CURRENT MARKET OF GOVERNMENT BONDS IN ROMANIA: KEY ISSUES

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Abstract
The aim of this paper is to analyse the evaluation of the level of development of government bonds market in Romania, current features and tendencies. The analysis refers to basic elements describing the bonds market such as: issuance value, issuer, bonds type, maturity, interest rate, issuance currency, yield, liquidity etc. The Romanian government is favoring a net financing in local currency to facilitate the development of the domestic securities market and to help mitigate foreign currency exposure. The presence in the international capital markets is maintained through issuances of Eurobonds.

Key words: state bonds, bonds yield, T-bills, T-bonds, government bonds, bonds market

JEL classification: G 10, G 12, G 15

1. Introduction

The bond market is the environment in which the issuance and trading of debt securities occurs. The bond market primarily includes government-issued securities and corporate debt securities, and facilitates the transfer of capital from savers to the issuers or organizations requiring capital for government projects, business expansions and ongoing operations. Bonds market is composed of the primary market (through which debt securities are issued and sold by borrowers to lenders) and the secondary market (through which investors buy and sell previously issued debt securities amongst themselves). An important part of the bond market is the government bond market, because of its size and liquidity. Government bonds are often used to compare other bonds to measure credit risk. Because of the inverse

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relationship between bond valuation and interest rates, the bond market is often used to indicate changes in interest rates or the shape of the yield curve.

There are many criteria of classification of bonds. The issuer is the most common criteria. Taking into consideration the issuer bonds can be divided in: government bonds issued by government, municipal bonds issued by local authorities and corporate bonds issued by companies and banks. Taking into consideration maturity, bonds can be divided in: bonds on short term, maximum one year of maturity, bonds on medium-term, one to three/five years of maturity, and bonds on long-term, over three/five years of maturity. Taking into consideration the interest rate, bonds are divided in: bonds with floating interest rate, fixed interest rate and zero coupon bonds.

Bonds liquidity shows that the security can be quickly and cheaply turned into money. It is one of the most aspects of investment in bonds. Different types of bonds have different level of liquidity and the difference can be significant. Government bonds are considered to be the most liquid securities, while municipal bonds have difference liquidity, but in general their liquidity is lower than government bonds liquidity. In liquid markets buyers and sellers can easily execute large orders at low transaction costs without significant price distortions. Bond markets are inherently more illiquid than equity markets. Bonds are heterogeneous as individual issuers often have a large number of different bonds outstanding with varying contractual conditions. Bond investors often hold assets to maturity, such that transactions in individual bonds occur less frequently than in equity markets. (Boermans et all, 2016) Bond volatility can be gauged in relation to maturity and coupon rate. Fluctuations in interest rates lead to significant volatility rate of a bond. Trained risk depends on the characteristics of the bond, but its size is not proportional to the increasing function of maturity title. This disproportionately implies that the risk of a portfolio is equal to the average lifetime risk appropriate portfolio.

Political risk has an adverse impact on government bond prices. The rationale is that international political risk increases the uncertainty and instability that government bond investors face. As a result, investors in government bonds will require a higher return to compensate for bearing such uncertainty. Government bond yields to rise as international political uncertainty intensifies. (Tao Huang et all, 2015) The basic reason for investing in securities is the expected rate of return which depends on a vast range of factors. Several disadvantages of government bonds include: possibility of decrease of bonds price in the case of increase in interest rate in the economy, lower liquidity, considerable transaction costs. Bonds, in general, are considered a safe investment instrument. In the rank of securities according to insolvency risk government bonds are on the first place and municipal bonds are on the second one. (Danilowska A., 2009)

The outline of the paper is as follows. Section 2 presents the capital market in Romania, focusing on bonds market, in particular on corporate and municipal bonds.

In Section 3 it is presented the government bonds market from Romania. Section 4 concludes. Research methods include descriptive analysis and graphical representation.

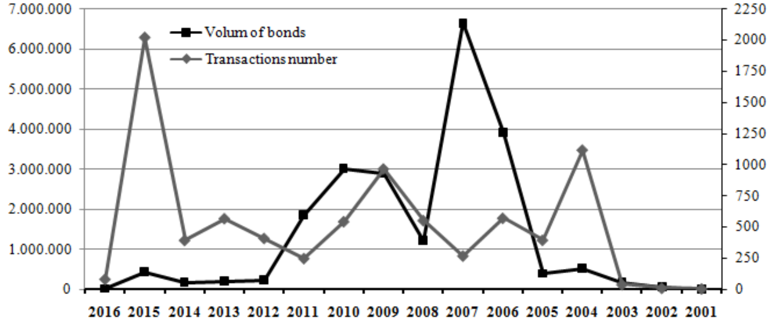
2. Bonds market - a component of capital market in Romania

Capital market in Romania is focused on transactions with shares and bonds performed mainly on the spot market. On the capital market in Romania investors have access to a range of financial instruments including: stocks, bonds, fund units, certificates, options and futures contracts traded on the two Romanian stock exchanges: Bucharest Stock Exchange and Sibiu Stock Exchange. Bucharest Stock Exchange is customized by trading stocks, bonds, fund units and certificates, while at Sibiu Stock Exchange you can invest in a small number of shares, especially in futures and options contracts. In the category of other financial instruments available for investments on the capital market in Romania can be found four fund units and 135 TURBO certificates, capital protected or index certificates, of which 17 are suspended from trading.

The stock market in Romania is characterized by a total of 387 companies listed on the Bucharest Stock Exchange and 38 companies listed on the Sibiu Stock Exchange, fully tradable. The Bucharest stock market recorded 387 shares traded, of which 84 shares are traded on the regulated market, 277 are traded on AeRo segment and ATS Intl sector comprises 26 shares of international companies. In 2015 the market capitalization of shares exceeded the value of RON 149,856.0 million, ie EUR 33,091.0 million, up to 12.3% as compared to 2014. In the end of February 2016 market capitalization decreased by 7.9% compared to the end of 2015. Analysis of annual evolutions of the past 15 years indicate yearly increases in stock market value in Romania, except for the years 2008, 2011 and 2014. In 2015, there were over 716,000 transactions involving a total of 7,036.0 million shares and an average trade value of 35.6 million RON. (BSE, 2016)

Bond market in Romania is characterized by a total of 71 bonds listed on the Bucharest Stock Exchange with a total issuance value of 21,274.0 million RON issue. Bucharest Stock Exchange offers to investor three categories of bonds, namely 12 tradable corporate bonds, of which two corporate bonds belong to international issuers, 38 municipal bonds and 21 tradable government bonds, plus another 7 series suspended from trading. In 2015 the number and volume of transactions with bonds increased significantly in Romania, so there were 2017 bonds transactions as compared to only 393 bonds transactions in 2014, a volume of 434,214 bonds respectively in 2015, as compared to 170,029 bonds in 2014.

Figure 1: Bonds liquidity on Romanian market 2001-2016



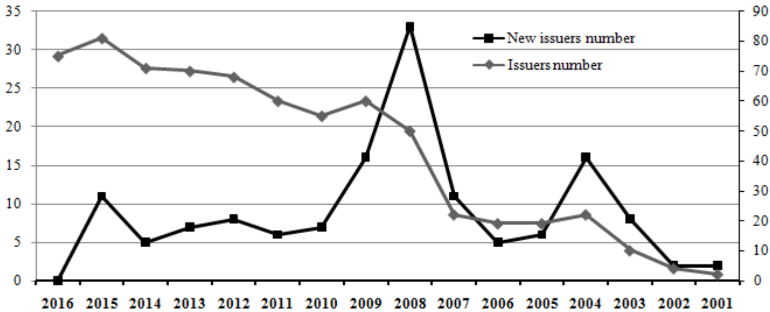
Source: Own processing based on Bucharest Stock Exchange data (available at 10.03.2016)

From the chart above, it can be seen that the volume of bonds traded in Romania recorded significantly yearly variations in the last 15 years with a peak of over 6.6 million bonds traded in 2007, ie a volume of 15 times greater than that recorded in 2015. Between 2006 and 2011 bonds recorded the largest volume of transaction of over 1 million bonds annually. It may be noted discrepancies in investment behavior, so in 2007 the average bond transaction was of 24,822 bonds as compared to 2015 when the number of traded bonds was large but the average volume of bonds traded was only 215 bonds / transaction.

Regarding the analysis of bonds issuers' number in Romania at the beginning of 2016 this figure amounted to 75 issuers, ie 6 issuers less than in 2015. Evolution of the number of bond issuers in Romania is trending upward every year for the past 15 years, from 2 issuers in 2001 reached 81 issuers in 2015. The most significant increase in the number of issuers of bonds in Romania was in 2008, when there were 33 new issuers as compared with the previous year.

Bond market in Romania is divided in the following sectors: corporate bond market with an issue size of 2289.7 million RON holds a 10.76% share of total bonds market, municipal bonds market with an issue size of 3310.8 million lei accounting for a share of 15.56% in total bonds market and government bonds market with a issuance value of 15673.9 million lei and a share of 73.67% in total bond market.

Figure 2: Bonds issuers evolution in Romania



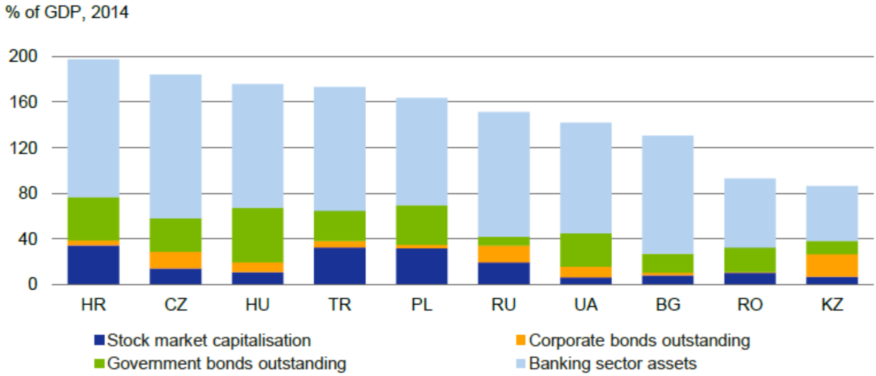
Source: Own processing based on Bucharest Stock Exchange data (available at 10.03.2016)

Issues of corporate bonds in Romania are made by companies operating in the banking, financial, and energy sector. Issues of corporate bonds have maturities of 3 years (41.7%), 5 years (41.7%), 7 years (8.3%), 10 years (8.3%). Of the 12 bonds traded at the end of February, 2016 just one issuance has option of convertible corporate bonds into shares. Coupons related to corporate bonds are paid in 3, 5, 10, 11, 12 or 15 installments. Corporate bonds issuances have a nominal value of 1,000 or 10,000 lei, and half of corporate bonds have maturity in 2018. The yield offered by corporate bonds range from 5.37% to 12% in fixed interest rate, respectively ROBOR6M + 3 % for one corporate bonds with variable interest rate. The market price of corporate bonds varies between 100-111 lei / bond.

Financial decentralization is a process affecting Romania in the last decade. New financial privileges and responsibilities were given to local governments. The need for the modernization and development of the local infrastructure exceeded the financial capacity of these units. They began to search for additional sources of funding local needs, so they start to launch issuing municipal bonds. Currently (02.29.2016) are listed on the Bucharest Stock Exchange 38 issues of municipal bonds issued by 21 public issuers, divided as follows: 6 issues of the city halls, 11 issues of the municipality hall, 1 issue of communal hall and 5 issues of county councils. Issuance of municipal bonds is a common funding strategy for five local authorities (Bucharest, Timisoara, Hunedoara, Bacau, Cluj), they have issued more than 3 series of bonds. The nominal value of municipal bonds is 100 lei, except four issues of municipal bonds at nominal value of 10,000 lei. The trading price for most programs is lower than the nominal value of municipal bonds, except bonds which are issued by the Romania's capital (Bucharest), where trading price is higher than the nominal value by 1 to 6 lei per piece. The lower market values are recorded by Predeal, by 40% below the nominal value, respectively Timisoara with about 37% below the nominal value and Siret by 33% below nominal value. Regarding maturities, on the municipal bonds market in Romania it can be identified ten issues maturing in 20 years, 9 issues with a maturity of 18 years, 7 issues with maturity of 19 years and 5 issues with maturity of 17 years. It is also remarkable three issues with maturities of 3, 5 and 7 years, respectively a medium-term maturity. Issuers prefer quarterly payment of coupons in 23 municipal bonds issue's programs, semiannually payable coupons for 10 issues, and only three issues with annual payment of coupons. The interest rate offered to investors is variable in 34 issues of municipal bonds, calculated as an arithmetic average of ROBOR and ROBID, either at 6 or 3 months, plus a margin that varies from 1,5% for bonds of Alba Iulia and 0.1% for bonds of Timisoara. It stands 4 issues of Bucharest which offers a fixed interest rate of 2.8%, 3.58 %, 4.3% and 5.1%. In terms of issuance value, the issue value is depending on the size of the issuing local authority, so Bucharest drew 2.220 million lei by 4 bonds programs in 2015, followed by Timisoara with a total value of 250 million lei and Iasi with a total value of 200 million lei. The lowest values of bonds issue made by municipalities were registered in the case of provincial towns such as Teius, which attracted on capital market 1.5 million lei, Aninoasa 3 million lei, Siret and Predeal 4 million lei, while Eforie 6 million lei. In Romania all municipal bonds are denominated in lei. Municipal bonds are advantageous for local authorities because they are including lower interest rates as compared to bank interest rate, but there is the possibility of insufficient demand for issued bonds and the funding process takes longer than the one for credits. The potential that municipal bond offer to raise supplementary financing sources or to co-finance the structural funds seems to be ignored. Local governments rather stay within the known boundaries of bank loans, despite being more expensive, than to risk the transparency and fiscal discipline related to public and/ or listed bond offers. (Pop C., Georgescu M.A., 2015) The functioning of the municipal bond market is strictly connected with the existence of the functional capital market, institutional mechanisms for evaluating the credit rating or a proper autonomy and credibility of local public sector. (Galiński P., 2013)

Capital market in Romania is one of the smallest in Europe, taking into account the capitalization of companies listed and traded value, both in the primary market and the secondary market. Regarding outstanding bonds as a percentage of GDP, the CEE corporate bond market is very small in an international comparison. CEE financial markets remain largely bank-based, with bond and stock markets underdeveloped. A large and diversified source of demand is a key ingredient of more sophisticated bond markets. Progress in this respect has been mixed in CEE. (Arakelyan M. Mühlberger M., 2015)

Figure 3: CEE financial markets by segment



Source: Arakelyan M. Mühlberger M., 2015, p. 2

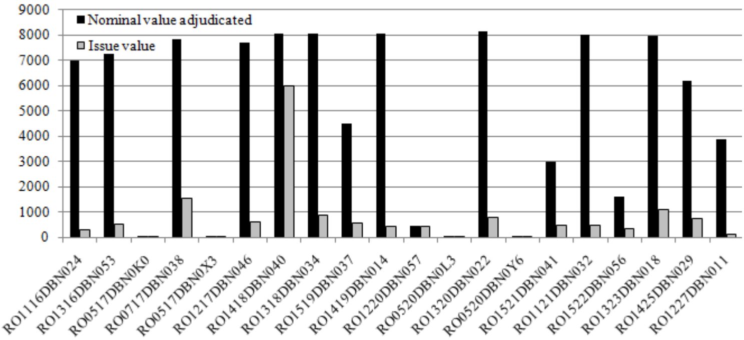
As the graph shows, Romania can be found among the countries with the lowest share of capital market in GDP, the sector of corporate bonds is very small as compared to neighboring countries, the market capitalization of Romanian stocks is also small, but government bonds sector is larger than in Bulgaria, Kazahstan and Russia. Poland, Hungary, Croatia and Czech Republic have more developed bonds markets than Romania. The government can employ a wide range of tools in building up the bonds market infrastructure and boosting the development of bond issuance. These tools include macro-stability, governance issues, effective clearing and settlement facilities, to diversify investor base or implementing adequate taxation policies. (Arakelyan M. Mühlberger M., 2015) The government plays an important role in establishing the risk-free yield curve that serves as a benchmark for pricing corporate debt securities issued on the same market. It is important to develop a liquid benchmark yield curve that covers the whole spectrum of maturities.

3. Particular features of government securities market in Romania

In Romania, government debt management is handled by the Ministry of Public Finance (MPF). Romanian government bond market has two components: government bonds (T-bonds) and treasury certificates (T-bills), they are traded on Bucharest Stock Exchange. The difference between these two securities is that treasury certificates are issued with a maturity of 1 year, while maturities for T-bills are larger than 1 year to 15 years. The National Bank of Romania (NBR), acting as the agent of the Ministry of Public Finance (MPF), is in charge of the management of primary for government securities in dematerialized form, in both national and foreign currencies, on the domestic market. (www.cbonds.com, 2016)

According to data published by the National Bank of Romania, in March 2016 there are on the market 37 issues of state bonds, of which 15 issues of treasury bills with a nominal value awarded to 10,905.36 million lei and 22 issues of government bonds with a nominal value adjudicated approximately to 104,231.79 million lei. T-bills sector has the particularity that all issuances are denominated in local currency. Treasury bills maturity is 1 year, with the exception of four issues with maturity less than 365 days. Treasury bills are issued with discount, the percentage of reduction varies between 0.45 % and 1.59 %, so the cost of short-term financing of Ministry of Public Finance is declining.

Figure 4: Demand and offer of government securities on the primary market

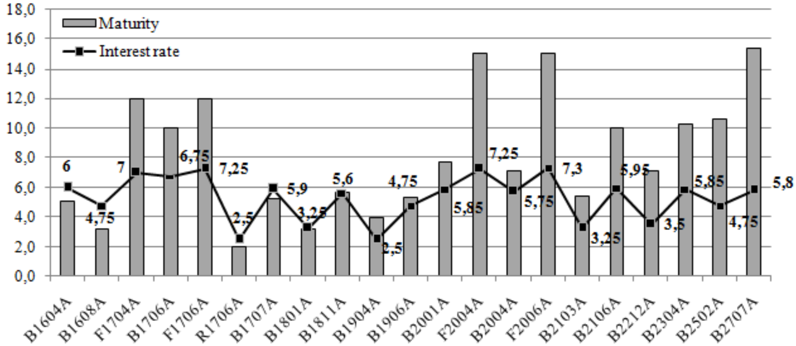


Source: Own processing based on Bucharest Stock Exchange and National Bank of Romania data

Current T -bonds (government bonds) market is characterized by a total of 28 long -term securities denominated in lei, of which 7 are suspended from trading, and 21 programs are listed on the Bucharest Stock Exchange. Nominal adjudicated value of Eurobonds for trading in Romania reach 1,428.66 million euro and it consists in two series of issues with maturity of 5 years. From the chart below, it can be seen that the issuance of government bonds in Romania are oversubscribed by investors, except 6 series of tradable government securities. The total nominal adjudicated value for all tradable government bonds on domestic market is 97,856.54 million lei, 6 times larger than the issuance nominal value of 5,608.93 million lei.

Issues of government bonds with longer maturities are accompanied by coupon rates higher than the issuance of government bonds with shorter maturities. Specifically, in 2015 Ministry of Public Finance issued T-bonds with maturity of two years and a coupon rate of 2.5 % compared with another T-bond issue with maturity of 7 years and a coupon rate of 3.5%. Number of coupons varies depending on bonds maturity, but the payment is usually annual. The average interest rate that accompanies government bonds issuances is 5.31% for all tradable government securities at the end of March, 2016.

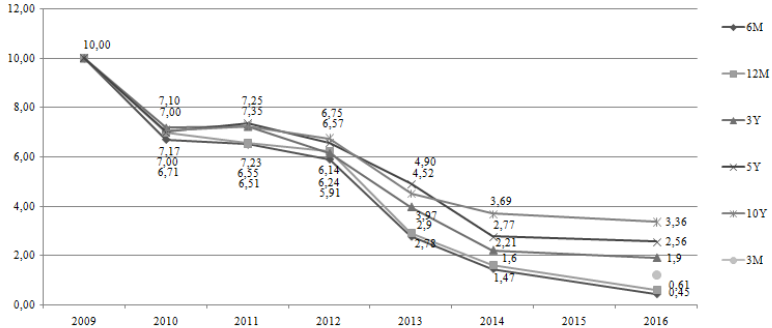
Figure 5: Correlation of interest rate and maturity for government bonds (RON, traded on BSE)



Source: Own processing based on data published by Bucharest Stock Exchange

The coupon rate offered by the Romanian state to Eurobonds is 3.4% for Eurobonds with maturity in 2019. The last issue of Eurobonds in February 2016 shows a coupon rate of 1.25%. The interest rates for government securities in foreign currency continued decreasing in 2015, driven by the evolution of interest rates in the EU and the continued compression of the spreads for Romania. From the figure below it can be seen the downward trend rate coupon securities regardless of maturity. Thus, if in 2010 the Romanian government offered to investors a risk- free rate of about 7%, in 2013 it was reduced to about 4%. The beginning of 2016 brings investors a yield of 1-2% in bonds.

Figure 6: Yield Evolution on Maturity

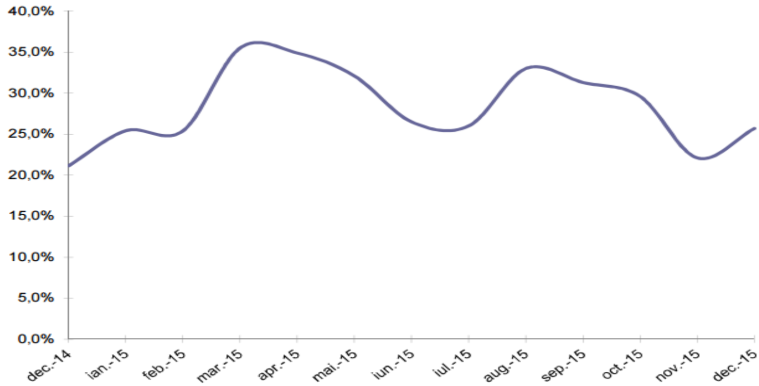


Source: Romanian Ministry of Public Finances (www.mfinante.ro)

In terms of maturity of Romanian government bonds issuance it may be classified in bonds on medium term with maturity between 2 and 5 years (8 issues are tradable), bonds on long-term with maturity term of 5 to 10 years (4 issues are tradable) and bonds on very long-term with maturities over 10 years (9 issues are tradable). From the perspective of year for reaching their maturity, it can be identified five series of bonds maturing in 2017, four series of bonds maturing in 2020, and the rest of the series is distributed relatively balanced until 2027. The weighted average value of the remaining maturity relating to the outstanding government securities issued on domestic market end December 2015 is 3,04 years and 7,8 years for Eurobonds issued on external markets.

Tradable government bonds are characterized by low liquidity on the Bucharest Stock Exchange, without taking into account the suspension from trading of 7 government securities series. Stock statistics from the last 6 months (September 2015 - February 2016) indicates conducting transactions for 11 series of government bonds issues of 21 issues available to investors. The number of transactions in the 6 month does not exceed three for nine series of government bonds of 11 issues for that occurred transactions in that period. The highest number of transactions took place for the government bonds issued on 2 years and maturity in 2017, ie 34 transactions in the period mentioned above, followed by 20 deals with government bonds issued for 3 years with maturity in 2016. The largest volume of government bonds traded in the period September 2015 - February 2016 was 4.475 bonds maturing in 11 years, ie in 2025.

Figure 7: Liquidity degree of the government securities issued on domestic market traded in 2015



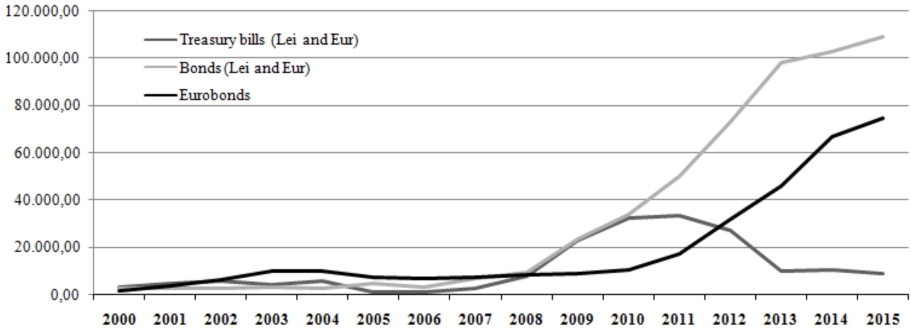
Source: Romanian Ministry of Public Finances, Public debt report, December, 2015

Liquidity degree, calculated as ratio between the total volume of monthly transactions and the total volume of the government securities, has in 2015 alternative evolutions, increases followed by decreases, as it can be seen in the figure from above. Contrary to the strong performance of the primary market the liquidity in the secondary market, which is an important indicator of the development of the government securities market, dropped in 2014 and performs at low levels compared to international standards. The low levels of trading in the secondary market could reflect market factors, such as the anticipation of further yield reduction following the accommodative policy of the National Bank of Romania and structural deficiencies, such as the lack of secondary market instruments, such as repos and the absence of an active participation of the Romanian Treasury with repos, buy backs, exchanges etc. Part of the policy to build up more liquid securities is to introduce by the mid 2015 the electronic trading platform (ETP) which will contribute to increasing the transparency of quotations and hence the price formation of the government securities creating the conditions to decrease in trading costs to the participants in the secondary market. In 2015, subject to procedural and operational framework being completed, the Ministry of Public Finance intends to use specific secondary market operations, like buy backs and exchanges, in order to accelerate the building of bonds liquidity.

Current market conditions allow Romania relatively easy access to funding in the domestic debt market and in the international capital markets. Recent efforts to promote the deepening of the domestic market such as the inclusion of government bonds in regional market indices have resulted in maintaining a considerable demand from non-residents. At the end of 2015 the Romanian public debt was 315.691,6 mil lei, ie 44.8% of GDP, by 6,8% more than one year before. Government public debt is 94.6% of total public debt (299.056 million lei), while the share of local public is very small, ie 5.4% of total public debt (16.596 million lei). The graph below shows a change in policy strategy for financing by issuing government securities. Until 2008 bonds were sold on foreign markets, after 2008 the focus is on domestic bonds issues and their values exceed the annual amount of Eurobonds. Also, it can notice a constant annual growth of Eurobonds and domestic bonds since 2009, instead year 2013 brings a reduction in T-bills issues and a constant maintenance of their value in the coming years.

The Ministry plans to maintain Romania's presence in the international capital markets albeit at slower pace since the domestic market will be sourced as the main fund provider for the government. Most issuances of Eurobonds on external markets will be denominated in EUR to consolidate and expand the price references for the government securities with particular interest in the longer maturities subject to market conditions. Nevertheless, the issuance of Eurobonds in USD or in other currencies on external markets will also be considered as it offer advantages in terms of longer maturities, increased capacity of absorption of new issuances and a diverse investor base. The latter is particularly important for Romania as a funding alternative in case external events result in limited access to financing in the European markets. (MofPF, 2015)

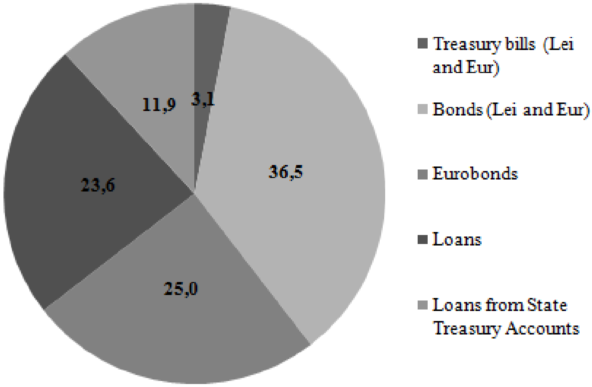
Figure 8: Evolution of government securities value during 2000 - 2015



Source: Romanian Ministry of Public Finance

Taking into consideration the instruments, it can be seen that securities market has a share of 64.6% of total government public debt at the end of 2015. Bonds have the largest share in government public debt. The Ministry of Public Finance got 109.073,5 mil lei by issuing bonds, ie more than 1/3 of government public debt. The second financial instrument used by the Ministry of Public Finance in 2015 is Eurobonds, these had a value of 74.749.7 mil lei and represent a quarter of government public debt. T-bills have the lowest share, 3.1% of government public debt.

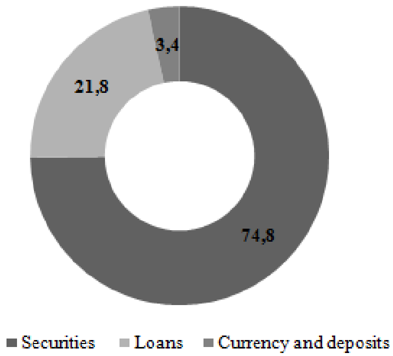
Figure 9 : Structure of government public debt



Source: Romanian Ministry of Public Finances

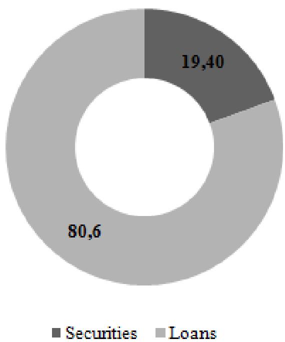
Issuing securities for financing the current and investment activity of public authorities is a strategy used at central level as compared to local level. Local authorities are not so open to issuing securities, they prefer loans. The share of securities in local public debt in 2015 is 19.4%, as compared to 74.8% at central level.

Figure 10: Structure of central public debt by instrument 2015



Source: Romanian Ministry of Public Finances

Figure 11: Structure of local public debt by instrument 2015



Source: Romanian Ministry of Public Finances

Composition of the debt portfolio by residency of creditors and debt instrument shows that 83% of domestic debt instruments are represented by bonds and 8% are T-bills, while 51.9% of external debt instruments are represented by Eurobonds and 0.6% is represented by T-bills. (MofPF, 2015) Holdings of government securities issued on domestic market are banking system and central deposit with a share of 49.8% and clients with a share of 50.2%. Clients' holdings are divided in non-residents with a share of 17.6% of domestic government securities and residents with a share of 32.5% in domestic market of government securities. Banks will continue to remain the main supplier of funds to the government. The investors' preference focuses on maturities of up to 7 and marginally to 10 years, especially for the most liquid instruments included in the regional indices. As institutional investors, local asset managers and pension funds have a relatively small share in the government securities however on ascendant trend and significant potential to support the development of the local government securities market in the near future. The behavior of non-resident investors is slightly volatile, being influenced by developments related to financial markets. Non-residents are seen as important investors in government securities since their demand is complementary to that of local investors as result of their interest in long maturities. (MofPF, 2015)

The following principles guide the Romanian government funding decisions during the period 2015-2017: favoring a net financing in local currency to facilitate the development of the domestic securities market and to help mitigate foreign currency exposure; maintaining presence in the international capital markets, through issuances of Eurobonds mainly in EUR and access the USD market or other foreign currencies markets on an opportunistic basis, selecting the longest possible maturities bearing in mind the cost of extending maturity; gradually elimination the issuance of government securities denominated in EUR in the domestic market, on medium term; in the process of external financing, the foreign currency debt will be contracted mainly in EUR.

4. Conclusions

The total size of Government securities to be issued by the Ministry of Public Finance in 2016 on the domestic market is determined by the target budget deficit of 2.8% of GDP to be financed 50% from the domestic market and 50% from external markets, and by the volume of government securities redemptions on the domestic market in 2016 (in RON and EURO), amounting to aprox. RON 38 billion (as of 31 December 2015), out of which RON 31 billion are due for RON denominated government securities and RON 7 billion for EURO denominated securities. The Ministry of Public Finance is planning also to borrow from the external markets an amount of around EUR 4.5 billion, subject to market conditions and opportunities.

(MofPF, 2015) Thus, to achieve the objective of reducing the refinancing risk, the Ministry of Public Finance is planning to issue in 2016 a volume of RON 48-50 billion on domestic market with a maturity structure of 30% / 70% short-term maturities versus medium and long term by issuing treasury bills with a volume of about RON 14-15 billions and benchmark bonds of about RON 34-35 billion. To meet the objective of consolidating and extending the yield curve in RON and to improve the liquidity of Government securities market, the Ministry of Public Finance is planning to tap the existing benchmark bonds until they reach volumes of around EUR 2 billion equivalent for each maturity.

Most auctions of government bonds are overwritten, the local banks being the main buyers of short-term government securities and non-residents being the main investors in long-term government securities. A key driver of the strong appetite for government securities was Standard and Poor's upgrade of Romania to investment grade which triggered an increase in the weight of Romania government securities in regional indices starting with July 2014. Thus, at the end of 2014, 9 series of T-bonds were included in the JP Morgan GBI-EM Global Diversified index with a share of 2.52% and 8 series in the Barclays EM Local Currency Government index. (MofPF, 2015) Ministry of Public Finance continued efforts to pursue a predictable issuance policy, the announced amounts being allocated entirely in most of the auctions.

The Romanian government is favoring a net financing in local currency to facilitate the development of the domestic securities market and to help mitigate foreign currency exposure. The presence in the international capital markets will be maintaining through issuances of Eurobonds mainly in EUR and access the USD market or other foreign currencies markets on an opportunistic basis, selecting the longest possible maturities bearing in mind the cost of extending maturity. The strategy of Ministry is to eliminate gradually the issuance of government securities denominated in EUR in the domestic market, on medium term. (MofPF, 2015) An objective of debt management in Romania is developing a domestic market for government securities, the development of a liquid market of government securities and the construction and consolidation of a yield curve in national currency are also important.

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