

Auction Procedure for Treasury Bills of the Republic of Austria

Auction Agent for Austrian Treasury Bills (ATBs), January 2024

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Auction Procedure for Treasury Bills of the Republic of Austria

Overview

In August 2021, the Republic of Austria has started with the issuance of Austrian Treasury Bills (ATBs) in EUR under Austrian law. In addition to auctions new issues or tap issues on a bilateral basis are possible.

The Single Price Auction Method is used for ATB auctions, i.e., the allotment is carried out at the cut-off-yield of the accepted bids. In accordance with international money market standards yield auctions are conducted.

The auction panel consists of a fixed group of banks (Primary Dealers) who are obliged to submit competitive bids in the auctions. As an incentive, panel members may be entitled to submit non-competitive bids.

The entire auction procedure is carried out electronically by means of ADAS (Austrian Direct Auction System), developed by OeKB. This software allows a quick announcement of the results, immediately after the deadline for the submission of competitive bids has expired and the issuer has confirmed the issue.

The announcement of the auction calendar in December for the forthcoming year, the announcement of new issues, the fixed schedule for carrying out the auction procedure, etc. show the issuer's desire to increase transparency of the entire auction procedure, for the investors as well as for the banks participating in the auction panel.

Issuing frequency / Schedule for the auction procedure

In principle, ATBs are auctioned monthly. The auction dates projected for the forthcoming year are announced at the end of the year.

Schedule for the auction procedure	
Thursday (T-5)	Announcement of the auction parameters.
Tuesday (T) by CET 11:00 a.m.	Submission of competitive bids and immediate announcement of competitive results after the consent of the issuer.
Wednesday (T+1) by CET 04:00 p.m.	Submission of non-competitive bids and immediate announcement of the total results and individual allotments
Thursday (T+2)	Settlement

Announcement of issues

The parameters for the respective ATB issues, the planned issue size and information on the submission of bids are announced electronically via ADAS and email to the auction participants and additionally published on the websites of OeBFA and OeKB on Thursdays prior to the auction at the latest. Multiple-securities auctions ('parallel auctions'), where two ATBs are auctioned at the same time, are planned. The planned issue volume comprises the competitive issue volume and the own quota of the issuer. The competitive issue volume is set by the issuer after the deadline for the submission of competitive bids has expired. The difference between the planned issue volume and the competitive issue volume set by the issuer represents the own quota of the issuer.

Submission of competitive bids

The start time for the bidding process is at 10:00 CET on the auction day, the deadline for the submission of competitive bids is one hour later at 11:00 CET. The actual time is given by ADAS to guarantee equal opportunities for all bidders when the bidding is closed automatically in ADAS. Only bids which have been submitted via the electronic auction system before expiration of the deadline are accepted.

The bids must be submitted in denominations of Euro 1 million or a multiple thereof containing the yield (or the price in case of a price auction) at which the bidder is prepared to accept the nominal amount.

Multiple bids may be submitted and modified and re-submitted up to the deadline as often as desired.

The minimum total volume a bank is obliged to bid per auctioned ATB corresponds to the issue size announced by the issuer divided by the number of auction participants.

Bids are subject to a real-time plausibility check to avoid erroneous bids and to guarantee the above mentioned bidding limits.

Allotment of competitive bids

The bids are ranked according to their respective yields in ascending order. The issuer determines the competitive issue volume based on the submitted nominal bids, thereby determining the highest accepted yield (cut-off-yield). As soon as the competitive issue volume is confirmed by the issuer in ADAS, the individual and general issue results are automatically distributed to the auction participants and available in ADAS.

The accepted competitive bids are uniformly allotted at the cut-off-yield. Bids at the lowest yield accepted (cut-off-yield) may be subject to pro rata curtailments to provide for a precise representation of the competitive issue size set by the issuer. Bids above the cut-off-yield will not be allocated.

The respective competitive allotments per participant (nominal amount, amount payable, etc.) and the overall issue results are published electronically via ADAS immediately after the expiration of the deadline for the submission of competitive bids and the confirmation of the issuer via ADAS.

Cancellation of an issue

The issuer may cancel an issue until 12:00 p.m. CET on the day of the auction. In that case a new auction date is set for one week after the cancelled date.

Submission of non-competitive bids

An additional 15 % of the issue amount is made available to the participants for the submission of non-competitive bids. Entitled auctions participants may submit a non-competitive bid at the competitive issue yield (cut-off yield) until 04:00 p.m. CET one business banking day after the competitive auction. The available amount is split among the participants as follows: 2/3 is based on the individual weighted average of the competitive allotments of the two previous auctions, 1/3 is based on predefined secondary market criteria. Therefore, the possibility and extent of the non-competitive bids is performance-based and seen as an incentive for the auction participants.

Publication of auction results

Total issue results and individual competitive and non-competitive allotments per participant (amounts payable, nominal amount, etc.) are published electronically by OeKB via ADAS, the electronic auction system, immediately after the issuer confirmation.

Auction results are made available to the auction participants within a few minutes after closing of the auction and published in a timely manner on the websites of OeBFA (www.uebfa.at) and OeKB (www.oekb.at).

Austrian Direct Auction System (ADAS)

Since May 1998 the auction procedure for Austrian Government Bonds has been carried out by ADAS, a software developed by OeKB. In June 2008 a fully web-based version of ADAS has been deployed. Since 2021 ADAS is also used for the auction procedure of Austrian Treasury Bills.

As this software has been adjusted continuously to accommodate changing requirements, it covers a wide range of features (different auction procedures, submission of competitive and non-competitive bids, personalized reports, parallel auctions, security types etc.). Constant communication and feedback from both sides (the issuer as well as the banks) before, during and after the auctions have enhanced the development of ADAS. Thus, ADAS was established as a reliable and user-friendly application with a high standard of security. In addition to technical support, OeKB assists all parties involved in dealing with questions concerning the auction procedure.

Advantages of the electronic auction-system:

- The submission of bids is carried out electronically without delay.
- After the deadline for the submission of competitive bids has expired the issuer confirms the issue and determines the competitive issue size per ATB electronically.
- Auction results are immediately made available to the participants.
- All information (auction results as well as individual allotments per participant) is communicated electronically via ADAS and distributed automatically via email without delay.

Primary Dealers

The Austrian Treasury selects the institutions which are entitled to participate at ATB auctions – the so-called Primary Dealers. The eligibility to participate is based on several criteria like sufficient capitalization, reputation, placement power and sufficient resources in ATB trading.

Additionally, it is mandatory that the Auction Participant has a registered office in a Member State of the European Union or another signatory state of the European Economic Area.

Primary Dealer rights

The most important rights of the Primary Dealers for Austrian Treasury Bills are:

- right to participate in auctioned and non-auctioned issues of Austrian Treasury Bills
- right to submit non-competitive bids
- preferred status for other issuance of the Republic of Austria
- preferred status as a counterparty of the Republic of Austria in debt and liquidity management operations
- right to bear the title "Primary Dealer for Treasury Bills of the Republic of Austria".

Primary Dealer obligations

Obligations are for example:

- obligation to participate in Austrian Treasury Bills auctions
- active participation in secondary market trading for Austrian Treasury Bills
- allocation of sufficient resources for trading of Austrian Treasury Bills
- promotion of Austrian Treasury Bills markets by adequate analysis, research and publications

In addition, each Auction Participant informs the Republic of Austria about its primary and secondary market activities in Austrian Treasury Bills using the Harmonised Reporting Format.

Current Primary Dealers

Currently, 19 banks are entitled to take part in ATB auctions:

- Barclays Bank Ireland PLC
- BNP Paribas
- BRED Banque Populaire
- BofA Securities Europe SA
- Citigroup Global Markets Europe AG
- Commerzbank AG
- Deutsche Bank Aktiengesellschaft
- Erste Group Bank AG
- Goldman Sachs Bank Europe SE
- HSBC Continental Europe
- J.P. Morgan SE
- Landesbank Baden-Württemberg
- Morgan Stanley Europe SE
- Natixis
- Nomura Financial Products Europe GmbH
- Oberbank AG
- Raiffeisen Bank International AG
- Société Générale
- UniCredit Bank GmbH

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