



Third IMF Roundtable of Sovereign Asset and Reserve Managers

Financial Crisis and Reserve Management: Outlook for the Future

January 20, 2011, Washington, D.C. – Policy Discussions

Agenda

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| 8:00 a.m.–8:30 a.m. | Registration and Coffee |
| 8:30 a.m.–8:35 a.m. | Welcome Remarks
<i>José Viñals, Financial Counsellor and Director, International Monetary Fund</i> |
| 8:35 a.m.–8:55 a.m. | Introduction
<i>John Lipsky, First Deputy Managing Director, International Monetary Fund</i> |
| 9:00 a.m.–10:45 a.m. | Session I—Reserve Management and Procyclicality in Investment Behavior

<i>This session discusses whether reserves can be managed actively during a crisis and, if yes, how structures can be designed to avoid procyclical behavior. Reserve managers reduced credit risk exposures during the crisis, notably through withdrawals of deposits from commercial banks, agency debt, and the covered bond markets.</i> <ul style="list-style-type: none">• <i>How problematic was this from a financial stability perspective and from a reserves and risk management perspectives?</i>• <i>Can procyclical behavior be avoided going forward, and what principles could reserve managers adopt in this regard?</i> |
| 10:45 a.m.–11:00 a.m. | Coffee Break |
| 11:00 a.m.–12:30 p.m. | Session II—Optimal Reserve Levels After the Crisis

<i>This session discusses recent research on the level of reserves and the implications for reserve management, and considers how the management of reserves is affected by the level of reserves vis-à-vis an adequate or optimal level.</i> <ul style="list-style-type: none">• <i>Has the view on optimal reserve levels changed?</i>• <i>Do the new IMF facilities, regional pools, and the emergence of credit lines during the crisis reduce the need for precautionary reserves?</i>• <i>How is the management of “excess” reserves different from the adequate or optimal level of reserves?</i> |
| 12:30 p.m.–2:00 p.m. | Lunch; Address “Outlook for the Financial Markets: Financial Stability and the New Regulatory Environment” by Robert Sheehy, Deputy Director, International Monetary Fund |



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2:00 p.m.–3:30 p.m.

Session III—Reserve Management in a Low-Yield Environment

This session considers the implications of interest rates in mature markets, which are at near unprecedented low levels. This trend is reducing central bank income, possibly affecting independence.

- *Should central banks be more wary of the typical short-duration approach due to the reinvestment risk that has manifested itself so strongly?*
- *Are the alternatives worth considering: more aggressive moves into higher duration at some point in time or further into non-traditional asset classes (possibly via an SWF)?*
- *What would be an appropriate time frame to consider changes and what are these?*

3:30 p.m.–3:45 p.m.

Coffee Break

3:45 p.m.–5:00 p.m.

Session IV—Should Reserve Managers Increase Holdings of Emerging Market Currencies, and if so, How?

This session focuses on emerging market (EM) economies. These markets continue growing at a rapid pace, while reserves are hardly invested in their currencies.

- *What are the conditions for holding reserves in EM currencies and what can be done to facilitate the investability of these currencies?*
- *What are the alternatives for investing in EM currencies and how should the ideal exposure to such currencies be determined?*

5:00 p.m.–5:45 p.m.

Session V—Roundtable Discussion

*Is there scope to summarize the sessions in some principles or calls for action?
Is there a need to update IMF's Guidelines for Foreign Exchange Reserve Management?*

5:45 p.m.–5:50 p.m.

Closing Remarks

José Viñals, Financial Counsellor and Director, International Monetary Fund

6:00 p.m.–9:00 p.m.

Cocktails and Dinner; Keynote Address on “Lessons of the Recent Crisis for Central Banks and Sovereign Portfolio Managers” by Willem H. Buiter, Chief Economist, Citigroup



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January 21, 2011, Washington, D.C. – Technical Discussions

8:00 a.m.–8:30 a.m. Coffee

**8:30 a.m.–9:00 a.m. Address: “Outlook for the World Economy: Growth and Inflation”
by Olivier Blanchard, Economic Counsellor and Director, International
Monetary Fund**

9:00 a.m.–10:30 a.m. Session I—Gold and Inflation Hedging

This session discusses the role of gold and inflation-indexed securities vs. short-duration assets to protect against inflation in a diversified portfolio.

- *What are the benefits of holding gold in a diversified portfolio? To which extent can gold offset the risk of holding longer maturity bonds?*
- *What are the benefits of holding inflation indexed securities? Does the inflation hedge benefit outweigh the risk of changes in expected real interest rates? How to determine an appropriate weight in a diversified portfolio?*

10:30 a.m.–10:45 a.m. Coffee Break

10:45 a.m.–12:15 p.m. Session II—Currency Composition

This session discusses currency composition issues at a more technical level.

- *How can the currency composition be derived? What are the implications of the new approaches to optimal reserves?*
- *What role should the US dollar play in light of the experience during the financial crisis?*
- *After the 2009 SDR allocations, SDR is now a larger part of countries' reserves. What have been the practical implications? Is there potential for a greater role for the SDR denominated assets in reserves?*

12:15 p.m.–2:30 p.m. Working Lunch

- *Scope for and benefit of expanding Reserve Management Services offered by central banks to other central banks*
- *Scope and need for updating the Guidelines for Managing Foreign Currency Reserves prepared by the IMF staff and/or accompanying country studies*