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SECRETARY'S CIRCULAR NO. 85/103

To: Members of the Executive Board
From: The Acting Secretary
Subject: Report on the Seminar on Central Banking

There is attached for the information of the Executive Directors a report on the seminar on central banking held at the Fund headquarters from July 1 to 12, 1985.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

CENTRAL BANKING DEPARTMENT AND THE IMF INSTITUTE

Report on the Seminar on Central Banking

July 1-12, 1985

Introduction

The third Seminar on Central Banking was held at the Fund headquarters from July 1-12, 1985. The purpose of the seminar was to provide senior officials from selected member countries with the opportunity to discuss and exchange views on three main topics: monetary policy and instruments, macroeconomic management and the external debt, and bank supervision.

Participation

Participation in the seminar was by invitation. The 26 participants were from countries selected to provide a wide range of experiences under different institutional arrangements and to ensure a balance between industrial and developing countries. The participants were senior officials from the following countries and regional central banks: Argentina, Banque des Etats de l'Afrique Centrale (BEAC), Belgium, Brazil, China, Eastern Caribbean Central Bank (ECCB), Germany, Ireland, Islamic Republic of Iran, Italy, Kenya, Libya, Madagascar, Maldives, Morocco, Nepal, Oman, Romania, Singapore, Sweden, Syrian Arab Republic, United States, Viet Nam, and Zimbabwe. A list of participants is given in Attachment I.

Organization of the Seminar

The proceedings were organized so as to allow ample time for exchange of views and discussion on all topics covered by the seminar. The main issues pertinent to each topic were presented by guest speakers and the Fund staff, and were followed by questions by the participants and an exchange of views. After a series of presentations on a main topic, there was a session devoted to general discussion with the speakers of the day. In this session the issues were further explored and the links between the different issues raised by speakers were pursued. In order to assist the participants in their preparation for the seminar, copies of the main papers were sent to them prior to their arrival in Washington. In addition, a volume containing recommended articles for further reading and a general bibliography on the topics covered by the seminar were given to the participants on arrival.

The Managing Director opened the seminar with an address on central banking and the world economy. Following his address, an exposition was made on the recent evolution of the Fund, and another on the objectives

and organization of the seminar. In total, 23 presentations addressed the three main topics of the seminar. Of these, 11 were delivered by the Fund staff and 12 by guest speakers. The guest speakers were: Mr. Robert Bench (Office of the Comptroller of the Currency, United States); Mr. W. Peter Cooke (Bank of England); Mr. Aristobulo de Juan (Bank of Spain); Mr. Ian H. Giddy (New York University); Mr. Mauricio Larrain (Central Bank of Chile); Mr. George J. Masa (Federal Deposit Insurance Corporation, United States); Mr. Paul Meek (formerly of the Federal Reserve Bank of New York); Mr. C. Rangarajan (Reserve Bank of India); Mr. Vijit Supinit (Bank of Thailand); Mr. William Taylor (Federal Reserve System); Mr. Jean-Claude Trichet (Treasury Directorate of France); and Mr. Henry Wallich (Member of the Board of Governors of the Federal Reserve System). A program of the seminar is included in Attachment II.

The seminar aroused a lively response and the participants made substantive contributions both in describing their country experiences and in raising issues for further examination. In the first part of the seminar, attention focused on: (1) objectives and instruments of monetary policy; (2) open market operations; and (3) financial reform.

In the second part, attention was directed to: (1) the interrelations between the external debt problems of developing countries and macroeconomic management; (2) the development of an external debt policy; and (3) the objectives and design of IMF-supported programs.

The principal issues discussed in the third part were: (1) the use of deposit insurance in maintaining the stability of the financial system; (2) methods and approaches to dealing with problem banks; (3) the problems posed by the internationalization of banks; and (4) international collaboration by supervisory authorities.

Social activities

The participants were invited to a welcome reception by the Director of the IMF Institute and a luncheon hosted by the Director of the Central Banking Department. Other social activities included an evening at the National Theatre and a city tour. A farewell luncheon was hosted by the Managing Director.

IMF Institute
August 1985

Attachments

IMF Institute
and
Central Banking Department
Seminar on Central Banking

July 1-12, 1985

List of Persons Attending

Mr. J. de Larosière
Managing Director

Senior Officials of Member Countries

NAME	COUNTRY	POSITION AND AFFILIATION
AL KINDY, Fauziya H. (Miss)	Oman	Senior Assistant Manager Research and Statistics Department Central Bank of Oman
CARBONE, Frank	United States	Senior Advisor International Relations and Financial Evaluation Office of the Comptroller of the Currency
CHEN Quangeng	China	Senior Research Fellow State Administration of Foreign Exchange Control People's Bank of China
DE CARVALHO, Vicente de Paulo Pereira	Brazil	Advisor to the President Economic Affairs Central Bank of Brazil
GHASIMI, Mohammad Reza	Iran	Director Economic Research Department Central Bank of Iran
IDRISS Ghassan	Syria	Chief, Economic Research Service Central Bank of Syria
JACOBS, Cecil	ECCB	Governor Eastern Caribbean Central Bank (ECCB)

NAME	COUNTRY	POSITION AND AFFILIATION
JUEILY, Salem	Libya	Deputy Governor Central Bank of Libya
KURUNA, T.K.B.	Kenya	Head Banking Department Central Bank of Kenya
LE VAN CHAU	Viet Nam	Director Foreign Department State Bank of Viet Nam
LICURICEANU, Gheorghe	Romania	Deputy Manager Foreign Exchange Department National Bank of the Socialist Republic of Romania
LISTER, James	United States	Deputy Director Office of International Banking and Portfolio Investment U.S. Treasury
MALABA, S.	Zimbabwe	Economic Division Reserve Bank of Zimbabwe
MCGOWAN, Padraig	Ireland	Assistant General Manager Central Bank of Ireland
NTANG, Gilbert	BEAC	Director Department of Monetary Analysis Bank of Central African States (BEAC)
RAZAFINTSALAMA, Renée (Mrs.)	Madagascar	Managing Director Central Bank of Madagascar
SAHLEN, Anders Folke	Sweden	Director Sveriges Bank
SALAMA, Elías	Argentina	Deputy General Manager Central Bank of Argentina
SALEEM, Ibrahim	Maldives	Manager Research and International Organizations Maldives Monetary Authority

NAME	COUNTRY	POSITION AND AFFILIATION
SCHMID, Peter	Germany	Deputy Division Chief Money, Credit and Capital Market Division Research Department Deutsche Bundesbank
SEKKAT, Mohamed	Morocco	Director Foreign Department Bank of Morocco
SHIH-Teo Siew Poh (Mrs.)	Singapore	Deputy Director Economics Department The Monetary Authority of Singapore
SMETS, Jan	Belgium	Advisor Research Department National Bank of Belgium
TRESOLDI, Carlo	Italy	Director Research Department Bank of Italy
TRIPATHI, H. S.	Nepal	Executive Director Nepal Rastra Bank
WENDEL, Helmut	United States	Deputy Associate Director Division of Research and Statistics Federal Reserve Board

Guest Speakers

Mr. Robert Bench
Deputy Comptroller of the
Currency for International
Relations and Financial
Evaluation
Office of the Comptroller of the
Currency

Mr. Paul Meek
Former Vice President
Open Market Function
Federal Reserve Bank of New York

Mr. W. Peter Cooke
Associate Director and Head of
Banking Supervision
Bank of England

Mr. C. Rangarajan
Deputy Governor
Reserve Bank of India

Mr. Aristobulo de Juan
Deputy Director General
Bank of Spain

Mr. Vijit Supinit
Director
Department of Economic Research
Bank of Thailand

Mr. Ian H. Giddy
Professor
New York University

Mr. William Taylor
Director of Supervision
Federal Reserve System

Mr. Mauricio Larrain
Advisor
Central Bank of Chile

Mr. Jean-Claude Trichet
Chief
Bureau of International Affairs
Treasury Directorate of France

Mr. George J. Masa
Assistant Director
Planning and Program Development
Branch
Federal Deposit Insurance
Corporation (FDIC)

Mr. Henry Wallich
Governor
Board of Governors of the Federal
Reserve System

Fund Staff

Central Banking Department

Mr. Justin B. Zulu
Director

Ms. Linda M. Koenig
Deputy Director

Mr. Hassanali Mehran
Advisor

Mr. Christian Madelin
Advisor

Mr. V. Sundararajan
Advisor

Mr. Tomas Balino
Senior Economist

Mr. Sergio Pereira Leite
Senior Economist

Exchange and Trade Relations Department

Mr. Manuel Guitian
Deputy Director

Ms. K. Burke Dillon
Chief, External Finance Division

European Department

Mr. Leslie J. Lipschitz
Senior Economist

IMF Institute

Mr. Gerard M. Teyssier
Director

Mr. U Tun Wai
Deputy Director

Mr. Orlando H. Lobo
Advisor/Assistant Director

Mr. Arthur H. Whitfield
Assistant Director

Research Department

Mr. Andrew D. Crockett
Deputy Director

Mr. Anthony Lanyi
Assistant Director

Western Hemisphere Department

Mr. Eduardo Wiesner
Director

IMF Institute and Central Banking Department

Seminar on Central Banking

July 1-12, 1985

Program

Monday, July 1

9:30 a.m.

Welcoming Remarks

Mr. Jacques de Larosière
Managing Director
IMF

Mr. Gérard M. Teyssier
Director
IMF Institute

Mr. Justin B. Zulu
Director, Central Banking
Department, IMF

Purposes and Organization
of the Seminar

Ms. Linda M. Koenig
Deputy Director, Central Banking
Department, IMF

10:45 a.m.

Coffee Break

11:00 a.m.

Recent Evolution of the
International Monetary Fund

Mr. Gérard M. Teyssier
Director
IMF Institute

Part I - Central Banking and Monetary Policy

2:30 p.m.

Objectives and Instruments of
Monetary Policy

Ms. Linda M. Koenig

3:30 p.m.

Coffee Break

Monday, July 1 (continued)

3:45 p.m.

Instruments of Monetary Policy:
Technical Aspects
Mr. Tomas Balino
Senior Economist, Central Banking
Department, IMF

5:00 p.m.

Welcome Reception

Tuesday, July 2

9:30 a.m.

Use of Monetary Policy Instruments
by European Central Banks
Mr. Leslie J. Lipschitz
Senior Economist
European Department, IMF

10:45 a.m.

Coffee Break

11:00 a.m.

Open Market Operations: A Brief
Comparative Study
Mr. Paul Meek
Former Vice President, Open Market
Function
Federal Reserve Bank of New York

12:45 p.m.

Central Banking Department Luncheon

2:30 p.m.

Monetary Policy, Capital Flows
and the Exchange Markets
Mr. Andrew B. Crockett
Deputy Director, Research
Department, IMF

3:45 p.m.

Coffee Break

4:00 p.m.

General Discussion: Monetary Policy
in the Industrial Countries

Discussants:

Messrs. Crockett, Lipschitz and Meek

Wednesday, July 3

9:30 a.m. Designing Monetary Policy Instruments
for the Developing Countries: The
Case of Indonesia
Mr. V. Sundararajan
Advisor, Central Banking
Department, IMF

10:45 a.m. Coffee Break

11:00 a.m. Financial System Reform and Monetary
Policy: The Case of Thailand
Mr. Vijit Supinit
Director, Department of Economic
Research, Bank of Thailand

2:30 p.m. Monetary Reform: The Case of India
Mr. C. Rangarajan
Deputy Governor
Reserve Bank of India

3:45 p.m. Coffee Break

4:00 p.m. General Discussion:
Financial Development

Discussants:

Messrs. Rangarajan, Sundararajan and
Supinit

Thursday, July 4

Official Holiday

Part II - Macroeconomic Management and External Debt

Friday, July 5

9:30 a.m. External Debt Problems of Developing
Countries and Macroeconomic
Management
Mr. Eduardo Wiesner
Director, Western Hemisphere
Department, IMF

Friday, July 5 (continued)

10:45 a.m.	Coffee Break
11:00 a.m.	<u>Private Capital Flows and the World Economic Outlook</u> Mr. Anthony Lanyi Assistant Director, Developing Country Studies Division, Research Department, IMF
2:30 p.m.	<u>Developing an External Debt Policy</u> Ms. K. Burke Dillon Chief, External Finance Division Exchange and Trade Relations Department, IMF
3:45 p.m.	Coffee Break
4:00 p.m.	<u>General Discussion: External Debt Problems, Prospects and Policies</u> Discussants: Ms. Dillon, Messrs. Lanyi and Wiesner

Saturday, July 6

10:00 a.m.	City Tour
1:00 p.m.	Luncheon

Monday, July 8

9:30 a.m.	<u>Institutional Structure for External Debt Management</u> Mr. Hassanali Mehran Advisor, Central Banking Department, IMF
10:45 a.m.	Coffee Break
11:00 a.m.	<u>Objectives and Design of an IMF- Supported Adjustment Program</u> Mr. Manuel Guitian Deputy Director Exchange and Trade Relations Department, IMF

Monday, July 8 (continued)

2:30 p.m.	<u>Debt Rescheduling and Adjustment</u> Mr. Jean-Claude Trichet Chief of Bureau of International Affairs Treasury Directorate of France
3:45 p.m.	Coffee Break
4:00 p.m.	<u>General Discussion: External Debt Management, IMF Conditionality and Refinancing</u> Discussants: Messrs. Guitian, Mehran and Trichet

Part III - Bank Supervision

Tuesday, July 9

9:30 a.m.	<u>Objectives of Bank Supervision</u> Mr. Ian H. Giddy Professor, New York University
10:45 a.m.	Coffee Break
11:00 a.m.	<u>Bank Supervision in the United States</u> Mr. Robert Bench Deputy Comptroller of the Currency for International Relations and Financial Evaluation Office of the Comptroller of the Currency
2:30 p.m.	<u>Bank Supervision in Europe</u> Mr. Christian Madelin Advisor, Central Banking Department, IMF
3:45 p.m.	Coffee Break
4:00 p.m.	<u>Deposit Insurance</u> Mr. George J. Masa Assistant Director, Planning and Program Development Branch Federal Deposit Insurance Corporation (FDIC)

Wednesday, July 10

9:30 a.m.

Dealing with Problem Banks:
The Case of Chile
Mr. Mauricio Larrain
Advisor, Central Bank of Chile

10:45 a.m.

Coffee Break

11:00 a.m.

Dealing with Problem Banks:
The Case of Spain
Mr. Aristobulo de Juan
Deputy Director-General
Bank of Spain

2:30 p.m.

Dealing with Problem Banks: The Case
of the United States
Mr. William Taylor
Director of Supervision
Federal Reserve System

3:45 p.m.

Coffee Break

4:00 p.m.

General Discussion: Problem Banks

Discussants:

Messrs. Bench, de Juan, Larrain,
and Taylor

Thursday, July 11

9:30 a.m.

Internationalization of Banking:
Implications for Banking Supervision
Mr. W. Peter Cooke
Associate Director and Head of
Banking Supervision
Bank of England

10:45 a.m.

Coffee Break

11:00 a.m.

Debt and the Banking System
Mr. Henry Wallich
Governor
Board of Governors of the Federal
Reserve System

Thursday, July 11 (continued)

3:00 p.m.

General Discussion: Debt and the
International Banking System

Discussants:

Messrs. Cooke and Wallich

Friday, July 12

9:30 a.m.

Concluding Discussions

10:30 a.m.

Coffee Break

10:45 a.m.

Closing Session

1:00 p.m.

Managing Director's Farewell Luncheon