financial operations above €1 m with an impact on the Treasury's account	91%	92%	92%	95%	93%	93%	97%	95%
Notification rate from local bodies with respect to their financial operations above €1 m with an impact on the Treasury's account					87 %	92 %	97%	98%