

ICMA AMTE COUNCIL: GUIDANCE ON BUYBACKS BY GOVERNMENT, GOVERNMENT AGENCY AND SUPRANATIONAL ISSUERS

Introduction

1 The purpose of this guidance is to improve the functioning of the international capital market by increasing the transparency of buybacks of public debt and private placements by government and government agency issuers in the European Union as well as by supranational issuers (“issuersⁱ”). It has been drawn up by the Government, Government Agency and Supranational Bond Market Working Group of the ICMA AMTE Council, which consists of issuers, intermediaries and investors.

Buyback policies

2 Issuers do not all have publicly disclosed policies for buying back their own debt securities in the international capital market. Where issuers do have buyback policies, objectives and the manner in which they are conducted differ. For example:

- (a) Objectives: Issuers buy back their own debt as buyer of last resort (i.e. when there is no market) or on an *ad hoc* basis when they consider that the market is undervaluing their debt.
- (b) Manner: Issuers conduct reverse auctions from time to time, which are pre-announced, or intervene in the secondary market without necessarily making a public announcement.

3 Issuers currently price buyback deals in different ways, for example:

- first, through reverse or exchange auctions, at a transparent price determined by the market;
- second, at a discretionary price negotiated by the issuer.

4 Issuers’ buyback policies differ mainly because of the different characteristics of the issuers conducting the buybacks. In particular the format in which issuers raise their funding (eg how they mix private placements and public issues, whether they conduct auctions, and whether they hedge through swaps or do not hedge) has an impact on their approach to buybacks.

Recommendations on transparency of buyback policies

5 Although issuers’ buyback policies necessarily differ, it would help to create a more efficient market, and increase transparency for investors, if issuers that intend to buy back their own debt securities were to disclose their respective buyback policies clearly in public (eg on their websites, or by press release).

6 In setting out their buyback policies, it is recommended that issuers should:



- disclose their overall policy on buying back their own debt (eg whether this is on a case by case basis or they follow predefined patterns or objectives such as the provision of particular liquidity to investors);
- disclose their specific policy on buying back private placements (eg whether they are willing to buy back up to 100% of the issue outstanding);
- disclose their specific policy on buying back public issues;
- disclose, as a result of buybacks, holdings which are materialⁱⁱ in an appropriate manner that is consistent with relevant regulations for preventing market abuse;
- disclose, through appropriate channels, whether public debt that has been bought back has been redeemed or cancelled; and/or whether it may be held so as to be made available for resale in the market.

7 When issuers implement the buyback policies they have disclosed by undertaking buybacks, it is recognised that they may choose not to announce the buybacks they have undertaken until after a date set by each issuer to the extent permitted by the relevant regulations for preventing market abuse.

ⁱ In this context the definition of “issuers” does not include entities such as National Central Banks, the European Central Bank and the International Monetary Fund. The definition of issuers is intended to include entities acting under the control, or on behalf of the issuing entity,

ⁱⁱ While there is no universal definition of materiality in terms of an exact percentage threshold, for the purpose of this recommendation the repurchase of less than 10% of the outstanding aggregate principal amount would not be deemed material