

Web Box 3.4 Second Annual Roundtable of Sovereign Asset and Reserve Managers

High-level delegates from central banks and ministries of finance, sovereign asset managers from 32 countries, and representatives from select international institutions as well as the private sector attended the IMF's Second Annual Roundtable of Sovereign Asset and Reserve Managers, organized by the Monetary and Capital Markets Department, in February 2009. Discussions—around the roundtable's theme of policy and operational issues confronting reserves and sovereign assets managers in the financial crisis and heightened market volatility—covered the implications of the crisis for reserve adequacy and reserve management, the use of other sovereign foreign currency assets held by sovereign wealth funds and their investment objectives, and the extent to which reserve managers' and SWFs' traditional approaches toward strategic asset allocation may be affected. Also discussed was the impact of market volatility on managing risk and wealth from oil and other nonrenewable commodities, along with the implications of various asset allocation frameworks and hedging strategies and the important role that SWFs can play in smoothing income over commodity price cycles.

A joint IMF–World Bank workshop dealt with approaches for deriving optimal duration of reserves, taking into account market volatility and balance sheet considerations, and examined the scope for cost efficiencies by managing assets across the sovereign balance sheet, while taking interest rate risk into account.

The First Deputy Managing Director addressed the roundtable, noting the important changes to the global economic and financial landscape and the challenges these presented for sovereign asset and reserve managers. He identified a number of important policy issues on which further technical engagement would be useful: the existing framework for reserve adequacy, the scope for an asset-liability management approach toward mitigating sovereign balance sheet risks, the implication of liabilities for the asset allocation choice of pension reserve funds, and the scope for direct and indirect hedging against oil price risk for countries with commodity stabilization and savings funds.