Outlook 2008

ministry of Finance
Dutch State Treasury Agency

Outlook 2008

'Whether warning of danger or marking safe passage into a harbor, lighthouses stand as beacons of safety and security.'

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Preface

2007 has been an active year for the DSTA. Two major and time-consuming projects have been completed. First, the evaluation of the DSTA's current risk management framework was finalised. At Budget Day in September, we announced that from 2008 onwards a benchmark for the State's debt will be introduced. Our research indicated that a constant maturity portfolio due to issuance in a single maturity is the most cost efficient strategy. It was decided that a 7-year maturity represents the optimal trade-off between costs and risk. Irrespective of the new risk management strategy, for now the DSTA's issuance policy and financing rules remain unchanged. Interest rate swaps will be used to convert the issuance to the benchmark. Second, as announced in the previous Outlook, the DSTA started with the issuance of commercial paper. Late July, the first CP deals were concluded. In October, the first foreign currency deal was closed, representing the first transaction by the DSTA in a foreign currency since 1950. CP is now a full-fledged instrument, broadening our set of money market instruments.

This year's experience with 'reserve tap dates' for our DSLs has been very satisfactory. Although only one reserve date was needed eventually (the one in June), it has provided us ex ante with the necessary flexibility. While the relatively limited funding need in 2007 allowed for just one new bond, in 2008 we return to what may be called 'business as usual'. We will offer a new 3-year and a new 10-year DSL. The first quarter will be especially busy. The 3-year will be issued by regular tap auction in January, while the 10-year will be issued by means of a DDA in February/March. The calendar for the rest of the year will be filled by reopenings until at least volumes of € 10 bln have been reached. Although no concrete plans exist at the moment, being 'foreign currency proof' enables the DSTA to use the built-in flexibility by issuing in other currencies than the euro.

The support of Primary Dealers and Single Market Specialists is essential in the DSTA's issuing strategy. Our group of 13 PDs for 2008 is the same as in 2007. Adding SMSs, we have a group of 17 outstanding banks guaranteeing the liquidity of our bonds and bills. Relevant for our group of banks as market makers, is that the DSTA has decided to introduce the possibility for PDs and SMSs to quote on an eligible electronic platform of their choice. After having provided invaluable services in the early years following the introduction of the euro, the close tie to MTS will be loosened, starting in 2008.

Erik Wilders

Agent of the Dutch State Treasury Agency

Contents

Economic and budgetary prospects

In 2008, the Dutch economy is expected to grow at 2½%. Inflation will remain relatively subdued and unemployment is among the lowest in Europe. The EMU balance will be in surplus, starting in 2008. The government targets a structural surplus of 1.1% in 2011. Although relatively well placed to cope with ageing, a number of measures are taken to address sustainability challenges. One of the priority issues is to further promote labour participation.

1.1 Economic outlook

'After a long stagnation during the first half of the decade, the Dutch economy has made a successful comeback. Growth has strengthened, unemployment has fallen back and the fiscal position has been brought into balance. Though the current recovery is partly cyclical, it is also built on a robust medium term performance, which has helped to maintain living standards among the highest in the OECD'.[1]

As a result of what has been achieved in the past, GDP per capita in the Netherlands is among the highest in the world. Figure 1.1 compares living standards in the Netherlands with those in a number of OECD countries; within the OECD area, the Netherlands is at sixth place.

In the past few years, the Dutch economy has performed well by international comparison. GDP growth for 2007 is estimated by the Netherlands Bureau for Economic Policy Analysis (CPB) at 2¾%. For 2008, economic growth will be somewhat lower, at 2½%. Estimates by the European Commission (early November) are more or less in line with these numbers. Growth is now broader based than before, with domestic demand (consumption) as one of the main contributors. Meanwhile, export has remained strong, benefiting from the continuing strength of world trade and the international price competitiveness of Dutch exports. The outlook compares favourably with a number of the largest EMU member states (see table 1.1). The European commission projects Dutch GDP to surpass growth in Germany, France and Italy, also in 2009.

Table 1.1 **GDP growth, selected countries**

	2003	2004	2005	2006	2007	2008	2009
Germany	-0.2	1.1	0.8	2.9	2.5	2.1	2.2
France	1.1	2.5	1.7	2.0	1.9	2.0	1.8
Italy	0.0	1.2	0.1	1.9	1.9	1.4	1.6
Spain	3.1	3.3	3.6	3.9	3.8	3.0	2.3
Netherlands	0.3	2.2	1.5	3.0	2.7	2.6	2.5
UK	2.8	3.3	1.8	2.8	3.1	2.2	2.5
EU (27)	1.3	2.5	1.8	3.0	2.9	2.4	2.4

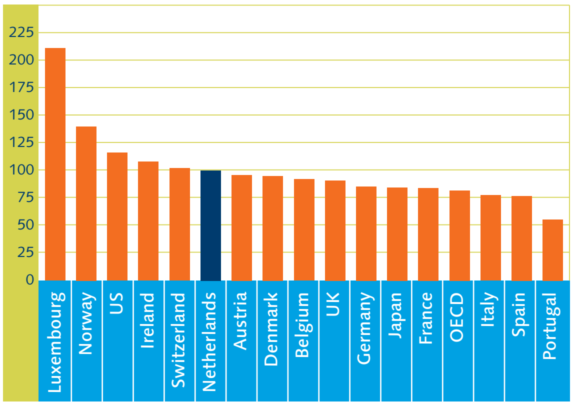
Source: European Commission, Economic Forecast, Autumn 2007

With economic activity strong, inflation remains in check. The CPB projects an inflation rate (national definition) of 2¼% for both 2007 and 2008. Inflation in 2008 is mainly triggered by an increase in unit labour costs. The recent appreciation of the euro may provide some relief for upward price pressures.

A number of years of above-potential growth rates have brought the negative output gap into positive territory from 2006 onwards. Although rising to 1.5% in 2008, the level is far below the numbers seen in the period 1999-2001. The continued and above-average performance can also be seen on the labour market, with job creation picking up pace in 2007. Especially long-term unemployed, older workers and non-native workers could take advantage of these favourable developments; at the same time, they could provide support to the economy. However, the workforce as a whole did not expand as much as labour demand, as a result of which the unemployment rate will continue to decline in the coming years. Also for the coming years, the Netherlands will continue to register the lowest unemployment rate of the Euro area, based on projections by the European Commission (figure 1.2). The number

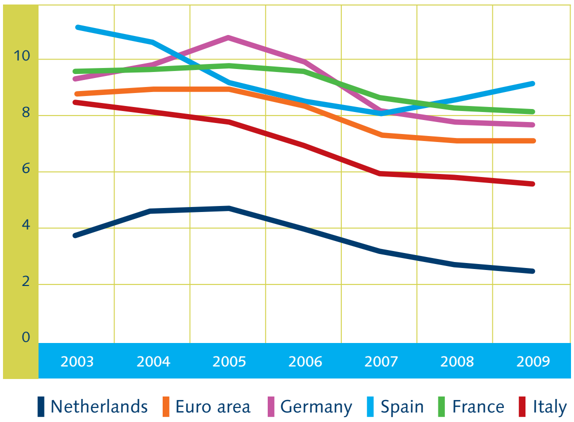
1 OECD, Netherlands country report, forthcoming early 2008

Figure 1.1 **GDP per capita** (index; Netherlands 2006 = 100)



Source: OECD

Figure 1.2 **Unemployment, EU-harmonised rates, selected countries** (% labour force)



Sources: Eurostat; European Commission, Economic Forecast, Autumn 2007

of unfilled vacancies is high, giving further evidence of labour market tightening. Although growth of earnings has been relatively modest up to now, the upward pressure on wages is an important risk. In this light, the government is trying to increase labour participation by taking a number of measures (fiscal and otherwise; see paragraph 1.3). A higher employment level will also strengthen the sustainability of public finances.

One of the 6 priority pillars of government policy is to secure an 'Innovative, Competitive and Enterprising Economy'. Different measures will be taken in this respect, among which are (fiscal) measures to encourage entrepreneurship and measures to improve access to capital for new and promising start-ups. The cutting of red tape is another priority area. For the period 2008-2011 the administrative burden on tax payers should be reduced by an additional 25%, after an already realised reduction of the same amount in the past 4 years. Recently, a paper published by the OECD presented the Netherlands as a frontrunner and as an example for other countries[2].

In the 2007 Global Competitiveness Index of the World Economic Forum the Netherlands ranked 10th, one spot below last year. Taking into account a change in methodology, the Netherlands wins one position[3]. Notable, of the 27 EU-countries only 3 are in the top 10. Although excellent in the field of development of technology and knowledge, the Netherlands can improve its capability to turn this knowledge into higher innovation power. The government's aim is to improve and encourage cooperation and exchange of knowledge between universities, knowledge centres, higher professional education and the business community.

Built on strong fundamentals, the outlook for the Dutch economy is healthy, albeit with risks to the downside. Despite longer lingering issues in the external environment (see box 1) – rising oil prices, global imbalances, the credit crisis – the world economy remains surprisingly vigorous and continues to be supportive.

2 OECD, Cutting Red Tape: Administrative Simplification in the Netherlands, 25 September 2007
3 World Economic Forum, The Global Competitiveness Report 2007-2008, October 2007

Box 1 - The international environment

Last year could be characterised as the year in which a part of the worldwide credit bubble burst. The bubble was built up in the years of easy money and search for yield, after the Fed cut rates from 6.5% to 1% (and rates stayed there for quite some time). The origins of the problems are based in the US. A downturn in the housing markets made securities that were rated AAA before look frailer afterwards. Banks and other financial market participants that had bought these Collateralized Debt Obligations (CDOs) were confronted with declining prices and a lack of liquidity. Some Special Investment Vehicles (SIV) that invested in CDOs, which were financed by Asset Backed Commercial Paper (APBC), got into trouble because their CP was no longer extended. SIVs that needed financing called on their credit lines from banks, which therefore showed an increased appetite for short term funding and kept their own money on their books. As a result, liquidity in the interbank market dried up and term rates increased sharply. Central banks in the Euro area, US and the UK all reacted in their own way; however, they all decided to inject liquidity into the system to dampen the rate increases and to re-establish confidence.

The financial market turmoil led institutions to lower their forecasts for the world economy for 2008 and especially for the US. The IMF in its recent World Economic Outlook shaved off 0.5% of the 2008 projections for the world economy. The world economy is expected to grow by 4.8% in 2008, as compared to over 5% in 2007. The Euro area will grow 2.1%, the US projection is marked down from 2.8% to 1.9%, and Japan will be the slowest of the large developed countries by growing 1.7%. The mark down in growth for the Euro area is mostly caused by lower expected exports as a result of the strong rise in the euro. The tightening of global credit conditions could have negative effects on European housing markets, with a possible risk for household consumption. The IMF highlights France, Ireland, Spain and the UK as the most vulnerable housing markets. On the positive side, strong corporate profitability is expected to support investment and consumer spending is held up by an improving labour market.

Contrary to the weaker growth in the developed economies, the IMF expects emerging markets growth to remain strong in 2008. China (10%), India (8.4%), Latin America (4.3%), emerging Europe (5.2%) and Africa (6.5%) will all exhibit strong growth figures. Inflation remains contained and will be around 2% in the US and the Euro area, whereas Japan will show an inflation rate of 0.5%, the highest level in a decade.

Risks for the still rosy scenario for the world economy are on the downside. The main underlying risks for the world economy, according to the IMF, are further disruptions in financial markets and weakening asset prices. This could lead to a loss in confidence and negative effects on the real economy.

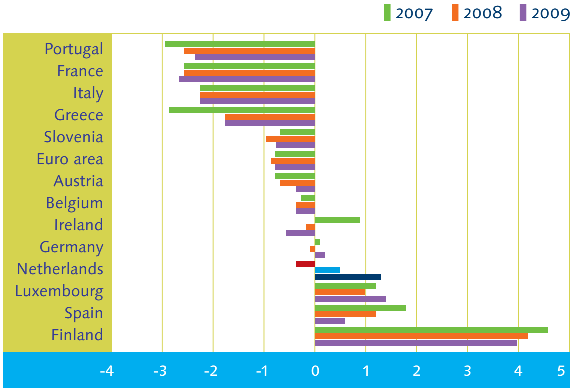
1.2 Budgetary outlook

Last year, a slight surplus was predicted for the 2007 budget balance, while it turned out to be slightly negative. This was partly the result of gas revenues that were below expectations due to the exceptionally mild winter and health expenditures that were higher than expected.

The Budget Memorandum published in September 2007 estimates an EMU-balance of -0.4% GDP for 2007, turning to +0.5% in 2008. The gross EMU debt is predicted at a level of 46.8% GDP in 2007 and 45.0% in 2008; these numbers are approximately 20 percentage points below the EMU-average.

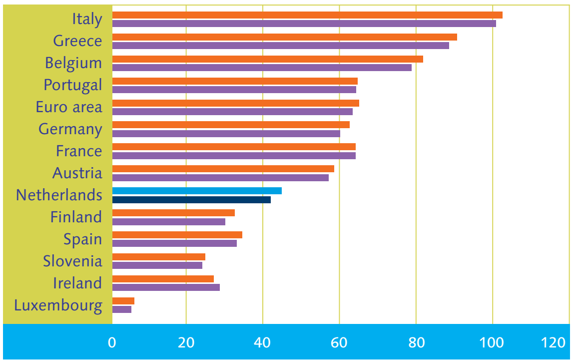
Figures 1.3 and 1.4 compare EMU-countries, based on European Commission estimates. The Netherlands' position is very favourable. According to the SGP-agreement the EMU debt as percentage of GDP should move towards the threshold of 60. The EMU average only slowly moves in this direction.

Figure 1.3 **EMU balance** (net lending +, net borrowing -) (% GDP)



Source: European Commission, European Forecast, Autumn 2007

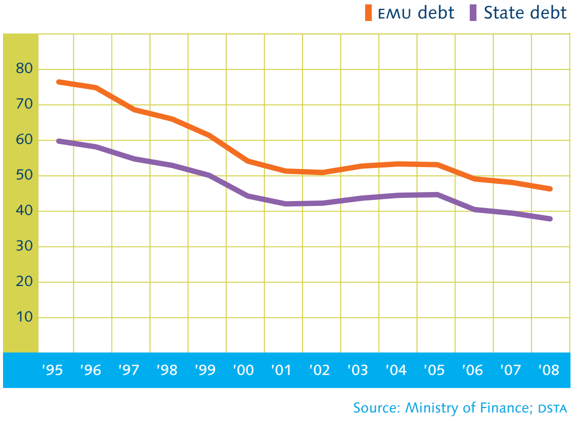
Figure 1.4 **Gross EMU debt, general government** (% GDP)



Source: European Commission, European Forecast, Autumn 2007

Figure 1.5 shows the development of the Dutch gross EMU debt as well as gross State debt (both as % GDP). Both show a strong decline. Based on the Budget Memorandum, the EMU debt declined from 76.1% GDP in 1995 to an expected 45% GDP in 2008. Early November, the European Commission projected a percentage of 41.7 for 2009. Although the EMU-debt ratio is commonly used when assessing the financial position of a country, the State debt is the only relevant concept for the DSTA. As State debt is expected to decline in absolute numbers, the net supply of debt instruments in the coming years will be negative.

Figure 1.5 **EMU debt and State debt, Netherlands** (% GDP)



Source: Ministry of Finance; DSTA

Taking a longer-term perspective, table 1.2 shows that both the structural and actual EMU-balance turn out to be positive from 2008 (the development of the cash balance is described in chapter 3). The government sets the goal to achieve a budget surplus of 1% GDP by 2011. More importantly from a sustainability (ageing) perspective, the structural budget surplus is expected to be 1.1% GDP by 2011.

Table 1.2 **EMU-balance 2007–2011 (% GDP)**

	2007	2008	2009	2010	2011
EMU-balance, actual	– 0.4	0.5	0.6	0.7	1.0
EMU-balance, structural	– 0.3	0.4	0.8	0.9	1.1

Source: Budget Memorandum 2008

1.3 Policy outlook

The new Dutch government has set 6 priority areas for government policies, as reported below. Overall expenditures will have increased by € 6 bln in 2011, out of which a large share will be allocated to employment and education policies.

Government policy pillars					
I	II	III	IV	V	VI
An Active International and European Role	Innovative, Competitive and Enterprising Economy	Sustainable Living Environment	Participation and Social Cohesion	Safety Stability and Respect	Government and Public Services

In this way, this government not only addresses the future challenge of *financial* sustainability with an ageing society, but also gives attention to the challenge of a broad concept of sustainability, including environment and social cohesion. This broad concept is also reflected in the tax plan for 2008. Much attention is paid to 'greening' the Dutch tax system. For example, polluting and uneconomical cars will become more expensive, environmentally friendly and economical cars will become cheaper.

Ageing and labour participation

Like other European countries, the Netherlands has to cope with an ageing society in the near future. An ageing society can have a significant impact on the economy of a country. Compared to other European countries the Netherlands is well-prepared. Nevertheless, the government is determined to make Dutch society 'ageing-proof'. The Dutch pension sector has already one of the best developed systems in the world, with a total amount of assets of approximately € 800 bln. Furthermore, the old-age-dependency ratio (number of persons aged 65 and over in relation to number of persons aged 15-64) is and remains (according to Eurostat projections) one of the lowest in the EU.

Sustainability is of major concern in ageing societies, since an ageing society increases the risk of enlarging the burden for future generations (see Box 1 Outlook 2007). There are three directions in which sustainability can be addressed: adapting the terms of old-age provision (pensions and health care), promoting labour participation and saving resources by cutting spending or raising taxes[4]. With respect to the latter, the Budget Memorandum labels the promotion of labour participation (labour force as a percentage of total population) as one of the priority themes of the new Dutch government.

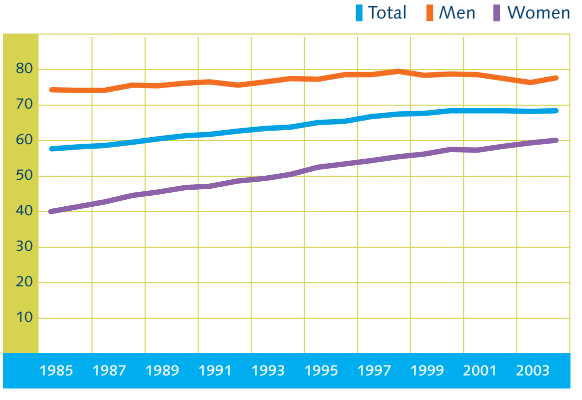
This government set some ambitious goals with regard to increasing labour participation. The government aims at raising the Dutch labour participation up to 80% by 2016. An increased participation will not only make it easier to deal with the consequences of an ageing society, but employment also ensures that people actively participate in society.

In the last two decades labour participation already increased from 54% to 68%. Firstly, this is the result of a so-called 'cohort effect': younger generations of women are more willing to work than previous generations[5]. The labour participation

4 Twelfth report by the Study Group on the Budget Margin, 'Ageing and Sustainability', June 2006
5 See note 4.

of women increased from 40% in 1985 to 60% in 2006 (see figure 1.6). Secondly, participation increased as a result of successfully implemented policies to encourage labour participation. Measures were aimed at closing early-retirement routes and at activating partially disabled and social assistance recipients towards employment. This resulted in an increase in labour participation in the Netherlands that exceeded the rise in labour participation of Germany, France or the United Kingdom.
The participation of the elderly is increasing: 2006 is the first year in which the participation rate of the elderly (persons aged 55-65) is larger than the participation rate of youngsters (aged 15-24). The participation rate of the latter group has been declining since 2002 as a result of the increasing amount of young persons that attend higher education[6].

Figure 1.6 **Labour participation, Netherlands**



Source: Statistics Netherlands (CBS)

However, although the labour participation in persons as well as the productivity per hour in the Netherlands are already fairly high, the number of hours worked can be raised significantly. This concerns especially a number of specific groups, e.g. women, elderly and low-skilled workers. These groups are sensitive to changes in the tax-and-benefit systems and activation strategies. Adjustments in these fields will stimulate labour participation of these specific groups. Moreover, better and cheaper availability of child care should stimulate parents to increase their working hours.

6 CBS, De Nederlandse Economie 2006, September 2006 (not available in English)

New developments

For 2008-2011 a new framework for risk management will be implemented. A 7-year constant maturity portfolio is introduced as the benchmark for the national debt. Issuance policy and financing rules remain unchanged. Interest rate swaps will be used to convert the issuance to the benchmark. After the successful launch of commercial paper, the DSTA is now 'foreign currency proof', while cash management has been further improved.

2.1 Risk management: evaluation and new framework for 2008-2011

The Netherlands, like most other countries, applies a debt management policy to fulfill the borrowing requirement at *lowest possible* costs under *acceptable* risk. This general objective calls for analyzing the trade-off between costs and risk for different funding strategies. Risk management is a key element in the Dutch debt management policy. Based on the recently completed analysis of the risk framework, a new framework will be effective as of January 2008[1]. The new framework introduces a *7-year constant maturity portfolio* as the benchmark for the national debt.

Concept of risk

The concept of risk as far as the government is concerned differs from the concept used by most participants in the market. From the government's perspective the budgetary risk is crucial. The budgetary risk is the risk associated with increases in the budgetary costs due to a rise of interest rates, i.e. the *Cost-at-Risk* (CaR). For financial institutions the focus is on the *Value-at-Risk* (VaR), i.e. changes in the value of the total portfolio in the short term.

Modeling the interest rate curve is part of the cost/risk analysis. The central assumption is that *on average* the interest-rate curve is upward sloping. This means that on average short-term financing is cheaper than long-term financing. The associated budgetary risks is the reverse. Short-term financing implies a higher level of annual refinancing. The budgetary risk associated with short-term financing is thus higher because interest rate fluctuations will be reflected more instantly in the actual interest costs.

Evaluation of the 2003-2007 risk framework

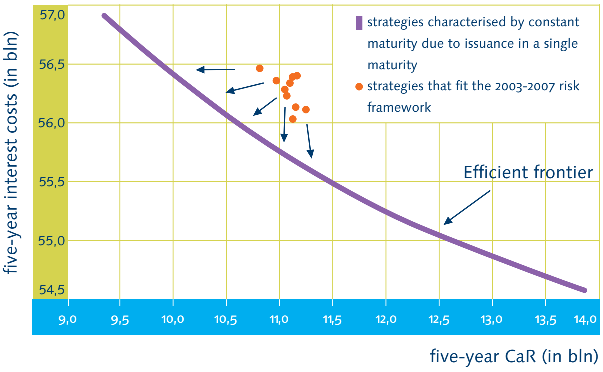
In the period 2003-2007 the DSTA used the *basis amount-at-risk* linked to GDP at a maximum of 9% per annum as a control variable to meet its general objective. This way the interest costs are kept constant over time relative to GDP as yardstick for the budget's risk-bearing capacity. The choice of 9% was in line with the existing risk profile and guaranteed that the risk run by the Netherlands would not exceed that of other relevant (AAA) peer-countries. Besides the *maximum* amount the government wanted to expose to interest rate changes annually, 9% of GDP was also the *minimum* amount. Lower annual refinancing would mean that, on average, less short-term financing takes place than is possible within the preconditions of an acceptable risk. Given the central assumption of an upward sloping interest-rate curve, this would be too expensive.

In itself, the risk framework is insufficient to achieve an adequate limitation of risk. Therefore *financing rules* were formulated as a supplement to the risk framework. These rules demand that each year a bond with a minimum size of € 10 bln be issued in both the 10- and 3-year segment and that a money market be maintained with sufficient volume to absorb unexpected fluctuations in the borrowing requirement. Interest rate swaps could be used to a limited extent to restructure the risk profile of the portfolio[2]. The financing rules prevented the debt manager from creating 'extreme' portfolios (e.g. consisting exclusively of ultra-short-term or ultra-long-term bonds). Viewed over the 2003-2007 period, the risk framework and financing rules *together* worked well as a safety net, preventing the costs and the risk of debt financing from assuming extreme forms.

1 The report can be found on www.dsta.nl, under Funding Policy.

2 In the event of a swap, an obligation to pay (or receive) the then-applicable interest rate for a certain period is 'swapped' for an obligation to receive (or pay) a fixed long-term interest rate.

Figure 2.1 **Funding strategies in the 2003-2007** risk framework compared to strategies characterised by constant maturity due to issuance in a single maturity



Workability

In order to be as efficient as possible within the specified risk framework, achieving 9% of GDP appeared difficult in practice. This is because unforeseen changes in the budget balance affect the size of the basis amount-at-risk. As explained in full detail in previous editions of the Outlook, unforeseen windfalls reduce the basis risk, which means that the average maturity of the portfolio has to be reduced immediately (by receiver swaps) in order to still achieve the 9% target. Setbacks, on the other hand, necessitate an immediate extension (by payer swaps) of the average maturity. In practice, it appears that if windfalls or setbacks occur later in the year, adjustments are not always possible and a basis risk of 9% of GDP is not attained.

Fluctuations in the budget balance trigger responses in debt financing that are neither necessary nor desirable. The policy followed not only the trend but also the business cycle and was therefore more volatile than desirable. Preferably, reducing and extending the average maturity of the portfolio should only take place as a response to a trend.

Efficiency

The trade-off between the costs and budgetary risk (expressed as CaR) can be clarified in a cost-risk chart. For every funding strategy and a given debt size, the average interest costs and the CaR for a fixed period (e.g. five years) are set off against each other. The CaR can be interpreted as the maximum additional interest costs that may arise given the worst-case interest rate scenario[3]. The funding strategies reflecting the optimum combinations of costs and risk (the lowest possible costs given the risk; or the lowest possible risk given the costs) constitute *the efficient frontier*. Although the current strategy works efficiently within the specified frameworks, it is not on the efficient frontier. By definition, the strategies in the current risk framework comprise issuance in several bonds. Furthermore, a risk amount for successive years is not set in advance, so as to leave scope for future issuance. Therefore, the current strategy is characterised by an irregular risk profile. From our research it appears that only strategies with a regular risk profile, characterised by *constant maturity due to issuance in a single maturity*, are efficient and are consequently on the frontier. The extremes are constant maturity portfolios with either very high maturity (high costs, low risk) or very low maturity (low costs, high risk). Figure 2.1 illustrates this.

3 The additional costs are specified as the maximum with 97.5% certainty. Obviously, there is a 2.5% chance that the additional costs will be higher during the period concerned.

The new risk framework: the benchmark – a 7 year constant maturity portfolio

The new framework will introduce a benchmark for the national debt. This is inspired by the benchmark the DSTA has been using since 2002 for its activities on the money market (see below). The DSTA's experiences of working with a benchmark are positive. It contributes to *transparently accounting for debt policy* and to efficient economic operations. Furthermore, compared to the previous framework it enhances the workability. In the new framework, the disruption caused by unforeseen fluctuations in the cash balance will be by-passed by making them part of the benchmark portfolio. In this way, fluctuations in the cash balance cannot cause a discrepancy between target and reality, and will therefore not affect the DSTA's performance. This is appropriate because the cash balance is a variable outside the control of the DSTA. As concluded in the evaluation of the old risk framework a limited efficiency gain can be realised. The aim of the new risk framework is therefore to move from *above* the efficient frontier *towards* the efficient frontier. Taking into account that only strategies characterised by *constant maturity due to issuance in a single maturity* are on the efficient frontier, such a strategy is chosen as the benchmark.

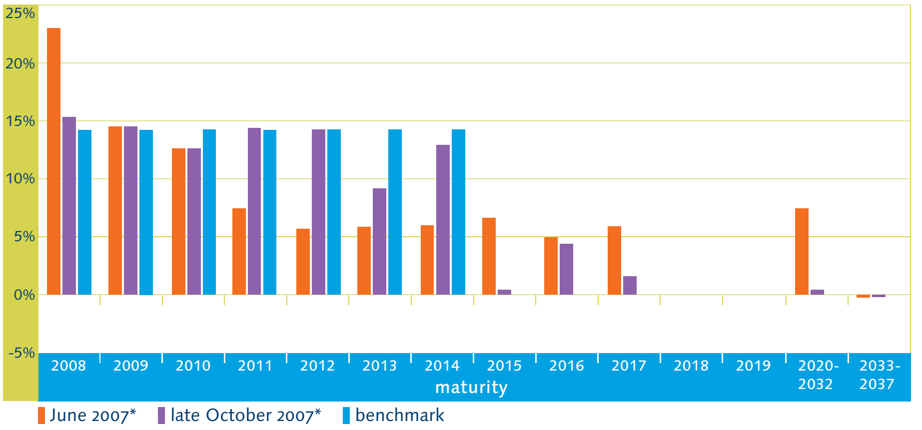
A 7-year constant maturity portfolio has been chosen to be the central control variable of the debt management policy during the period 2008-2011. The choice for this benchmark portfolio is in line with the current budgetary policy, in which the government debt quote is expected to decline. The choice for a 7-year benchmark portfolio reduces the average maturity of the debt portfolio. In choosing a 7-year benchmark, the old policy is continued, albeit at lower average expected costs and risk. The 7-year benchmark is therefore expected to be an *adequate risk safety net* (much like the old risk framework) and thus should be effective in the most improbable (economic) situations.

> Since 2002 the DSTA uses a benchmark for its activities on the money market: funding at the call money rate (EONIA) is the yardstick for all money market transactions. In comparison to the policy before 2002, the addition to the money market portfolio consists of EONIA swaps. Therefore, the result of this new policy can simply be measured from the result (profit or loss) of these swaps (see table 5 of the statistical information). In recent years, cost savings have been realised on the money market activities of a few dozen million euros as a result of the change in policy. The evaluation of the EONIA benchmark for 2002-2006 demonstrated that the cost savings from shorter funding on the money market offset the extra risk. Full details are available in the Evaluation report (on www.dsta.nl, under Funding policy).

Policy implications

The benchmark prescribes exactly what the DSTA would have to do in theory: i.e. gradually issue 7-year bonds. In practice, the benchmark can only be reproduced by financing in exactly the same manner at exactly the same yield. This does not mean, however, that the debt manager will apply exactly the same strategy. The actual funding strategy will involve a combination of instruments (bills, bonds, swaps, repurchases). Each choice will initially result in a deviation from the benchmark, which has consequences for the costs and/or the risk of debt financing. The issuance policy may have the effect that the risk profile is not in agreement with the desired profile. By means of interest rate swaps, the issuance policy can be separated from the risk management policy, allowing objectives of both policy forms to be met. For now, the DSTA's issuance will therefore keep its focus on money market funding and 3- and 10-year bonds. Swaps will consequently become a more integral part of the DSTA's debt policy. The deviations arising in reproducing the benchmark are not unfavorable by definition. By making 'smart' use of instruments, it may even be possible to slightly outperform the benchmark.

Figure 2.2 **Reshaping the risk profile of the debt portfolio** (% of total debt, per maturity)



* Including the estimated issuance in the remainder of 2007

Breakdown of performance results		
	Benchmark (BM)	**Actual Portfolio (AP)**
Realised result	IC (BM)	IC (AP)
Unrealised result	ΔMV (BM)	ΔMV (AP)
Total result	IC (BM) + ΔMV (BM)	IC (AP) + ΔMV (AP)

IC = interest costs
MV = market value

The costs of the portfolio are set off against the costs of the benchmark on a year-on-year basis. The concept of costs in performance measurement is different from the interest costs as defined in the budget (the realised result). The unrealised result (i.e. change in market value) needs to be considered as well in order to prevent a situation where the debt manager keeps deferring unrealised losses so as to beat the benchmark in terms of realised results. For both the benchmark portfolio and the actual portfolio realised and unrealised results can be calculated. The sum of both realised and unrealised result is the total result. The difference between these two figures quantifies the performance of the DSTA vis-à-vis the benchmark. Obviously, the intention is to perform at least as well as the benchmark. The result of the benchmark portfolio will differ from one year to another as result of fluctuations in the market rate of interest. The DSTA will report on its performance through its regular publications (f.i. the Outlook).

The performance may concern the costs, but another key factor is the degree to which the benchmark's risk profile is approximated. In principle, any desirable risk profile can be achieved with the aid of interest rate swaps. However not every benchmark is equally applicable. The 7-year benchmark is attainable from the present portfolio. The difference between the present and the intended risk profile determines how many swaps will be needed. Even if an extensive swap portfolio would be required for that purpose, this would not constitute an impediment (neither for the DSTA nor for the market).

In the last few months, the DSTA has restructured the risk profile of the debt portfolio towards the risk profile required by the benchmark. The risk profile of the actual portfolio initially (in June 2007) differed from a 7-year constant maturity portfolio. Now, late October 2007, the DSTA's portfolio is beginning to take its final shape for the period 2008-2011. Figure 2.2 illustrates the progress. While the DSTA has been using swaps since 2001, with the move to the benchmark it has been more active (on a regular basis) in the swap market than before. Next to this, the DSTA has been doing somewhat larger amounts as the swap market has grown considerably over the years.

Conclusion

The restructuring of the risk profile of the DSTA's portfolio dates back to 1999. In this context, the DSTA has used buy back facilities; the choice was made to issue only large quantities in specific bonds and to abandon new private placements; and the DSTA started with interest rate swaps in 2001. Moving to a benchmark for the State debt can be seen as the final stage of the restructuring of the DSTA's risk profile towards maximum efficiency.

2.2 NEW: Dutch state-issued commercial paper

This year saw the introduction by the DSTA of a new money market instrument: commercial paper (CP). With flexible maturities of one week up to 3 months, the new debt security complements the set of money market instruments which the Dutch State already has at its disposal. It smoothly fills the 'gap' between DTCs, which are issued in maturities from 3 months to 1 year, and cash deposits that in general have maturities of no more than one week. CP issuance started in July with the euro programme. It was followed in October by the foreign currency programme.

The Outlook 2007 explained why the DSTA chose to add CP to its existing portfolio of debt instruments. It was felt that cash management could become more efficient by having an instrument for relative shorter maturities (compared to DTCs), while being more cost effective than deposits. In essence, CP fits the aim of the DSTA to improve the regulation of the daily cash balance. By better fine-tuning, the amounts that need to be lent to money markets should be reduced, thereby lowering credit risk. The cost advantage (compared to deposits) is related to the fact that the issuance of an actual security allows for a better use of the excellent credit rating of the State and to the expectation that DSTA CP would face a healthy demand among investors. The launch of the foreign currency programme is motivated by two additional considerations. First, issuance in (for now) US dollars and British pounds will broaden the investors' base, creating new appetite for Dutch high quality paper. Second, borrowing in foreign currencies and hedging the foreign exchange risk by FX swaps enables the DSTA to arbitrate between differences in swap spreads. This improves the cost efficiency of the State's funding.

The DSTA issues its CP to a dedicated group of five dealers, consisting of Barclays, Citi Group, Credit Suisse, Deutsche Bank and ING. The latter deserves special mentioning as advisor to the CP programme. In its role as advisor, ING helped to arrange the programme and assisted the DSTA in handling the legal issues, including the wide variety of documentation. A dealer's responsibility is to distribute CP to its clients. In contrast to DSLs and DTCs, CP is not issued through regularly held auctions. Depending on the cash need and the market circumstances, the market will be entered on a day-by-day basis, with indicative prices listed on Bloomberg and Reuters. To accommodate the cash flow pattern of both the State and the end investor, the DSTA issues CP not just in standardized maturities, but also accepts broken dates. Investors are further facilitated by a STEP label, which was granted in October 2007.

Experiences so far

July 28 saw the first transaction in euros. Until mid November a gross total of € 4.2 bln was raised in the euro currency segment. Transaction sizes ranged up to € 500 million. The average maturity was 1 month, ranging from 1 week to 2 months. Broken dates are particularly popular as most trades had a 'tailor made' maturity. CP issuance in US dollars started on the 23 October. This marked a special moment, since this was the first non-domestic currency loan since the launch of a 12-year bond denominated in Swiss francs in 1950. As the foreign currency programme is still in its infancy, it's too early to assess its success. Approximately € 1.5 bln has been raised in the US dollar segment so far (until mid November).

Looking back, the CP programme was initiated at a time of serious money market turmoil. Initially, CP offered by the DSTA fell victim to the general anxiety towards commercial paper. During the first few weeks of the crisis, the investor community made no distinction between our CP and its asset-backed sister (ABCP). In a sense, every security labeled 'commercial paper' became contaminated. Another factor that made it challenging for the DSTA to sell its paper was related to the substantially increased spread between the EONIA and EURIBOR rates. While a spread of 5 to 10 basis points used to be normal, it amounted to more than 65 points in August in the 3 month segment. This caused some tension between on the one hand the DSTA's benchmark for money market operations being EONIA and on the other hand EURIBOR as the benchmark for the CP market. Consequently, DSTA CP became relatively expensive for investors. However, as the money market crisis evolved, the safe haven status of Dutch debt prevailed, leading to renewed interest in the Dutch sovereign CP from early September. Looking back, it can be concluded that DSTA CP stood up well in the face of market turbulence. For more details, see box 2.

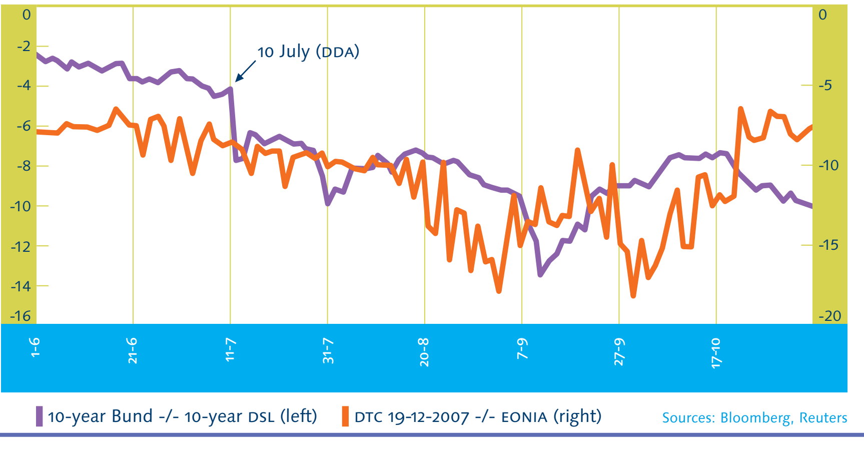
Box 2 - Effect financial turmoil on Dutch securities

The liquidity crisis hit the markets in all severity starting August, after signals of increasing tensions already appeared in the months before. The turmoil has had major consequences for the prices of and demand for Dutch securities.

On the long end, our DSLs became far more expensive. The spread versus EURIBOR-swaps widened from -20 to mid -30s (10-year segment). In July, the DSTA launched a new 10-year benchmark via the Dutch Direct Auction. In the week before pricing, the spread versus the Bund widened from 4 bp to 6 bp. After the pricing of the deal, widening continued, on the back of market developments; it reached a high in September at a spread of 14 (see figure A). After the successful reopening that month the situation normalised. Vis-à-vis peers like France, the performance has been constant.

On the short end, our DTCs became more expensive, because investors were seeking liquidity and security. Through a repo-facility for issues that haven't reached a level of € 10 bln, the DSTA guarantees liquidity for Dutch t-bills in all circumstances. This provides investors with strong quality paper at each time. The spread versus EONIA widened from -8 to -20 bp for periods up to 6 months. Because of the problems in the asset backed commercial paper market and investors searching for safe places to store their cash for short periods of time, we saw some new client interest in our short term DTCs. At the end of October, spreads were returning to pre-crisis levels.

Figure A **Relative performance of Dutch securities** (basis points)



Sources: Bloomberg, Reuters

With regard to our CP, issuance has been good. CP has been trading more expensive than our DTC-programme at a level of -30 bp versus EONIA. Demand for commercial paper has been high and was influenced by the flight to quality. Prices of DSTA CP are updated every day in dollars, pounds and euros. Information can be found on Bloomberg and Reuters, <<DSTA10>>.

Next to CP, we also entered the market for Credit Default Swaps (CDSs) this year. These CDSs were bought to offload some of the country risks that the Dutch government has on Indonesia as a result of its export credit risk guarantee scheme. Spreads on Indonesia widened a bit at the initial stages of the crisis, but swiftly came back as soon as equity markets and Asian emerging markets turned out to be strong performers.

Conclusion

After around 4 months of issuance, it can be concluded that commercial paper has enriched the set of Dutch money market instruments. With an additional money market instrument, the benefits of DTCs – predictability, transparency, and liquidity – can be combined with the most important quality of CP, its flexibility. It provides flexibility in maturity, as well as in issue moment (no pre-announced schedule), currency and size. The successful introduction of foreign currency borrowing has opened the window to foreign exchange funding on the longer end of the Dutch curve. As will be explained in chapter 3, a foreign currency loan or bond issue is one of the alternatives available for the DSTA to fund part of its borrowing requirement in a flexible way.

2008 will be the first full year in which CP will be fully part of the debt instruments available to the DSTA. This leaves unnoticed that the size of the DSTA's CP-programme will always remain relatively limited, as the market for T-bills remains the DSTA's priority market for money market transactions. As the DSTA is constantly trying to further refine the use of instruments, the CP programme remains the subject of further study and refinement. As an example, the State may consider the issuance of CP in other foreign currencies, if this is deemed beneficial. And while for the time being FX swaps are provided by the 5 designated CP dealers, in the future the DSTA may enter the FX swap market itself.

Funding and issuance

For 2008, the DSTA's borrowing requirement amounts to € 44 bln. To maintain an adequate buffer, around € 20 bln will be funded on the money market. The call on the capital market is expected to equal € 24 bln. A new 10-year benchmark bond will be launched through Dutch Direct Auction in February/March. A new 3-year DSL will be launched via tap in January. Subsequent reopenings will raise outstanding amounts of both bonds to at least € 10 bln.

3.1 Looking back

This paragraph reflects on the execution of the funding plan for 2007. The funding plan and associated issuance calendar were executed according to schedule, albeit with some modifications. The inherent flexibility in the issuance calendar (with its reserve dates) was used, although to a limited extent.

Borrowing requirement in 2007 a bit higher

The borrowing requirement for 2007 turned out somewhat higher than envisaged in the last Outlook. It increased by a net € 3 bln to € 43.5 bln. This was the result of two different budgetary developments. First, through its impact on the money market volume end-2006, last-minute changes in the 2006 cash balance impacted on the borrowing requirement in 2007 (carry-over effect). Second, changes in the cash balance for 2007 feed directly into the overall funding need in 2007.

1 The higher than expected surplus in 2006 resulted (among other things) in a reduced money market volume at the end of 2006. This in turn lowered the borrowing requirement for 2007 by € 1.6 bln.

The budgetary surplus in 2006 exceeded earlier estimates: the surplus amounted to approximately € 4 bln instead of € 0.3 bln. This windfall reflected the continued economic upswing in the Netherlands resulting in higher tax revenues; higher gas revenues due to the higher oil prices; the higher than expected sale of government shares in publicly listed companies (TNT, KPN); and a substantial lower deficit of local government authorities. To accommodate the budgetary windfall, two adaptations were made in the funding plan. First, the DSTA decided to cancel the DTC auctions in December 2006. Second, a DSL buy back operation was set up. Through a reverse tap auction, an amount of app. € 2 bln was bought back in 3 different DSLs. See figure 2.1.

As a result of the two last minute (ad hoc) adjustments, the end-of-year money market volume in 2006 decreased to a size of € 14 bln. The DSTA was able to fine-tune actual funding to the borrowing requirement: ultimo 2006 net lending was zero. Absorbing windfalls in the cash balance by adjusting the call on the money market fits well with the DSTA's standard policy. The lower end-of-year money market volume (from € 15.6 bln to € 14.0 bln) decreased the 2007 borrowing requirement by € 1.6 bln.

2 The deterioration in the budget during 2007. This increased the borrowing requirement by approximately € 4.5 bln.

According to projections in the Budget Memorandum, the cash balance was projected at approximately € 2 bln surplus in 2007. By definition, during the year the borrowing requirement changes 1-on-1 with updates of the cash balance. In November (Autumn Memorandum) the latest numbers indicated a cash deficit of € 2.5 bln, a deterioration of € 4.5 bln compared to the earlier estimate.

1 and 2 combined result in a borrowing requirement for 2007 that was app. € 3 bln higher than indicated in the Outlook. At the same time, the borrowing requirement for 2007 was approximately € 4.5 bln higher than expected at the end of 2006, based on the final (actual) cash balance in 2006. This is shown in figure 2.2.

Figure 3.1 **Funding in 2006**, billions of euros

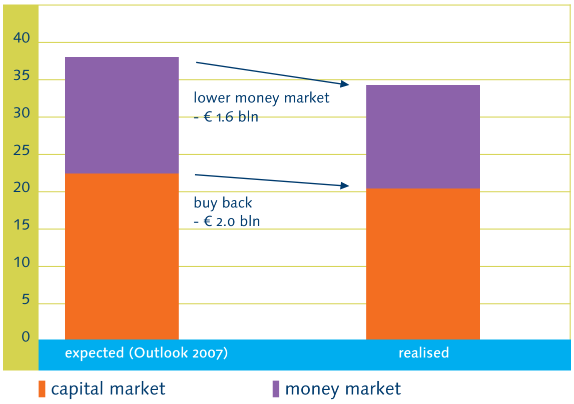
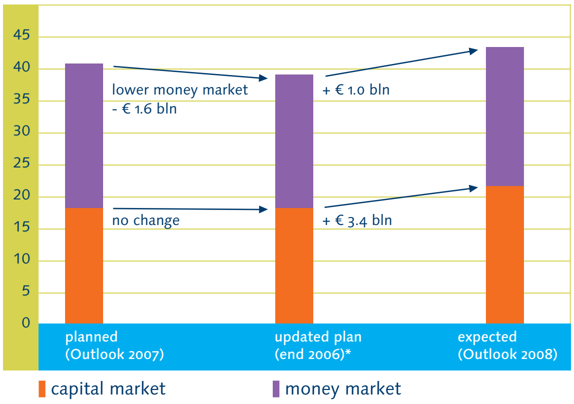


Figure 3.2 **Funding in 2007**, billions of euros



* based on the final cash balance in 2006

The cash balance and EMU balance are different concepts. Most attention (by policy makers, the media and 'Brussels') is directed at the EMU-balance. For a debt manager however, only the cash concept is relevant. Differences between the two definitions (amounting to around 0.4% GDP in 2007 and 2008) can be explained by two types of transactions. First, financial transactions. These include the provision of student loans and receipts due to privatisation. These have a cash effect but are not ' EMU-relevant'. Second, transactions resulting in cash flows in a year different from the transaction year (= the ' EMU-balance' is transaction based). These are so-called 'cash-transaction differences', resulting for instance when contracts are signed with multi-year payments.

Execution funding plan and issuance calendar

The borrowing requirement for 2007 is expected to amount to € 43.5. To accommodate the increased funding need, two steps were taken. First, an extra tap auction was held in June (a reserve date). Second, tap sizes were somewhat increased in the already scheduled auctions. The (nominal) call on the capital market was approximately € 3.5 bln higher compared to the initial funding plan. The slight modification to the original funding plan conforms to the DSTA's intention to absorb setbacks in the budget primarily through an increased call on the capital market.

Table 2.1 gives an overview of capital market funding in 2007. At € 21.6 bln, the (nominal) call on the capital market in 2007 falls nicely within the earlier communicated range of € 15 to 22 bln.

Table 2.1 **Capital market funding in 2007**, billions of euros in nominal and cash terms

month	DSL	nominal	price	cash receipts
January	January 2037	1.45	97.78	1.42
March	April 2009	3.27	97.72	3.19
May	January 2037	2.76	93.39	2.58
June	July 2012	1.94	101.97	1.98
July	DDA July 2017	6.06	99.22	6.02
September	July 2017	3.52	102.05	3.59
November	July 2017	2.57	102.13	2.62
Total		**21.57**		**21.40**

Most noteworthy during 2007 were the June auction and the 10-year DDA. In June, the Dutch State reopened the 'DSL 5.00% 15 July 2012', an old 10-year bond with a remaining maturity of 5 years. This tap auction was the first since 2001 in which the DSTA reopened an already liquid 'off-the-run' bond. This reopening has promoted liquidity in the 5-year segment. In addition, a reopening such as this offers the DSTA the opportunity to meet an additional funding need flexibly, without the need to launch a new bond. For the future, the DSTA preserves the option of reopening an 'off-the-run' bond.

As in every year, in 2007, a new benchmark 10-year bond was launched via a Dutch Direct Auction (DDA). Issuance took place in July, allowing a perfect match between cash inflows related to the issuance and cash outflows due to redemptions and interest payments. Three PDs – ING, HSBC and Calyon – executed the role of DDA advisor. Demand for this new benchmark bond was healthy, with a book size at the time of closure of over € 15 bln. Total allocation was set at € 6.1 bln euros, with 58% distributed to real money accounts. The spread was fixed at 6 basis points over the German reference Bund, with a 100% allocation at the cut-off spread. With subsequent re-openings in September and November, the volume of this loan is now € 12.2 bln.

DTC Issuance

The DTC issuance calendar in 2007 followed the usual pattern. By applying a standardised maturity composition of the DTC issuance throughout the year, the DSTA aims to obtain optimal transparency. In the year to October, the DSTA issued a total gross amount of € 65 bln euros. After repayment of the October 2007 DTC programme, the outstanding volume was € 26.9 bln. Of this, slightly over € 10 bln was allocated during the six auctions of the December 2007 programme. This is a record size; the largest up to that date was the October 2006 programme reaching an ultimate size of € 8.4 bln. Presently, an end of year money market volume is expected of € 22 bln, largely consisting of DTCs. Reaching this level satisfies the aim expressed in the Outlook 2007 to re-establish sufficient buffer in the money market.

It was decided mid November to temporarily deviate from the money market funding strategy. To allow room for alternative funding, it was decided to cancel the DTC auctions to be held in December. This could be done without jeopardizing the liquidity of the outstanding DTC issues.

Late July, the DSTA started with the issuance of Commercial Paper, first in euros, subsequently also in foreign currencies. Until mid November, € 4.2 bln was issued in euro CP. Given the still short time span (since 23 October), the amount issued in foreign currencies (US dollar) has been limited so far. More details on the DSTA Commercial Paper programme can be found in chapter 2.2.

3.2 Funding and issuance in 2008

Through its impact on the money market volume end-2007, the 2007 cash balance affects the overall borrowing requirement in 2008 (carry-over effect). In addition, the cash balance in 2008 feeds directly into the overall funding need in 2008. The funding plan and issuance calendar for 2008 are based on present estimates for the cash balance in both 2007 (a deficit of € 2.5 bln) and 2008 (a deficit of € 0.8 bln). As developments in the cash balance (and their estimates) are volatile and uncertain by nature, flexibility in the issuance calendar is warranted. Flexibility can also be achieved a priori by a money market volume that provides buffer for changing cash balances.

Borrowing requirement

The level of capital market redemptions in 2008 is € 21.5 bln euros. With the now foreseen 2007 end-of-year money market and a cash deficit of € 0.8 bln, the total borrowing requirement will be € 44.4 bln. To create room for two new benchmark bonds in 2008, the money market volume will be slightly reduced during the year, to a level of around € 20 bln at the end of 2008. See table 2.2. The point estimate for the call on the capital market in 2008 is € 24 bln. Contrary to previous years, a target range will no longer be provided. The point estimate will be updated whenever this is necessitated by changes in the projected cash balance.

Table 2.2 **Estimated total borrowing requirement and funding**, bln euros (in cash terms)

	2007	2008
Composition		
Capital market redemptions	27.0	21.5
Money market at year end (t-1)	14.0	22.1
Cash balance	-2.5	-0.8
Total	**43.5**	**44.4**
Funding		
Capital market	21.4	24.0
Money market	22.1	20.4
Total	**43.5**	**44.4**

In principle, when budgetary windfalls would occur during the year, the money market volume will be lowered. In response to budgetary setbacks in the cash balance, the first recourse is to increase capital market funding. However, being the ultimate buffer, the money market may also provide some flexibility.

Issuance of Dutch State Loans in 2008

The 3- and 10-year loans have been the long-term cornerstones of the Dutch issuance policy. The DSTA aims to issue new loans in these segments every year, if possible, taking into account the borrowing requirement. It is also the ambition to raise the outstanding volume of each bond to at least € 10 bln as soon as possible, preferably within the (calendar) year of issue.

After a year in which only one new benchmark bond could be issued, 2008 marks a move towards what could be called 'business as usual'. Both a new 3-year and a new 10-year bond will be issued. The new 3-year will be launched on 8 January 2008. Full details on the new 3-year benchmark will be given in the week prior to the tap auction.

The new 10-year benchmark bond will be launched through a Dutch Direct Auction, in February or March. The 3-year and the 10-year bonds will be reopened during the year until they have reached a volume of at least € 10 bln. It is expected that these benchmark volumes will be attained in the course of 2008. Until that time, liquidity of both bonds will be guaranteed through a repo facility available to the Primary Dealers.

Although due consideration is given to alternative capital market funding possibilities, apart from the two new benchmark bonds no other issues are anticipated at this time. However, depending on market circumstances and the development in the government budget, several options for the DSTA's call on the capital market may be considered. Among these are:

- The reopening of the January 2028. In 2008 this bond neatly fits the 20-year segment. At € 8.9 bln, the 2028 is the only bond with an outstanding volume below the benchmark size. Note that the DSTA has never committed itself to a benchmark volume of this bond; the minimum size of € 10 bln per issue applies only to issues from 1999 onwards.
- The reopening of another existing bond, similar to the reopening of the old 10-year bond in the 5-year segment in June 2007 (see before).
- The issuance of a foreign currency bond. As chapter 2 already indicated, with the issuance of ECP in US dollars and British pounds, the DSTA is now 'foreign currency proof'. Based on funding need and market opportunity, a dollar loan is one of the options available.
- The issuance of principals of the January 2023 3.75% DSL. Whenever there is sufficient market demand for such zero-coupon securities, the DSTA will consider issuing them.

For 2008, the number of auctions (taps and DDA) is limited to seven. Three months (May, October, and December) are labelled as reserve tap dates, while no issuance takes place in August. The reserve dates are important in providing issuance flexibility. The issuance calendar is taken up at the end of this chapter. More details will be announced through regular publications and press releases, such as the quarterly calendars for DSLs and DTCs.

DTC Issuance

Each quarter, two new 6-month programmes and one new 12-month programme are introduced. DTC auctions take place twice a month on the first and the third Monday. Auctions start at 11.00 hrs CET and end at 11.30 hrs CET. The (provisional) calendar for the entire year is published at the end of this chapter. The calendar is comparable to the calendar issued last year, with the exception of the maturity date of the December 2008 programme. This programme no longer matures at the IMM date but at the final working day of the year. This is preferable from a cash management perspective.

CP Issuance

In contrast to DSLs and DTCs, there is no predetermined schedule for the issuance of Commercial Paper. CP is meant mainly to absorb short term variations in the cash balance. CP is especially useful in cases of unexpected fluctuations in the daily cash need, as the instrument is more flexible than DTCs (issue when needed) and cheaper (compared to deposits). To publish a predetermined auction schedule would be detrimental to the flexibility CP provides. The DSTA will pose deal prices for CP (in euro, US dollar and British pound) on the Bloomberg and Reuters page concerned («DSTA10»). The DSTA will issue CP if needed and if cost-efficient.

With CP as an addition to its set of money market instruments available to the DSTA, it is expected that the need to lend to money markets will be diminished. This is very welcome, especially considering the present climate of increased credit risk in international financial markets. More details on the Dutch CP programme can be found in chapter 2.2.

DSL Calendar 2008				
Month of issue	Announcement (Wednesday)	Issue (2nd Tuesday)	Payment (Friday)	DSL
January	2	8	11	NEW 3-year
February			DDA 10-year	
March				
April	2	8	11	
May	7	13	16	reserve tap
June	4	10	13	
July	2	8	11	
August			No issuance	
September	3	9	12	
October	8	14	17	reserve tap
November	5	11	14	
December	3	9	12	reserve tap

DTC Calendar 2008					
Auction date	settlement date	DTC 3-month	DTC 6-month	DTC 9-month	DTC 12-month
07-01-08	09-01-08	31-03-08			31-12-08
21-01-08	23-01-08	30-04-08		30-09-08	
04-02-08	06-02-08	30-04-08	31-07-08		
18-02-08	20-02-08	30-05-08 #			31-12-08
03-03-08	05-03-08	30-05-08	29-08-08		
17-03-08	19-03-08	30-06-08	30-09-08		
07-04-08	09-04-08	30-06-08			31-03-09
21-04-08	23-04-08	31-07-08		31-12-08	
06-05-08 *	08-05-08	31-07-08	31-10-08		
19-05-08	21-05-08	29-08-08			31-03-09
02-06-08	04-06-08	29-08-08	28-11-08		
16-06-08	18-06-08	30-09-08	31-12-08		
07-07-08	09-07-08	30-09-08			30-06-09
21-07-08	23-07-08	31-10-08		31-03-09	
04-08-08	06-08-08	31-10-08	30-01-09		
18-08-08	20-08-08	28-11-08			30-06-09
01-09-08	03-09-08	28-11-08	27-02-09		
15-09-08	17-09-08	31-12-08	31-03-09		
06-10-08	08-10-08	31-12-08			30-09-09
20-10-08	22-10-08	30-01-09		30-06-09	
03-11-08	05-11-08	30-01-09	30-04-09		
17-11-08	19-11-08	27-02-09			30-09-09
01-12-08	03-12-08	27-02-09	29-05-09		
15-12-08	17-12-08	31-03-09	30-06-09		

Shaded areas indicate new programmes

\# This programme is opened for the first time; its initial launch was planned for December 2007.

* Tuesday

Primary and secondary markets

Primary Dealers and Single Market Specialists help the DSTA to achieve its goal of maintaining a healthy and liquid market for Dutch securities. In 2008, there will be a group of 17 market makers, of which 13 are PDs. Starting in 2008, PDs may select a platform of choice to fulfil their quoting obligation, provided that the platform meets certain objective criteria.

4.1 Facts on secondary markets

Primary Dealers and Single Market Specialists play an important role in the promotion, distribution and market making of Dutch bonds and bills. As part of their activities, PDs and SMSs are entitled to some specific privileges (e.g. the right to use the repo facility). In return, they have to meet certain requirements. Full details of the mutual rights and obligations can be found in the contracts, available on-line at www.dsta.nl.

One of the requirements is to report, on a monthly basis, their trading volumes of Dutch securities in the secondary market. In 2006, it was decided to harmonize the national reporting procedures by using a single EU reporting format. The aim was to decrease the administrative burden for both debt managers and banks. At the end of 2006, it was concluded that the results of the harmonization project were satisfying and that the uniform reporting standard was in the benefit of all parties involved. In 2007, the harmonization reporting project was continued and further refined. Parallel to this, the DSTA has compiled a database, consisting of every end investor that has taken part in at least one of the seven Dutch Direct Auctions (see box 3 at the end of this paragraph). Together with the results of the secondary market trade reports, the DSTA has some notable tools and data at its disposal to analyse trends on the primary and secondary markets. This paragraph sketches some highlights.

DSLs - Client type

In the secondary market trade reports, clients are classified into two categories. The first category is Business to Consumer (BtoC) and the second type is Business to Business (BtoB). BtoC consists of central banks, insurance companies, funds and banks (these partly correspond to real money accounts distinguished in the DDA). BtoB consists of inter-dealer brokers and (again) banks[1]. For 2007, the proportion of BtoC trades is approximately 54% and BtoB trading encompasses 46% of all trades.

The most active category of participants in the secondary market during the first nine months of 2007 are inter-dealer brokers with a share of 31%, banks (the sum of BtoB and BtoC) with 30% and funds with a total share of 26%.

Unlike to 2006, the fraction of trades by inter-dealer brokers (31%) exceeds the portion of trades by funds (26%). The increase in the inter-dealer broker segment led to a decrease in funds, from 30% to a share of 25% in 2007.

DTCs – Client type

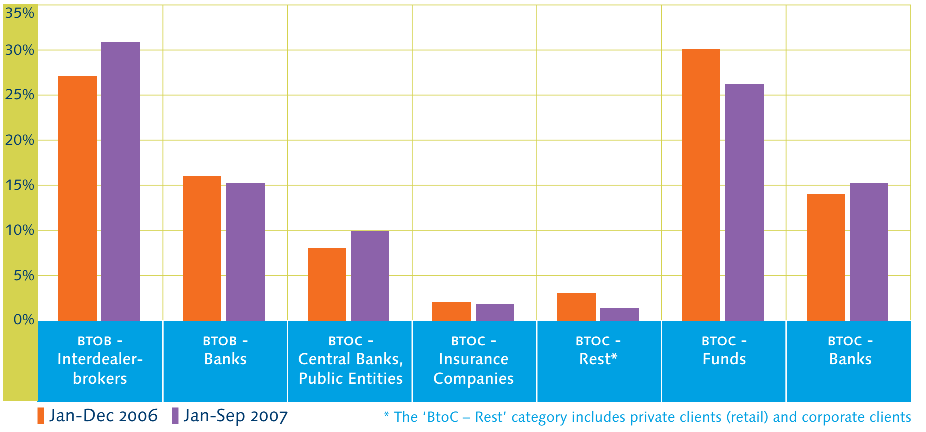
As from January 2007 till September 2007 the trade reports show that the largest volumes are traded by inter-dealer brokers with a share of 35%. Central bank trading activity follows with 23%.

Compared to last year, the same categories are ranked at the top of the list. However, the rankings within the top three places have shifted. When comparing the trade reports with last year a large increase can be seen in the inter-dealer brokers, from 23% to 35%. This is in contrast with banks (BtoB), which decreased from 27% to 16%.

Unlike to the DSL market, the share of funds is significantly smaller in the secondary DTC market. It is clear that fund managers focus more on the long end of the curve. This is the same for insurance companies as they are more active in the long segment (DSL) for hedging purposes. Furthermore, we observe that the portion of central banks in the DTC segment is much larger that in the DSL segment.

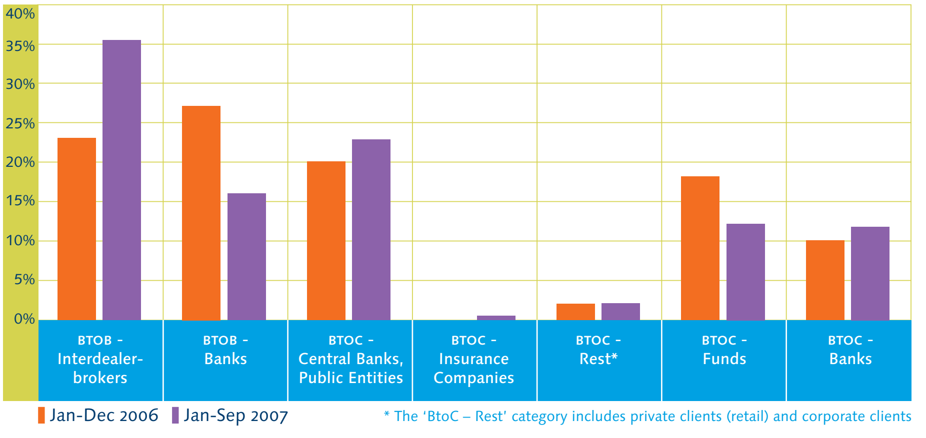
1 The different client types and subcategories within client types are explained by the European Commission on its website. See http://ec.europa.eu/economy_finance/efc/efc_reports_en.htm

Figure 4.1 **Shares secondary DSL trading by client type**, 2007 vs. 2006



* The 'BtoC – Rest' category includes private clients (retail) and corporate clients

Figure 4.2 **Shares secondary DTC trade by client type**, 2007 vs. 2006



* The 'BtoC – Rest' category includes private clients (retail) and corporate clients

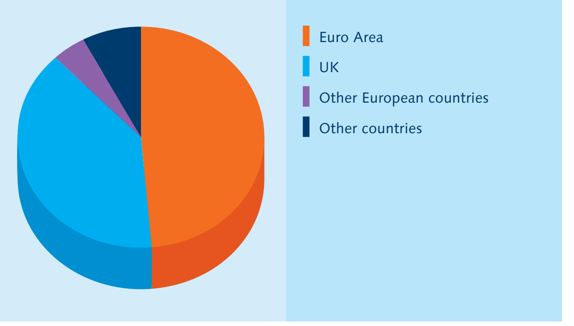
Geographical Distribution

The results show that for both DSLs and DTCs trading activity is concentrated in the United Kingdom. The UK accounts for approximately 40% of all trades in Dutch DSLs and DTCs. The rationale behind the concentration of trading activity in the UK is that the majority of PDs and inter-dealer brokers are located in the City. Domestic demand is traditionally high. However, this year France (10%) leaps over the Netherlands (8%) and becomes the second largest trading area for DTCs. The Netherlands continues to be the number two trading area for DSLs, responsible for 16% of all bond trades.

The trading activity of DTCs is by tradition relatively more geographically dispersed than the trading activity of Dutch bonds. This is most likely caused by the shorter maturity of DTCs, which causes end investors to keep the securities on their books, as part of their buy and hold strategy. As the base of end investors is increasing outside Europe, relatively less trading activity by brokers and banks is detected in the UK. To illustrate, almost 93% of all DSL trades is focused in Europe while DTC trading in Europe accounts for 87%.

Another trend is the rise of Asian investors in the secondary DTC market. For example, DTC trading activity in Japan has increased from 3% in 2006 to 6% in 2007. Such a trend cannot be observed in the secondary market for DSLs. However, the growing participation of Asian investors in the primary DSL market, via the DDA, does demonstrate the increasing appetite for Dutch debt in this region (as explained in box 3).

Figure 4.3 **Share of secondary DSL trade by geographical area, 2007**



Box 3 – Dutch Direct Auction: investor database

In order to engage end investors directly in primary issuance, the DSTA has developed a special auctioning method, the Dutch Direct Auction (DDA). This unique process is applied for initial issues of longer dated benchmark bonds. This auction is designed to place a large volume of a bond instantly with a broad and diversified investor base. Already seven DDAs have been organised since its introduction in 2003. In time, it became evident that DDA enjoys a solid investor support. Even during the last DDA held in a volatile environment in July 2007, the DSTA was able to raise just over 6 billion euros in the new 10-year benchmark at the tightest end. The last DDA was very successful in raising funds. Its success was moderated by the credit crisis that started to unfold just after the auction, as core country spreads against Germany widened unexpectedly.

DDA-principles

The Dutch Direct Auction is founded on the following principles: a transparent rules-based allocation process, a level playing field among investors and confidentiality to third parties of participating end investors. This type of auction eliminates the 'winner's curse' as all bids are allocated at a single uniform price. The Primary dealers assist the DSTA with approaching the investors and with the marketing of the DDA. The investors subscribe their bids via a Primary Dealer of their choice. The DSTA monitors the proceedings of the auction as a sole book runner and decides on allocation purely according to the price composition of the order book. At the cut-off spread, the DSTA gives a priority to real money clients above other clients. Real money accounts include buy-and-hold clients such as Asset & Fund managers, Central banks, Insurance companies, Pension funds and Private Clients. The group classified as other clients is composed of Asset & Liability Desks, Banks & Trust, Hedge funds and Trading desks. The DDA provides investors with a unique opportunity to confidentially acquire a relatively large amount of a bond without moving the market price.

Investors that participate in Dutch Direct Actions form a very broad and diversified base. In the history of the DDA, there have been about 750 accounts from 46 different countries that have ever placed an order in this auction. If we try to correct for the fact that several accounts may be linked to one entity, we would count about 500 different institutional investors in this database from which approximately 330 accounts are real money clients. Although the DDA has a stable group of loyal clients, each DDA keeps attracting new investors. At the most recent auction about 40 new names appeared in the order book. Because the DDA each time manages to reach new clients, it proves to be a very good marketing instrument for Dutch debt.

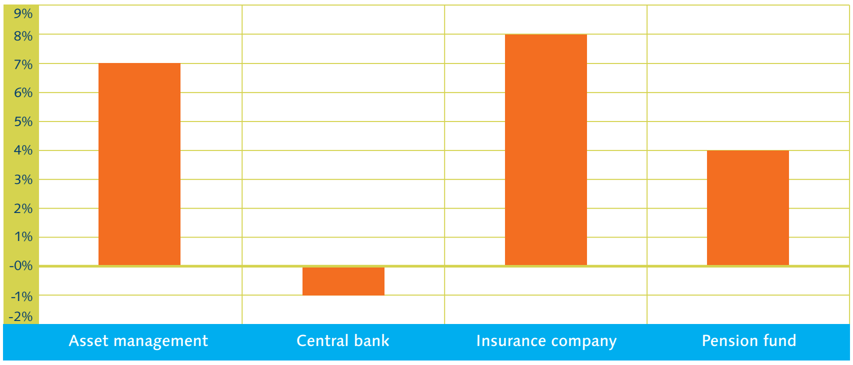
DDAtabase

The DDA is primarily focused on engaging buy-and-hold end investors in the auctioning process. On average, over the past seven DDAs, 53% of the allocated volume went to real money investors. The allocation to real money clients in DDAs is significantly larger than the share of secondary market flows that these investors capture (see figure A). Asset managers account for 29% of allocated volumes in the DDAs, but only for 22% of the secondary market flows. Insurance companies and pension funds both have a 2% share in the secondary market. In the DDA, however, insurance companies capture 10% of the allocation and pension funds 6%. Central banks have an approximately equal share in both (around 7%).

The DDA investor base shows a larger geographical dispersion among countries than the overall secondary market trade (see figure B). The Netherlands, France and Germany are traditionally countries with strong appetite for Dutch bonds and are equally represented in the secondary market as well as in the DDA allocation. Whereas 40% of the secondary market trade is concentrated in the UK, only 21% of the DDA issuance is allocated to this European financial centre. The DDA succeeds in directing larger flows to countries which are generally not so active in secondary markets. The DDA investor base shows larger flows to Euro zone countries such as Italy, Spain and Belgium (captured in the category 'other EMU'). Also Switzerland and Scandinavian countries are clearly present in the auctions. The DDA enjoys relatively strong and still growing demand from Asia. In the secondary market, the trade with Asia forms 2% of the overall activities, as opposed to 5% of the flows directed on average to the Asian countries in DDAs. The growing Asian interest in DDA is proved by the 12% allocation to this region in the most recent auction.

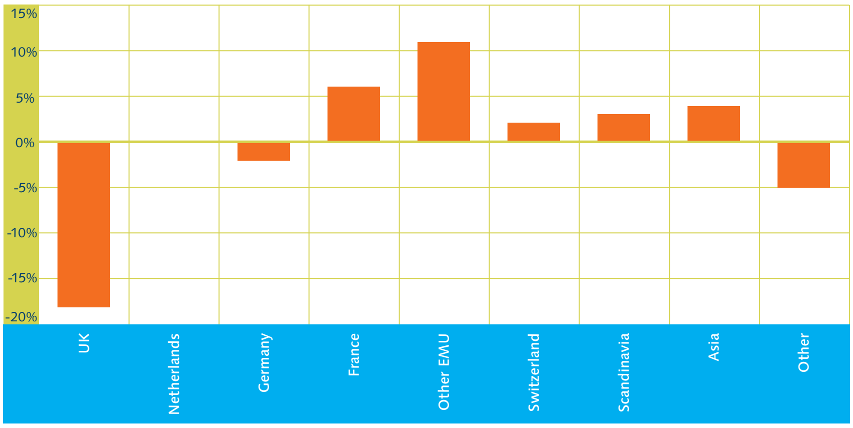
The DSTA regularly changes the DDA rules, based on earlier experiences and anticipating market developments. By establishing the DDA as an organic process, the DSTA also aims to further broaden and diversify the DDA investor base.

Figure A **Difference in share between DDA allocation and secondary market**
(DDA -/- sec); per client type



Source: DDA-database and secondary market trade reports

Figure B **Difference in share between DDA allocation and secondary market**
(DDA -/- sec); per geographical area



Source: DDA-database and secondary market trade reports

4.2 PDs and SMSs: rankings 2007 and selection 2008

The DSTA is committed to maximum transparency in primary issuance. One of its essential responsibilities is to provide reliable information on its strategy and borrowing requirements and to disclose that information in a fair and transparent way. The DSTA firmly believes that transparency and continuity have a favourable impact on borrowing costs.

Rankings 2007

The DSTA periodically evaluates the performance of the Primary Dealers and Single Market Specialists on the primary markets. Performance is primarily based on the volumes of securities purchased in the auctions. The top five most active participants in the DSL and the DTC primary markets are ranked below.

Top 5 Primary Dealers for DSLs based on primary issuance, January - 16 November 2007
Fortis
ABN Amro
Royal Bank of Scotland
ING
Credit Suisse

Top 5 Primary Dealers and Single Market Specialists for DTCs based on primary issuance, January – 16 November 2007
Royal Bank of Scotland
ING
Société Générale
Fortis
ABN Amro

Primary Dealers and Single Market Specialists in 2008

Since 1999, every year a group of Primary Dealers is selected by the DSTA to promote and distribute DSLs and DTCs and to contribute to the process of price discovery. DTCs are distributed to both Primary Dealers and Single Market Specialists via regular single-price (Dutch) auction.

Being a Primary Dealer entails both rights and obligations. Primary Dealers have the exclusive right to buy DSLs from the DSTA. Furthermore, they can conclude swaps with the state and are entitled to use the repo and strip facility. For their efforts, Primary Dealers receive compensation, in the form of a non-competitive bid, i.e. the right to buy additional bonds up to 3 days after an auction, at the weighted average price of the auction. Compensation in the DDA is settled in the form of fees, the size of which depends on the amount of a DSL a Primary Dealer is able to place with end investors.

The Primary Dealers are selected on the basis of the business plan they submit annually. The selection is valid for the next calendar year. The DSTA is proud to present its list of Primary Dealers for 2008. It is identical to the list in 2007.

Primary Dealers for 2008 in alphabetical order
ABN Amro
Barclays Capital
BNP Paribas
Calyon
Citigroup
Credit Suisse
Deutsche Bank
Dresdner Bank
Fortis
HSBC France
ING
Royal Bank of Scotland
Société Générale

In addition to the group of Primary Dealers, a group of Single Market Specialists is selected. Like the Primary Dealers they have the right to participate in the distribution and promotion of DTCs and to participate in DTC auctions. In 2008 four Single

Market Specialists are selected, a smaller group than in 2007. However, with a group of in total 17 parties for DTCs, the promotion and distribution of DTCs is adequately safeguarded.

Single Market Specialists for 2008 in alphabetical order
JP Morgan Chase
Goldman Sachs
NATIXIS
Rabobank

4.3 Quotation obligations in a multi-platform environment

The organisation of the business-to-business market for Dutch bonds and bills is about to change. Until now, PDs (and SMSs) have to fulfil their quotation obligation on one single platform. Starting in 2008, PDs may select a platform of choice to fulfil their quotation obligation, provided that the platform meets certain objective criteria.

The aim of the quotation obligation is to provide to all market participants an arbitrage free reference price. At present, PDs and SMS are obliged to quote firm prices of DSLs (and DTCs) within a certain spread for 5 hours on a single designated trading platform (see table 4.1). The DSTA chooses the designated platform after consultation of its PDs. The DSTA requires that the bid and ask prices at which PDs and SMSs can execute trades on the designated platform are available to investors in real time and 'at reasonable commercial terms'.

Table 4.1 **Current quotation obligations**

	Maximum b/o spread	Minimum quantity
DTCs	4 basis points	€ 10 million
Bonds 1¼ years to 3½ years*	4 ticks	€10 million
Bonds 3½ years to 6½ years*	5 ticks	€10 million
Bonds 6½ years to 13½ years*	7 ticks	€ 10 million
Bonds 13½ years to 17½ years*	12 ticks	€ 5 million
Bonds over 17½ years*	20 ticks	€ 5 million

* remaining maturity

Since 1999, MTS Amsterdam System (AMS) has been the only designated platform. The European-wide creation of local MTS platforms traces back to the late 1990's. At the time of the introduction of the Euro and the accompanying creation of one large pan European capital market, Debt Management Offices (DMOs) and investment banks wished to improve transparency and liquidity of sovereign debt securities, whilst at the same time lowering transaction costs. In order to achieve these goals, the DMOs basically copied the successful Italian MTS system, by creating local joint ventures.

Over the last few years, the notion has grown that the quotation obligation should no longer be restricted to one single platform. There are a number of reasons for this change of mind. Nowadays there are proven alternatives available. Moreover, in the past the general consensus was that spreading the quotation obligation over several platforms would fragment liquidity. Over the last few years the notion has grown that this does not necessarily have to be the case any longer. Technological change has made it possible for market makers to aggregate quotes from different platforms in such a way that a trader is able to automatically execute a transaction at the best possible price available on the platforms he has access to. In combination with low entry barriers for market takers this should create one virtual arbitrage free market place.

Allowing PDs and SMSs to fulfil their quotation obligation on more than one platform promotes competition. This in turn should promote innovation and lower transaction costs. In the long run this should also benefit investors. For this reason the DSTA has decided to introduce the possibility for PDs and SMSs to quote on an eligible platform of their choice. In order to be eligible a platform must fulfil certain criteria (or minimum requirements), amongst others to have low entry barriers for market takers and to be able to produce compliance reports. Before completing the rules of the game, the DSTA will consult banks and electronic trading platforms. It is expected that the multi-platform environment will be in place somewhere in the first quarter of 2008.

Statistical information

1 Interest costs of central government debt

The cut-off date for the Statistical Appendix is 16 November 2007 (unless otherwise specified)

In millions of euros

	2006	2007	2008
Interest paid			
Interest cost on fixed debt	8,444	8,100	8,382
Interest cost on floating debt (DTC and other short-term borrowing)	753	1,448	1,629
Net interest paid on EONIA swaps	9	0	0
Buyback premium	106	2	0
Total interest cost	**9,312**	**9,550**	**10,011**
Interest received			
Received interest on floating debt (including central bank account)	96	100	46
Net interest received on EURIBOR swaps	136	91	50
Buyback discount	5	0	0
Total interest received	**237**	**191**	**96**
Net interest cost	**9,075**	**9,359**	**9,915**
Net interest cost, in % GDP	1.7	1.7	1.7

Interest costs in 2006 are based on realised cost.
The results for 2007 are preliminary and based on the Autumn Memorandum.
Interest costs for 2008 are based on the 2008 Budget for National Debt.

2 Changes in long-term debt in 2007

In thousands of euros

Position as at 31 December 2006		**197,638,599**
New issues in 2007		
Public bonds	21,567,990	
Private placements	575	
	add	21,568,565
Redemptions in 2007		
Regular redemptions		
Public bonds	26,876,141	
Private placements	53,221	
Early redemptions		
Public bonds	12,565	
Private placements	6,807	
	less	26,948,734
Position as at 16 November 2007		**192,258,430**

3 Issuance of bonds for the 2006 and 2007 borrowing requirement

In billions of euros

Month of issuance	ISIN-code	Bond issued	Issue	Raised amount	Yield
2006					
January	NL0000101707	2.75% NETH 2006 due 15 April 2009	first issuance	1.9	2.91%
February	NL0000102275	3.75% NETH 2006 due 15 January 2023	first issuance	2.3	3.71%
March	NL0000101707	2.75% NETH 2006 due 15 April 2009	reopening	1.9	3.32%
	NL0000103000	Principal due 15 January 2023	principals	1.0	3.93%
April	NL0000101707	2.75% NETH 2006 due 15 April 2009	reopening	2.0	3.45%
May	NL0000102234	4% NETH 2005 due 15 January 2037	reopening	1.8	4.29%
June	NL0000103000	Principal due 15 January 2023	principals	0.5	4.19%
July	NL0000102283	4% NETH 2006 due 15 July 2016	first issuance	5.1	4.10%
September	NL0000102283	4% NETH 2006 due 15 July 2016	reopening	2.2	3.85%
October	NL0000102283	4% NETH 2006 due 15 July 2016	reopening	2.8	3.79%
November	NL0000101707	2.75% NETH 2006 due 15 April 2009	reopening	1.6	3.69%
			Total	**23.2**	
2007					
January	NL0000102234	4% NETH 2005 due 15 January 2037	reopening	1.5	4.13%
March	NL0000101707	2.75% NETH 2006 due 15 April 2009	reopening	3.3	3.91%
May	NL0000102234	4% NETH 2005 due 15 January 2037	reopening	2.8	4.40%
June	NL0000102671	5% NETH 2007 due 15 July 2012	reopening	1.9	4.56%
July	NL0006007239	4.5% NETH 2007 due 15 July 2017	first issuance	6.1	4.60%
September	NL0006007239	4.5% NETH 2007 due 15 July 2017	reopening	3.5	4.24%
November	NL0006007239	4.5% NETH 2007 due 15 July 2017	reopening	2.6	4.22%
			Total	**21.6**	

4 Concluded interest rate swaps

Position as at 16 November 2007, in millions of euros

Bucket (year of maturity)	Net nominal amount	Pay or receive* (net)
2008	18	pay
2009	1,600	receive
2010	3,925	pay
2011	17,688	pay
2012	17,300	pay
2013	10,300	pay
2014	16,050	pay
2015	9,500	receive
2016	3,625	receive
2017	11,755	receive
2021	3,493	receive
2022	6,500	receive
2026	1,910	receive
2027	8,500	receive
2035	6,010	receive
2036	1,825	receive
2037	4,445	receive

* Receiver swaps are swap contracts in which the Dutch State receives a long-term fixed interest rate and pays a short-term floating interest rate.
Payer swaps are swap contracts in which the Dutch State pays a long-term fixed interest rate and receives a short-term floating interest rate.

5 Results of the money market benchmark

In millions of euros

	2002	2003	2004	2005	2006	Accumulated
Results EONIA-benchmark compared to funding before 2002	29.6	17.0	-2.6	-17.3	-26.6	0.1
Outperformance of the benchmark	2.7	11.9	8.2	12.0	21.0	55.8
Total result	**32.3**	**28.9**	**5.6**	**-5.3**	**-5.6**	**55.9**

6 Key figures of individual bonds in 2007

In thousands of euros

Movements in 2007	Total 31-12-2006	Issues	Redemptions	Total 17-11-2007	ISIN-code
A Public Bonds					
8.75 pct DSL 1992 due 15 January 2007	172,847		172,847	0	NL0000101996
5.75 pct DSL 1997 due 15 February 2007	13,637,194		13,637,194	0	NL0000102267
8.25 pct DSL 1992 due 15 February 2007	308,338		308,338	0	NL0000102028
3.00 pct DSL 2004 due 15 July 2007	12,216,000		12,216,000	0	NL0000102119
8.25 pct DSL 1992 due 15 September 2007	551,861		551,861	0	NL0000102051
2.50 pct DSL 2005 due 15 January 2008	10,222,000			10,222,000	NL0000102150
5.25 pct DSL 1998 due 15 July 2008	11,118,031			11,118,031	NL0000102291
2.75 pct DSL 2003 due 15 January 2009	10,366,430			10,366,430	NL0000102101
2.75 DSL 2006 due 15 April 2009	7,511,000	3,265,000		10,776,000	NL0000101707
3.75 pct DSL 1999 due 15 July 2009	11,063,000			11,063,000	NL0000102416
3.00 pct DSL 2004 due 15 January 2010	12,121,486			12,121,486	NL0000102309
7.50 pct DSL 1995 due 15 April 2010	529,504			529,504	NL0000102192
5.50 pct DSL 2000 due 15 July 2010	10,227,366			10,227,366	NL0000102580
5.00 pct DSL 2001 due 15 July 2011	12,455,000			12,455,000	NL0000102606
5.00 pct DSL 2002 due 15 July 2012	10,487,000	1,940,000		12,427,000	NL0000102671
4.25 pct DSL 2003 due 15 July 2013	12,433,000			12,433,000	NL0000102689
3.75 pct DSL 2004 due 15 July 2014	11,709,846			11,709,846	NL0000102325
3.25 pct DSL 2005 due 15 July 2015	10,083,765			10,083,765	NL0000102242
4.00 pct DSL 2006 due 15 July 2016	10,045,467			10,045,467	NL0000102283
4.50 pct DSL 2007 due 15 July 2017	0	12,154,990		12,154,990	NL0006007239
7.50 pct DSL 1993 due 15 January 2023*	5,890,200		272,361	5,617,839	NL0000102077
3.75 pct DSL 2006 due 15 January 2023*	6,189,289	272,361		6,461,650	NL0000102275
5.50 pct DSL 1998 due 15 January 2028	8,886,814			8,886,814	NL0000102317
4.00 pct DSL 2005 due 15 January 2037	7,835,427	4,208,000		12,043,427	NL0000102234
2 1/2 pct Grootboek	22,651		1,554	21,097	NL0000006286
3 1/2 pct Grootboek	411		47	364	NL0000002707
3 pct Grootboek	9,224		865	8,359	NL0000004802

* The issues and redemptions mentioned are the result of the conversion of the 7.50% to the 3.75% bond.

Summary

In thousands of euros

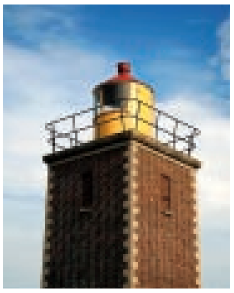
Movements in 2007	Total 31-12-2006	Issues	Redemptions	Total 17-11-2007
A Public Bonds				
Total public bonds	196,093,152	21,567,990	26,888,706	190,772,436
B Private placements				
Total private placements	1,545,447	575	60,028	1,485,994
Total	**197,638,599**	**21,568,565**	**26,948,734**	**192,258,430**

7 Annual interest payments and repayments of principal, 2007-2037

In millions of euros, according to the long-term debt position as at 16-11-2007

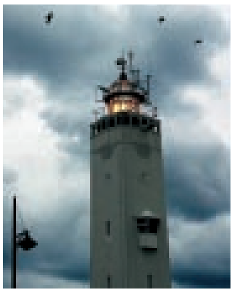
	Interest payments	Redemptions
17-11 to 31-12-2007	**30**	**20**
2008	8,074	21,372
2009	7,234	32,243
2010	6,235	22,910
2011	5,266	12,616
2012	4,632	12,753
2013	3,984	12,590
2014	3,444	11,748
2015	3,002	10,126
2016	2,671	10,095
2017	2,267	12,445
2018	1,696	57
2019	1,692	58
2020	1,688	53
2021	1,684	38
2022	1,682	71
2023	1,677	12,086
2024	973	0
2025	973	30
2026	972	0
2027	972	2
2028	972	8,887
2029	483	0
2030	483	0
2031	483	0
2032	483	16
2033	482	0
2034	482	0
2035	482	0
2036	482	0
2037	482	12,043

Lighthouses

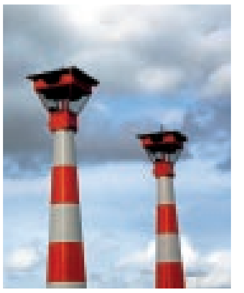


page 2
Willemstad
Out of order
Hight: 12 m

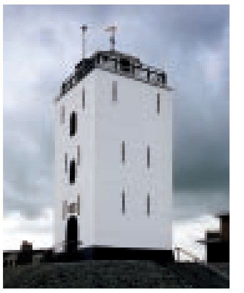
page 6
Scheveningen
Light interval: Fl(2) W 10s
Hight: 49 m



page 14
Noordwijk
Light interval: Oc(3) W 20s
Hight: 33 m



page 24
Scheveningen
Removable Lighthouses temporary placed for lightfestival



page 32
Katwijk
Out of order
Hight: 14 m

Wind turbines

page 7
Volkerak dike
Number of turbines: 4
Rotordiameter: 44
Hubhight: 55 m

page 15
Hazerswoude-Rijndijk
Number of turbines: 4
Rotordiameter: 90 m
Hubhight: 80 m

page 25
Lelystad
Number of turbines: 18
Rotordiameter: 43 m
Hubhight: 50 m

page 33
Dronten
Number of turbines: 28
Rotordiameter: 43 m
Hubhight: 50 m

page 41
Abbekerk
Number of turbines: 6
Rotordiameter: 48 m
Hubhight: 50 m

The cut-off date for data in the Statistical Appendix is 16 November 2007 (unless otherwise specified)

Colophon

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Highlights of DSTA Outlook 2008

- Estimated borrowing requirement in 2008: **€ 44 bln.**
- Targeted capital market funding: **€ 24 bln.**
- Expected money market funding: **€ 20 bln.**
- Instruments: **new 3-year bond and new 10-year bond.**
- **Launch of new 3-year in January 2008 through tap.**
- **Dutch Direct Auction for new 10-year in February or March 2008.**
- Number of auctions: **at least 7 for DSLs and 24 for DTCs** (every other week).
- **Commercial Paper (in euros and foreign currencies) a full-fledged money market instrument for short maturities (below 3 months).**
- **A 7-year constant maturity portfolio will be introduced as the benchmark for the national debt.**
- **A strong group of 13 PDs and 4 SMSs guarantees liquidity of DSLs and DTCs.**
- **The aim is to create a multi-platform environment for PDs in the first quarter of 2008.**

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DSL Calendar 2008				
Month of issue	**Announcement (Wednesday)**	**Issue (2nd Tuesday)**	**Payment (Friday)**	**DSL**
January	2	8	11	NEW 3-year
February March			DDA 10-year	
April	2	8	11	
May	7	13	16	reserve tap
June	4	10	13	
July	2	8	11	
August			No issuance	
September	3	9	12	
October	8	14	17	reserve tap
November	5	11	14	
December	3	9	12	reserve tap

DTC Calendar 2008					
Auction date	**settlement date**	**DTC 3-month**	**DTC 6-month**	**DTC 9-month**	**DTC 12-month**
07-01-08	09-01-08	31-03-08			31-12-08
21-01-08	23-01-08	30-04-08		30-09-08	
04-02-08	06-02-08	30-04-08	31-07-08		
18-02-08	20-02-08	30-05-08 #			31-12-08
03-03-08	05-03-08	30-05-08	29-08-08		
17-03-08	19-03-08	30-06-08	30-09-08		
07-04-08	09-04-08	30-06-08			31-03-09
21-04-08	23-04-08	31-07-08		31-12-08	
06-05-08 *	08-05-08	31-07-08	31-10-08		
19-05-08	21-05-08	29-08-08			31-03-09
02-06-08	04-06-08	29-08-08	28-11-08		
16-06-08	18-06-08	30-09-08	31-12-08		
07-07-08	09-07-08	30-09-08			30-06-09
21-07-08	23-07-08	31-10-08		31-03-09	
04-08-08	06-08-08	31-10-08	30-01-09		
18-08-08	20-08-08	28-11-08			30-06-09
01-09-08	03-09-08	28-11-08	27-02-09		
15-09-08	17-09-08	31-12-08	31-03-09		
06-10-08	08-10-08	31-12-08			30-09-09
20-10-08	22-10-08	30-01-09		30-06-09	
03-11-08	05-11-08	30-01-09	30-04-09		
17-11-08	19-11-08	27-02-09			30-09-09
01-12-08	03-12-08	27-02-09	29-05-09		
15-12-08	17-12-08	31-03-09	30-06-09		

Shaded areas indicate new programmes
This programme is opened for the first time; its initial launch was planned for December 2007.
* Tuesday

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