

# Georgian Market Overview

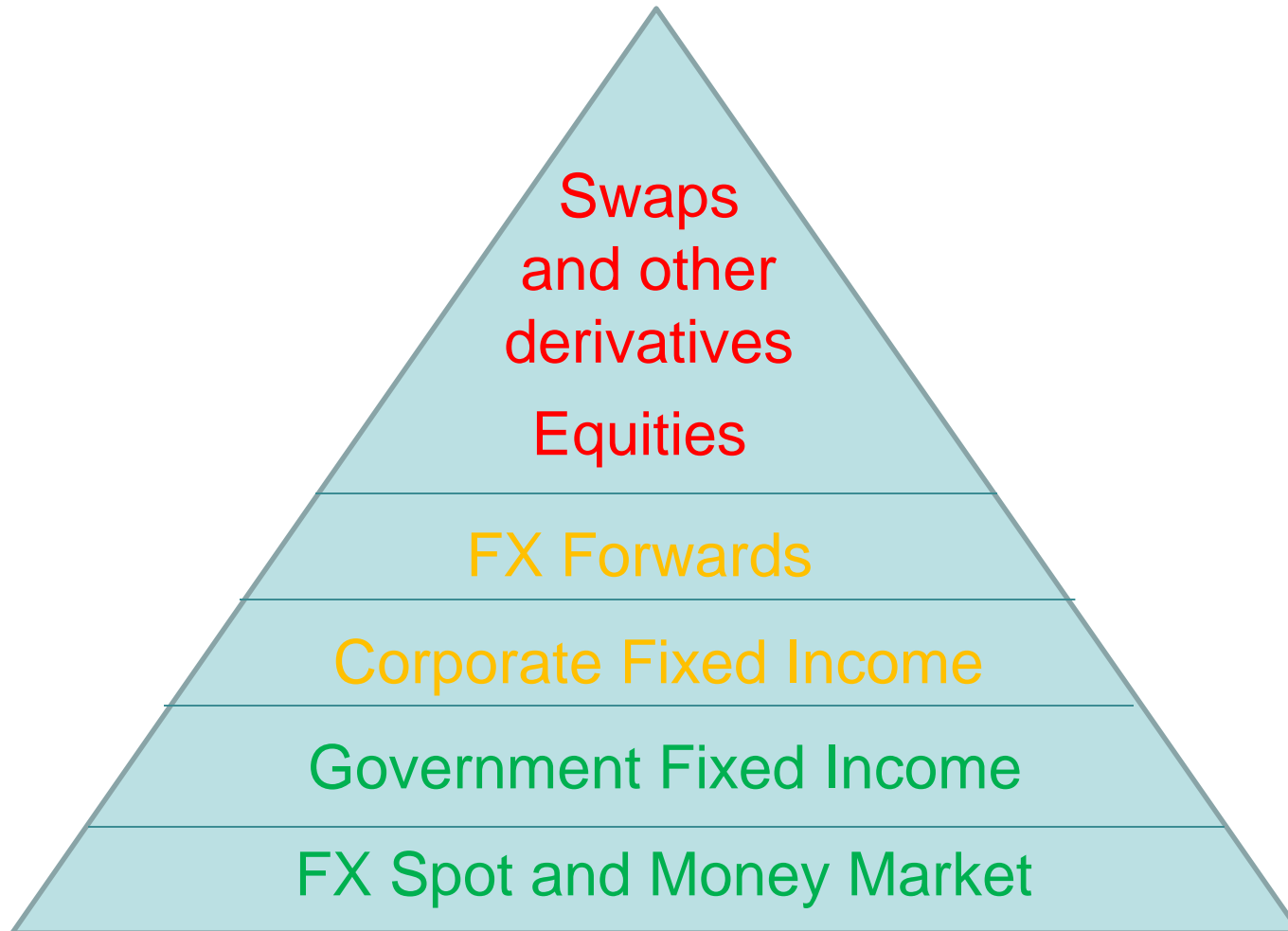
Archil Mestvirishvili

*Vice Governor*

*National Bank of Georgia*



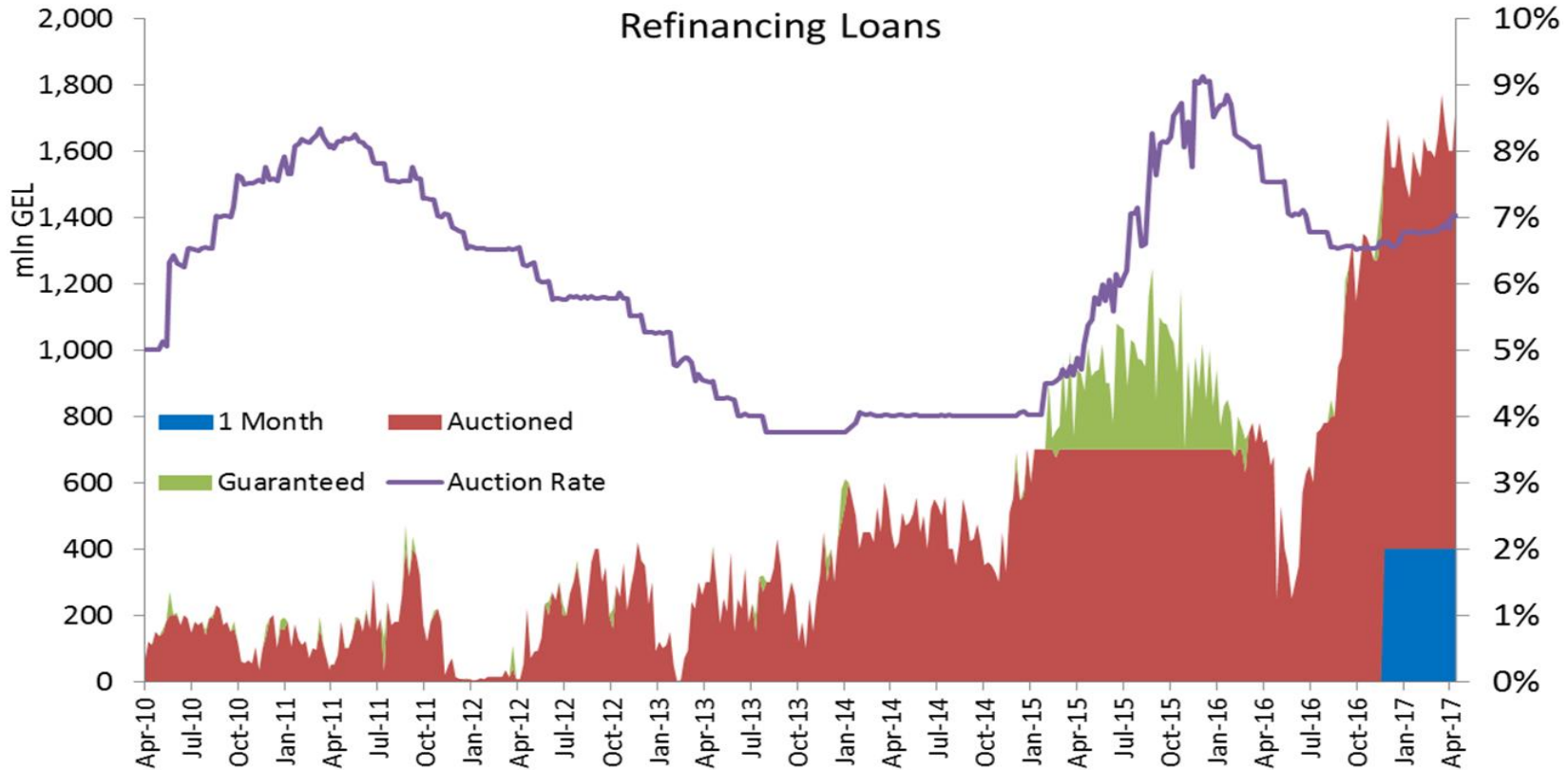
# We Have a Sequential Approach to Market Development



# GEL is a Floating Currency



# Liquid Money Market with Stable Short Term Interest Rates



**Policy Rate: 7.00%**

O/N Depo 5.50%

O/N Loan 8.50%

**NBG Operations**

1 week refinancing

1 Month OM Instrument

**MMKT Indices**

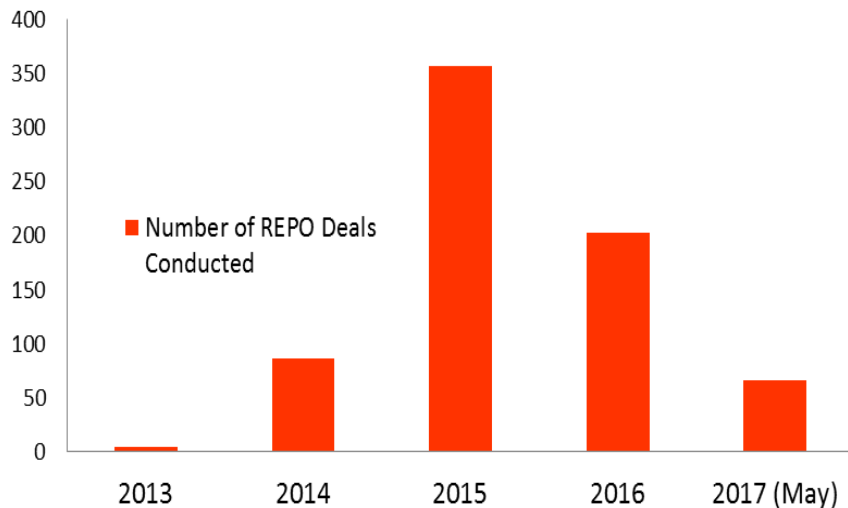
TIBR 1

TIBR 7

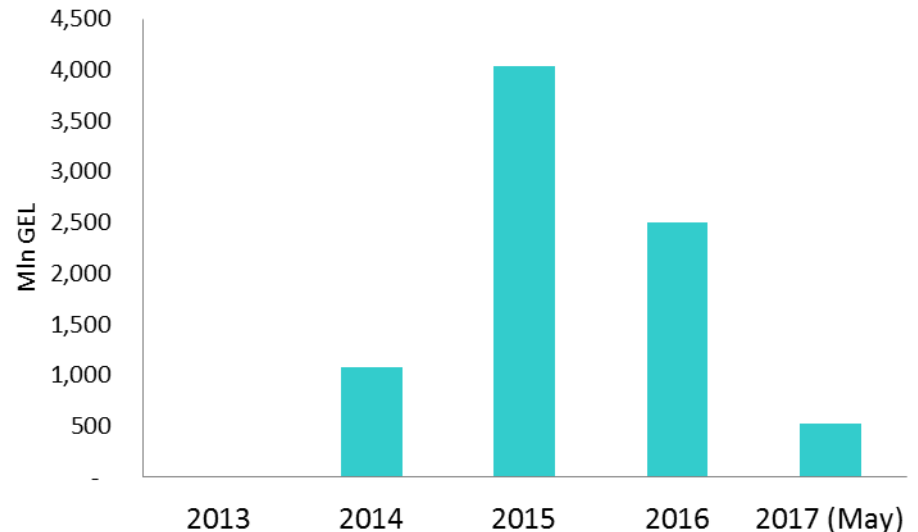
# Fast Growing Interbank Repo Market

- ICMA legal opinion was completed in May 2016;
- Few legislative amendments planned;
- Move to international GMRA planned for next year.

## Number of REPO Deals Conducted



## REPO Volume



# Treasury Bond Market

## Government and NBG Papers:

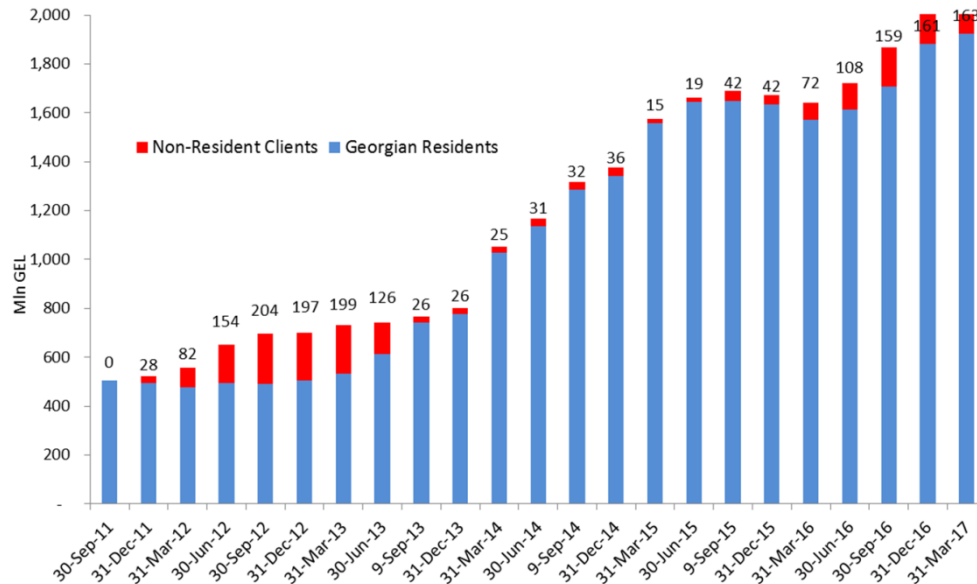
- Volume: 2.2 bln GEL (about \$0.91 bln);
- NBG CDs: 3M (Available only for domestic banks);
- Government securities: 6M and 1Y T-Bills, 2Y, 5Y, 10Y T-Notes;

## Primary Market:

- Weekly primary auctions conducted by NBG;
- Quarterly issuance calendar-Available publicly;

## Secondary Market:

- Transparent bid/ask quoting available;
- Interbank repo market;
- Central bank freely accepting collateral for lending operations.



clearstream | DEUTSCHE BÖRSE GROUP

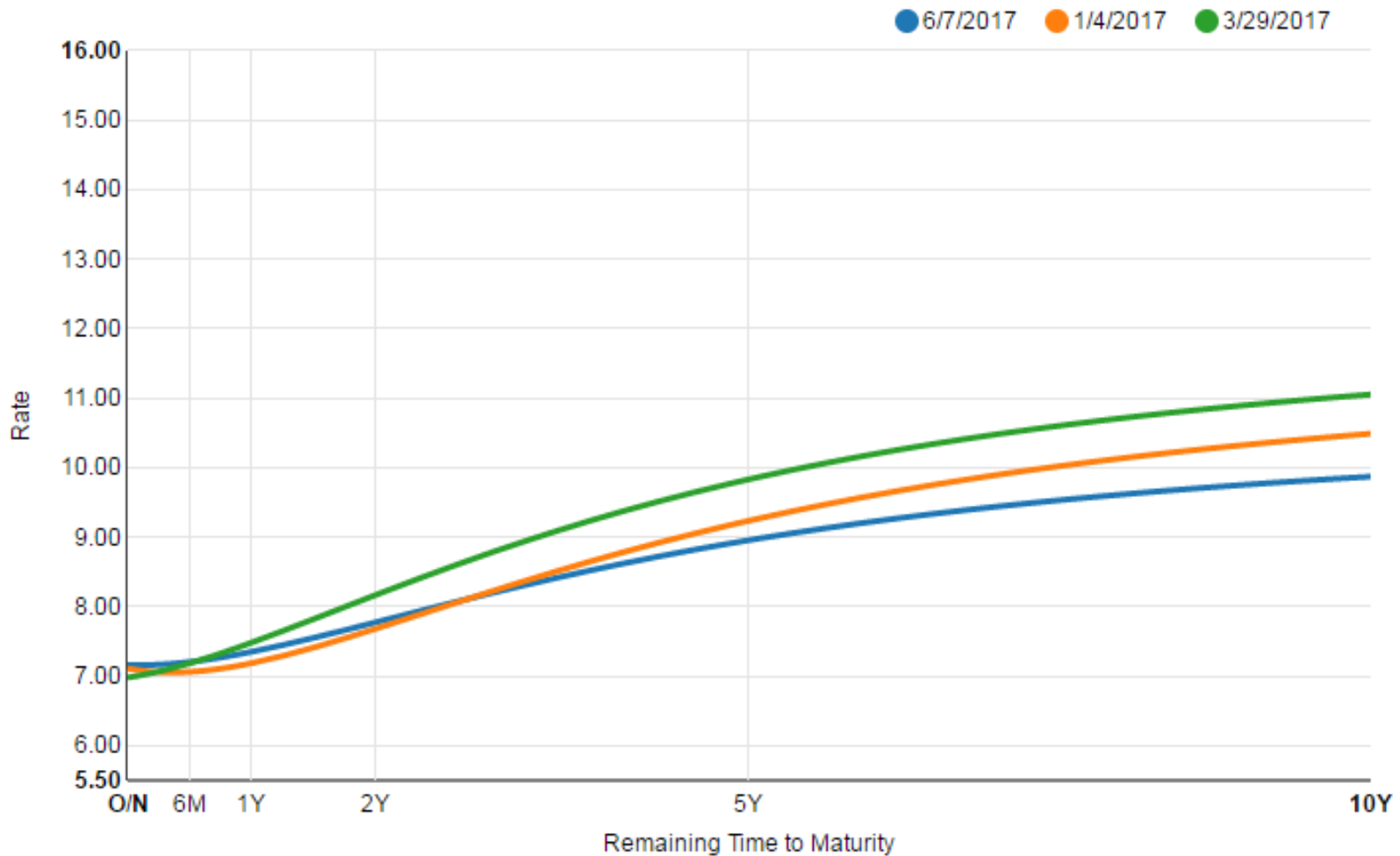


citi



# NBG Started Publishing GEL Yield Curve

Georgian Lari Yield Curve



# IFI Corporate Bonds in GEL

- Plans for 2017
  - Public offering;
  - Listing on GSE;
  - Offshore listing;
  - Involvement of ICSD;

Issuer	Currency	Size	Settlement	Maturity	Intrest Rate (%)
EBRD	₾	50,000,000	13-Mar-14	10-Mar-16	3M NBG CD
EBRD	₾	25,000,000	13-Feb-15	12-Feb-18	3M NBG CD
ADB	₾	100,000,000	19-Feb-15	15-Feb-18	3M NBG CD
IFC	₾	30,000,000	17-Feb-15	17-Feb-17	6.924
BSTDB	₾	48,000,000	5-Nov-15	1-Nov-18	3M NBG CD
EBRD	₾	107,000,000	17-Jun-16	11-Jun-21	3M NBG CD
ADB	₾	64,000,000	6-Jul-16	6-Jul-19	3M NBG CD+20bp
BSTDB	₾	60,000,000	4-Aug-16	29-Jul-21	3M NBG CD
IFC	₾	108,340,000	1-Jun-17	1-Jun-20	7.99



# Capital Market Development Strategy

- Working group consisting of MOF, MOE & NBG;
- Strategy and action plan were approved by the Government of Georgia in May 2016;
- Legislative changes will be submitted to the parliament in summer 2016;
- EU harmonization as an objective following EU accession agreement.



# Corporate Bond Market is a Priority for next couple of years

- Corporate bond markets will develop eventually on their own, but they can be developed faster with proper policies
- Self regulated OTC market
  - Functions: market education, rules and standards, information center, bond pricing agency, trade association



# NBG Supports Liquidity of Corporate Bonds

- Since June 1<sup>st</sup> NBG has included GEL denominated corporate bonds as eligible collateral for its Monetary Operations;
- Bonds must be rated by S&P, Moody's or Fitch
- Following haircuts apply:

Rating		Haircuts		
S&P & Fitch	Moody's	< 2 y	2 y < 5 y	> 5 y
AAA < BBB-	AAA < Baa3	10%	15%	20%
BB+ < BB-	Ba1 < Ba3	15%	20%	25%
B+	B1	20%	25%	30%
B	B2	25%	30%	35%
B-	B3	30%	35%	40%

# Post Trade Infrastructure Reform

- One securities settlement system (SSS) operated by CB;
- Private and government CSDs as participants;
- Settlement in central bank money;
- Similarities with ECB T2S model;
- Integration with Stock Exchange and Bloomberg OTC trading platforms;
- As a result corporate securities market will enjoy the same benefits government securities currently do.



**Thank you for kind  
attention!**



