

December 29, 1988

SECRETARY'S CIRCULAR NO. 88/141

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 held at headquarters from November 28 to December 9, 1988.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Central Banking Department and the IMF Institute

Report on the Seminar on Central Banking

November 28 - December 9, 1988

Introduction

The fourth seminar on Central Banking was held at the Fund's headquarters from November 28 to December 9, 1988. The purpose of the seminar was to provide an opportunity for senior officials from selected member countries and regional central banks to discuss and exchange views on recent trends and issues in monetary policy, banking supervision and international collaboration among central banks in the context of financial reform, liberalization and innovation.

Participation

Participation in the seminar was by invitation. The 30 participants were senior officials representing countries with diverse experiences and different institutional arrangements. They were from: The Bank of Central African States, the Central Bank of West African States, Chile, China, Colombia, Egypt, Gabon, Ghana, Indonesia, Islamic Republic of Iran, Israel, Japan (2), Jordan, Korea, Lebanon, Malawi, Malaysia, Mozambique, Pakistan, Poland, Senegal, Thailand, Tunisia, Turkey, United Kingdom, United States (2), Yugoslavia, and Zaire. A list of participants is shown in Attachment I.

Organization of the Seminar

In total, 36 sessions were held. These included the Managing Director's opening speech, 27 lecture presentations, 4 general discussion sessions, 3 panel discussion sessions, and the closing session. Fifteen prominent guest speakers and 19 Fund officials participated in the presentation and/or discussion (see Attachment I).

The seminar was divided into three sections. Section I surveyed monetary targets, instruments and control techniques against the background of financial reform, innovation, and liberalization in industrial and developing countries. Section II reviewed the recent experience in bank supervision. It examined the background to recent banking crises and the approaches for dealing with problem banks and deposit insurance. Section III discussed international economic interdependence and international policy coordination with special emphasis on bank supervision and monetary policies. The list of topics is presented in Attachment II.

Each lecture presentation was followed by questions or comments by the participants. After a series of presentations on a main topic, there was a session devoted to either a general discussion or a panel discussion. In these sessions, the participants further explored the issues with the speakers and also exchanged views among themselves. For each presentation, participants received the main paper, together with background articles for further reading. A selection of papers and articles was sent to participants in advance of the seminar. Three seminar volumes--Main Papers, Selected Readings, and Banking Crisis Case Studies--and a Selected Bibliography on the topics covered by the seminar were distributed to the participants upon their arrival. The list of documents is shown in Attachment III.

The seminar elicited a lively and in-depth discussion among the participants, guest speakers, and Fund staff. The participants viewed financial reform as not only desirable but also inevitable, and the issues were how best to design, phase, and manage the reform process. In this regard, the value of Fund technical assistance in designing and implementing reform programs was highlighted. Many participants were concerned with the need to strengthen banking supervision in their countries and with devising appropriate regulations and techniques for effective prudential supervision. There was keen interest in countries' experiences and procedures in dealing with insolvent financial institutions, and the discussion of banking crises focused on the role of the central bank in stabilizing the financial system and the interrelationships between monetary and supervisory policies. The need to strengthen the powers and independence of the central bank in a country was raised in several discussion sessions.

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 a luncheon hosted by the Board of Governors of the Federal Reserve System, an evening at the Kennedy Center, and a day-long city tour with luncheon. A farewell luncheon was hosted by the Managing Director.

Central Banking Department and IMF Institute
December 1988

Attachments

IMF Institute and Central Banking Department

Seminar on Central Banking

November 28 - December 9, 1988

Senior Officials of Member Countries

NAME	COUNTRY	POSITION AND AFFILIATION
Abou-Musleh, Ghaleb	Lebanon	Director Credit Department Bank of Lebanon
Apea, S.K.	Ghana	First Deputy Governor Bank of Ghana
Artstein, Yael (Mrs.)	Israel	Assistant Director Research Department Bank of Israel
Bernal, Olver	Colombia	Director of Economics Research Department Bank of the Republic of Colombia
Chen Yuan	China	Deputy Governor People's Bank of China
Devo, Vilevo	BCEAO	Assistant Director Central Directorate of Credit Central Bank of West African States (Headquarters)
Eguchi, Takashi	Japan	Director Japanese Center for International Finances
Kahn, Robert	United States	Economist International Banking Section Federal Reserve Board
Khan, Shamshad Ashraf	Pakistan	Executive Director State Bank of Pakistan
Kumcu, Ercan	Turkey	Deputy Governor Central Bank of Turkey

NAME	COUNTRY	POSITION AND AFFILIATION
Lesshaft, Hans Joachim	Malawi	Governor Reserve Bank of Malawi
Lindhart, Ronald	United States	Director of International Bank Supervision Policy - Office of the Comptroller of the Currency
Luono Kimbanga	Zaire	Assistant Director Inspectorate of Banks Bank of Zaire
Maleiane, Adriano A.	Mozambique	General Manager Bank of Mozambique
Mishriky, Farouk Fouad	Egypt	Assistant Sub-Governor of Banking Control Central Bank of Egypt
Mozayani, Masoud	Islamic Rep. of Iran	Vice Governor Central Bank of the Islamic Republic of Iran
N'Diaye, Seyni	Senegal	Chief Credit Section Agency of the Central Bank of West African States
Nong Nze, Herve	Gabon	Assistant Director Credit Section National Directorate Bank of Central African States
Oh, Kyong Hee	Korea	Director Statistics Department Bank of Korea
Palha, Ana (Mrs.)	Portugal	Division Chief Research Department Bank of Portugal
Petrovic, Jovan	Yugoslavia	Deputy General Manager Research Department National Bank of Yugoslavia



NAME	COUNTRY	POSITION AND AFFILIATION
Reid, D.J.	United Kingdom	Advisor External Finance Statistics Financial Statistics Division Bank of England
Salah, Jamal	Jordan	Economic Advisor Central Bank of Jordan
Sathoud, Jean-Edouard	BEAC	Vice Governor Bank of Central African States (Headquarters)
Sawinski, Andrzej	Poland	Advisor to the President National Bank of Poland
Sihotang, Kilian	Indonesia	Director Economics and Statistics Department Bank of Indonesia
Souayah, Abdelmoumen	Tunisia	Managing Director of Credit and Banking Central Bank of Tunisia
Tan Yit Seong (Mrs.)	Malaysia	Deputy Manager Bank Regulations Department Bank Negara Malaysia
Wibulswasdi, Chaiyawat	Thailand	Director Bank Supervision and Examination Department Bank of Thailand
Yasui, Hajima	Japan	Manager Bank Supervision Department Bank of Japan



Guest Speakers

Mr. Jurgen Becker
Director of Bank Supervision
Deutsche Bundesbank

Mr. Fred Dahl
Consultant

Mr. C. Freedman
Deputy Governor
Bank of Canada

Mr. Peter Hayward
Secretary to the Basle
Supervisors Committee,
Bank for International Settlements

Professor Takatoshi Ito
Hitotsubashi University
Tokyo

Mr. Manuel Johnson
Vice Chairman
Board of Governors of the
Federal Reserve System

Mr. E. Kiriwat
Alternate Executive Director
International Monetary Fund
(Formerly Director of Bank Super-
vision, Bank of Thailand)

Mr. David E. Lindsey
Deputy Director
Division of Monetary Affairs
Board of Governors of the
Federal Reserve System

Mr. Millard Long
Staff Director
World Development Report
The World Bank

Mr. Charles Lucas
Senior Vice President -
International Capital
Markets Staff
Federal Reserve Bank of New York

Mr. Christian Madelin
Inspector
Bank of France

Mr. Paul Meek
Former Senior Vice President
Federal Reserve Bank of New York

Mr. C. Rangarajan
Deputy Governor
Reserve Bank of India

Mr. William Taylor
Director
Bank Supervision
Board of Governors of the
Federal Reserve System

Mr. Lin See Yan
Deputy Governor
Bank Negara Malaysia

Officials of the International Monetary Fund

Mr. Michel Camdessus
Managing Director

African Department

Mr. Christian A. Francois
Division Chief

Central Banking Department

Mr. J. B. Zulu
Director

Ms. Linda M. Koenig
Deputy Director

Mr. V. Sundararajan
Division Chief

Mr. Jacques Gautier
Advisor

Mr. Carl-Johan Lindgren
Advisor

Mr. Sergio Pereira Leite
Advisor

Mr. Tomas J. T. Balino
Assistant Division Chief

Mr. Craig Stirnweis
Consultant

Mr. R. Barry Johnston
Economist

European Department

Mr. L. G. Manison
Senior Economist

Mr. Donogh C. McDonald
Economist

IMF Institute

Mr. Gerard M. Teyssier
Director

Mr. Anthony Lanyi
Deputy Director

Mr. Arthur H. Whitfield
Assistant Director

Mr. Chorng-huey Wong
Advisor

Research Department

Mr. Paul Masson
Advisor

Bureau of Statistics

Mr. Vicente Galbis
Advisor

IMF Institute and Central Banking Department

Seminar on Central Banking

November 28 - December 9, 1988

List of Topics

Introduction

1. Welcoming Remarks
2. Recent Evolution of the International Monetary Fund

Part I. Monetary Policy

1. Targets and Instruments
 - (a) Objectives, Targets and Instruments of Monetary Policy
 - (b) Operational Framework of Monetary Policy
2. Techniques in Industrial Countries
 - (a) The Recent Evolution of Monetary Control Techniques: The Case of Japan
 - (b) The Recent Evolution of Monetary Control Techniques in Europe
 - (c) Recent Experience with Monetary Control Techniques: The Case of the United States
3. Financial Reform in Developing Countries
 - (a) Financial Reform and Monetary Control in Developing Countries
 - (b) Monetary Control and Financial Reform in Centrally-Planned Economies
 - (c) Financial Reform and Monetary Control: The Case of Malaysia
 - (d) Financial Reform and Monetary Control Issues in India
4. Approaches to Money and Securities Market Development
5. The Role and Operation of Multinational Central Banks
6. Financial Innovation: Sources and Implications for Monetary Control

Part II. Bank Supervision

1. Objectives and Techniques
 - (a) Evolution of the Role and Objectives of Bank Supervision
 - (b) The Institutional and Operational Framework for Bank Supervision



- (c) Organization and Technical Aspects of Bank Supervision:
Off-Site Monitoring and Bank Inspection
- 2. Practices in Industrial Countries
 - (a) Recent Developments in Bank Supervision in the United States
 - (b) Recent Developments in Bank Supervision and Regulations in Europe
- 3. Problems of Bank Supervision in Developing Countries
- 4. Deposit Insurance: Policy Issues and Technical Aspects
- 5. Banking Crises
 - (a) Overview of Banking Crises
 - (b) Banking Crises and Adjustment: Recent Experience
 - (c) Survey of Techniques for Dealing with Problem Banks
- 6. Structural Changes, Financial Policy, and Bank Regulation
 - Part III. International Collaboration Among Central Banks
 - 1. Interdependence and International Coordination of Economic Policies
 - 2. International Collaboration of Banking Supervision
 - 3. Recent Developments in the International Collaboration of Monetary Policies

IMF Institute and Central Banking Department

Seminar on Central Banking

November 28 - December 9, 1988

List of Documents

Volume I. Main Papers

Introduction

"Recent Evolution of the International Monetary Fund," by IMF Institute.

Part I. Monetary Policy

1. Objectives, Targets and Instruments of Monetary Policy in a Setting of Financial System Change, by Linda M. Koenig
2. Operational Framework for Monetary Policy, by Thomas J. T. Balino
3. The Recent Evolution of Monetary Control Techniques: The Case of Japan, by Takatoshi Ito
4. Monetary Policy in the European Monetary System: Implications of Financial Integration, by Donogh C. McDonald
5. Comments on Recent Industrial Country Experience with Monetary Policy, by Barry Johnston
6. Implementing Monetary Policy, by Robert Heller
7. Financial Reform and Monetary Control in Developing Countries, by Sergio Pereira Leite
8. Monetary Control and Financial Reform in Centrally Planned Economies, by L. G. Manison
9. Monetary Control and Financial Reform, Malaysia's Experience: A Background Note, by Lin See Yan
10. Financial Reform and Monetary Control Issues in India, by C. Rangarajan
11. Developing Money and Securities Markets: The Central Bank's Role, by Paul Meek
12. The Role and Operations of Multinational Central Banks, by Christian A. Francois

Part II. Bank Supervision

1. Evolution of the Role and Objectives of Bank Supervision, by Fred Dahl
2. The Institutional and Operational Framework for Bank Supervision, by Jacques Gautier

3. Organization and Technical Aspects of Bank Supervision, by Christian Madelin
4. Recent Developments in Bank Supervision in the United States, by Craig Stirnweis
5. Recent Developments in Bank Supervision and Regulation in Europe, by Jurgen Becker
6. Problems of Bank Supervision in Developing Countries, by Christian Madelin
7. Deposit Insurance: Policy Issues and Technical Aspects, by Vicente Galbis
8. Crisis in the Financial Sector, by Millard Long
9. Banking Crises and Adjustment: Recent Experience, by V. Sundararajan
10. Structural Changes, Financial Policy and Bank Regulation by C. Freedman

Part III. International Collaboration

1. International Policy Coordination and Exchange Rate Fluctuations, by Jacob A. Frenkel, Morris Goldstein and Paul R. Masson
2. International Collaboration in Banking Supervision, by P. C. Hayward

Volume II. Selected Readings

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Volume III. Banking Crisis Case Studies

1. Argentina

Tomas J. T. Balino, "The Argentine Banking Crisis of 1980"

2. Bangladesh

Tarisa Watanagase, "Banks in Distress - The Case of Bangladesh"

3. Chile

Andres Velasco "Liberalization, Crisis, Intervention: The Chilean Financial System, 1975-1985"

4. Malaysia

Andrew Sheng, "Financial Adjustment in a Period of Disinflation"

5. Philippines

Jean-Claude Nascimento, "The Crisis in the Financial Sector and the Authorities' Reaction: The Case of the Philippines"

6. Spain

Alfredo Leone, "The Financial Reform and Financial Crisis in Spain: Preliminary Overview"

7. Thailand

R. Barry Johnston, "Distressed Financial Institutions in Thailand: Institutional Weaknesses, Support Operations and Economic Consequences"

