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

Attached for the information of the Executive Directors is a report on the seminar on central banking, organized at the Fund headquarters from August 22 through September 1, 1983.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Central Banking Department and IMF Institute

Report on the Seminar on Central Banking

August 22 - September 1, 1983

Introduction

The second Seminar on Central Banking was presented at Fund headquarters during August 22 - September 1, 1983. The purpose of the seminar was to enable senior officials to discuss and exchange views on three main topics: (1) central banking and economic management; (2) the international monetary system and external debt; and (3) bank supervision.

Participation

Participation in the seminar was by invitation. The invited participants were from countries selected to provide a wide range of experience in different financial environments and to ensure a balance between developed and developing countries. The participants were senior officials of member countries for whom the subject matter of the seminar would be directly relevant to the conduct of their duties.

Participants from the following 31 member countries attended the seminar: The Arab Republic of Yemen, Austria, Bahamas, Barbados, Bangladesh, Belize, Burma, Canada, China, Cyprus, Egypt, Ethiopia, Finland, France, Germany, Greece, Iraq, Israel, Jamaica, Malawi, Malaysia, Mauritius, the Netherlands, New Zealand, the Philippines, Solomon Islands, Sri Lanka, Sudan, the Syrian Arab Republic, Thailand, and the United States. A list of the participants is given in Attachment 1.

Organization of the Seminar

The seminar was organized to facilitate the maximum interchange of views and experience among those participating in it. The sessions devoted to each topic started with an introductory lecture; the topics were examined in greater detail in syndicates, where a number of participants also presented short papers on their respective country experiences; the deliberations of the syndicates were then reported back for further discussion in full session of the seminar. Points of special interest were developed with the help of a panel of experts.

In order to assist the participants in their preparation for the seminar, copies of the papers presented by the speakers, together with a bibliography for each topic, were sent to them some weeks prior to the seminar. A volume containing recommended articles for further reading was given to each participant at the beginning of the seminar.

The seminar was inaugurated by the Deputy Managing Director. Following the formal commencement of the seminar, a lecture was given on the evolving role of the Fund, and another on the purposes and organization of the seminar. In total, 30 sessions were devoted to the three main topics of the seminar. Of these, 18 were lectures, 6 were syndicates, 3 were syndicate reports, and 3 panel sessions. A list of topics is attached (Attachment II). In the closing session of the seminar, the participants exchanged views with the Directors of the Institute and the Central Banking Department on the substance and organization of the seminar.

The lectures covering the three parts of the seminar dealt with (1) the role played by the central banks in developing a financial system, the use of monetary instruments in economic management with special reference to interest rate policies, and mobilization of savings; (2) the structure of international money markets, offshore banking centers, external debt and debt capacity, international lending criteria and borrowing strategies, international adjustment process and the use of Fund resources; (3) bank supervision in a selected number of countries and international cooperation among national regulatory agencies.

Nine lectures were given by guest lecturers, while the remainder were given by Fund staff. The guest lecturers were: Mr. Paul C. Volcker (Board of Governors of the Federal Reserve System), Mr. William C. Allen (Central Bank of the Bahamas), Mr. Peter Cooke (Bank of England), Mr. Robert R. Bench (Office of the Comptroller of the Currency, USA), Mr. A. Ghosh (Reserve Bank of India), Mr. Jack Zwick (Jack Zwick Associates), Mr. Ian H. Giddy (Columbia University), and Mr. David Willey (Morgan, Stanley and Company, Inc.).

The participants engaged in active discussion during the seminar; they made contributions both in assessing their own country's experience and in raising substantive questions for further examination. Six country papers were presented by participants, including two on the role of central banks in the economic development of small, open economies by Governor Blackman of Barbados and Governor Hughes of Solomon Islands. In the first part of the seminar, which dealt with central banking and economic management, attention was focused on: (1) the alternative interest rate policies that central banks could pursue in the context of the government's overall economic policies,

(2) the extent to which the implementation of monetary policy could foster growth without undue central bank intervention in the market, and (3) the extent to which central banks could develop appropriate institutions for mobilizing savings.

In the second part--international monetary system and external debt--attention was directed to: (1) the structure of the international money market and the role of offshore centers in that market, (2) the difficulties encountered by developing countries in borrowing funds in the international money and capital markets, (3) the need to improve the mechanisms for monitoring external debt in the borrowing countries, and (4) the principles underlying the adjustment process and the rationale for selecting those variables that become focal points of Fund programs.

The main questions and issues discussed in the part of the seminar dealing with bank supervision were: (1) whether bank supervisory functions should be vested in the same institutions as those of the lender of last resort, (2) the ways of ensuring quick response in regulatory institutions to contain the effects of a bank failure and to maintain public confidence, (3) the advantage of the implementation of a deposit insurance scheme, (4) the experiences in bank supervision in industrial countries that could be relevant and applicable to developing countries, (5) how to maintain strict and prudent standards for international banking and to control the international exposure of domestic banks, (6) how to develop closer cooperation and common operating standards between national supervisory authorities in the international field.

Social Activities

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

CENTRAL BANKING DEPARTMENT AND IMF INSTITUTE

Seminar on Central Banking

August 22 - September 1, 1983

List of Participants

ALLEN, William C. Governor The Central Bank of the Bahamas	Bahamas
ALSALAMI, Ali A. Manager Banking Control Department Central Bank of Yemen	Yemen Arab Republic
BLACKMAN, Courtney N. Governor Central Bank of Barbados	Barbados
CARR, Winston Keith Director of Research Bank of Jamaica	Jamaica
DANZINGER, Herbert Head Research Office Austrian National Bank	Austria
EASPARATHASAN, S. Director of Economic Research Central Bank of Ceylon	Sri Lanka
HOUSSAMI, Arfan Secretary General Central Bank of Syria	Syrian Arab Republic
HUGHES, Anthony V. Governor Central Bank of Solomon Islands	Solomon Islands
ICARD, André C. D. Director of Balance of Payments Directorate General of Foreign Services Bank of France	France

ISLAM, Waliul
Senior Deputy Director
Research Department
Bangladesh Bank

Bangladesh

JANNARI, Kaarlo V.
Head of Office for International
Organizations
Exchange Policy Department
Bank of Finland

Finland

JENKINS, Paul
Deputy Chief
Monetary and Financial Analysis
Department
Bank of Canada

Canada

KONING, Jacob
Chief
Domestic Research Department
De Nederlandsche Bank N.V.

Netherlands

MAINERT, Alf
Bundesbankdirektor
Deutsche Bundesbank

Germany

MARAKANOND, Rerngchai
Director
Department of Financial Institution
Supervision and Examination
Bank of Thailand

Thailand

MUSTAFA, Fuoad Majeed
Assistant Director General
Investment Department
Central Bank of Iraq

Iraq

NYUNT AUNG
Executive Director
Internal Audit and Bank
Supervision Department
Union of Burma Bank

Burma

OSMAN, Mohamed Fouad
Sub-Governor
Banking Operations
Central Bank of Egypt

Egypt

PADUA, Corazon A. (Mrs.) Senior Staff Officer SES Department III Central Bank of the Philippines	Philippines
PEIQUIN, Che Deputy Director Department of Foreign Business Administration People's Bank of China	China, People's Republic of
PELEKAMOYO, F. Z. Director Research and Statistics Department Reserve Bank of Malawi	Malawi
SCOTT, Owen G. Chief Accountant Reserve Bank of New Zealand	New Zealand
SHENG, Andrew Manager Economics Department Bank Negara Malaysia	Malaysia
STAVROU, Spyrous N. Assistant Manager Economic Research Department Central Bank of Cyprus	Cyprus
STEINBERG, Avigdor Comptroller Bank of Israel	Israel
SWIFT, Clifton Robert Deputy Governor Central Bank of Belize	Belize
TACOURI, R. Managing Director Central Bank of Mauritius	Mauritius
TERRELL, Henry S. Chief, International Banking Sector Division of International Finance Federal Reserve Board	United States

CENTRAL BANKING DEPARTMENT AND IMF INSTITUTE

Seminar on Central Banking

August 22 - September 1, 1983

List of Topics

Introduction

1. Address by the Deputy Managing Director
2. Recent Evolution of the International Monetary Fund
3. Purposes and Organization of the Seminar

Part I. Central Banking and Economic Management

1. Role of a Central Bank in a National Economy with Particular Reference to Developing Countries
2. Uses of Monetary Instruments and Monetary Management in Developing Countries
3. Interest Rate Management
4. Role of Central Banks in Developing a Suitable Financial Structure
5. Savings Mobilization in Developing Countries
6. Current Legal Matters Affecting Central Banks

Part II. International Monetary System and External Debt

1. Structure of International Money Markets
2. Offshore Banking Centers
3. Debt Capacity, External Financing and the International Monetary System
4. International Lending Criteria and Borrowing Strategies
5. International Adjustment Process and the Use of Fund Resources

Part III. Bank Supervision

1. Bank Supervision: Main Features, Evolution and Possible Alternatives
2. Bank Supervision: New Techniques--The U.S. Experience
3. Bank Supervision: Experience of Selected Number of European Countries
4. Bank Supervision: Experience of Developing Countries
5. Emerging International Cooperation Among Regulatory Agencies
6. International Cooperation, External Debt and the Adjustment Process

Closing Session:

An Exchange of Views on the Substance and Organization of the Seminar.