

Since 1999, Central Banking Publications has organised annual residential training courses/seminars which have been attended by more than 4,500 central bankers and supervisors from over 140 countries.



The Changing Framework of Monetary Policy Operations

9–12 September 2014, Christ's College Cambridge

Course Chairman

Jesper Berg

Senior Vice President

Regulatory Affairs

Nykredit and

former Head of Market Operations

National Bank of Denmark

Series Advisor

Charles Goodhart

Professor Emeritus

London School of Economics

Financial Markets Group

Dear Delegate,

“Unconventional monetary policy tools are less unconventional than the word implies. They are unusual, because they respond to highly unusual circumstances. ... But fundamentally, unconventional tools are only a means for central banks to continue doing what they have always done: managing aggregate demand, by influencing the level of real interest rates and other monetary transmission channels, to maintain price stability. To borrow from Giuseppe Tomasi di Lampedusa, in these unusual times ‘everything must change, so that everything stays the same.’”

Benoit Cœuré, Member of the Executive Board,
European Central Bank, 13 April 2014

In 2014, those charged with managing monetary operations face a three-pronged challenge.

First, they must begin to “normalise” their own operations, withdrawing stimulus and programmes put in place to support markets. Second, they must prepare for the fallout from similar operations in other markets, notably the United States. Third, they must be wary of the effects these dynamics may on their balance sheet, financial institutions’ balance sheets and financial stability more broadly.

Increasingly, as markets look to central banks for “forward guidance”, operational specialists must ensure that technical measures match the rhetoric, reinforcing the credibility of the institution and the confidence of markets.

This seminar provides operations and policy specialists with the tools to meet these challenges. The four-day programme of interactive roundtable seminars and workshops highlights the key practical lessons at a time of heightened attention on their performance, demonstrating where they can add value.

The seminar will be chaired by Jesper Berg, a former head of monetary operations and a regular participant in international assessments with the International Monetary Fund and features a panel of speakers that combines practical central banking

experience and expertise in the technical aspects of operations, as well as views from private sector experts.

This year we are pleased to welcome:

- **Dave Altig**, Senior Vice President and Director of Research, Research Department, Federal Reserve Bank of Atlanta
- **Morten Bech**, Principal Economist, Bank for International Settlements
- **Mika Pösö**, Head of General Secretariat, Bank of Finland

Key practitioner-led sessions address:

- The Federal Reserve’s taper: actions, timing and impact
- Where to draw the line between monetary policy operations and financial stability
- How to deliver accurate and timely liquidity forecasts
- Capital flows: volatility, intervention and sterilisation

All discussions are held in roundtable format to encourage participants to share their experiences and debate the pressing issues in their field.

This format, as more than 4,500 central bankers and regulators can attest, encourages delegates to quiz panellists, raise issues and discuss solutions to the specific challenges they face.

We look forward to welcoming you to Cambridge on September 9th.

Yours sincerely,



Robert Pringle
Chairman
Central Banking Publications

■ ■ The seminar has been wonderful, the resource and people were of top class and it was a very rewarding experience ■ ■

Emmanuel Ukeje, Director, Central Bank of Nigeria

Tuesday 9 September

The State of the Art

Monetary policy operations – a framework for assessment

Led by the chairman, **Jesper Berg**

In this opening session the course chairman will set out a way of thinking about, and analysing in-depth, the approaches taken by central banks in managing domestic liquidity and monetary policy operations broadly. This exposition will feature a critique of an operating framework, drawing on the chairman's recent fieldwork. Wider group discussion will consider how central bank operations have evolved in recent years, their relations with financial stability and the implications of these developments for the balance sheet, banking system and financial system broadly. Delegates will be invited to give a brief account of the main features of their operating framework and the specific challenges they face at both strategic and day-to-day levels. The aim will be to identify key topics of interest for the group for attention in later sessions.

The Federal Reserve's taper: actions, timing and impact

Dave Altig, Senior Vice President and Director of Research, Research Department, Federal Reserve Bank of Atlanta

"Extraordinary times call for extraordinary measures" was how Chairman Ben Bernanke explained the Federal Reserve's decision to develop and then implement unconventional monetary policy tools. Seven years on from the onset of the financial crisis and the central bank has begun the process of taking down these measures. In this session, the speaker will review the key elements of the programme of credit easing, their implementation and evolution, and discuss the first moves in the "tapering" process. Broader discussion will consider likely strategies of Fed as it strives to normalise policy, and the potential impact in US and global markets.

Monetary policy operations and financial stability: where do we draw the line?

Speaker to be confirmed

In their response to the financial crisis, central banks mobilised the most potent weapon at their disposal: their balance sheet. By making use of existing monetary operations, creating new monetary tools, and standing behind and in markets, central banks were able to prevent financial collapse. As a consequence, however, the line between monetary policy and financial stability has become blurred. This opacity matters for central banks. At a time when they are looking to maintain stability and confidence in markets, while working to 'normalise' monetary policy, it raises questions of independence, accountability and solvency. This session will look at the practical implications of monetary operations performing financial-stability type work and consider the challenges of how and when to 'normalise' operations and the financial stability implications of this.



About the course chair:

Jesper Berg is senior vice president, regulatory affairs and ratings at Nykredit and a former head of market operations at the National Bank of Denmark. In this latter role Mr Berg was responsible for inter alia the day-to-day management of the krone exchange rate, monetary policy liquidity operations, the primary sale of Danish government bonds, the management of foreign exchange reserves and the management of the bank's domestic bond portfolio. He was previously head of the Capital Markets and Financial Structures Division at the European Central Bank (ECB) and has also been an economist at the International Monetary Fund (IMF). He holds an MBA from IMD in Lausanne.

Wednesday 10 September

Operational Challenges of the "Great Unwind"

Challenges to monetary policy: the art of the graceful exit

Morten Bech, Principal Economist, Bank for International Settlements

This session will consider the challenge exit strategies pose to monetary policy objectives. When taking such steps, it is important for central banks to be aware not only of the monetary policy objectives and the inflation outlook, but also, increasingly, the financial stability implications. In this session, the speaker, drawing on new research, will illustrate how exit strategies from unconventional monetary policy measures are being implemented by selected central banks in the post-crisis environment. Discussion will focus on assessment of these strategies, market reaction, unintended consequences and the lessons that can be taken from these experiences.

Collateral frameworks and flows since the crisis

Speaker to be confirmed

Collateral is essential to financial markets. It underpins a wide range of transactions: from secured funding to repos to hedging. It is the "grease" which keeps the financial machine working. Since the crisis, central bank balance sheets have ballooned as a result of unconventional monetary policy, and indeed some are now a major player in the collateral markets. In this session the speaker will discuss what the consequences of this have been for the markets, and for monetary policy and financial stability more broadly. Group discussion will focus on the implications of this for market players and central bank operating frameworks.

Capital flows: volatility, intervention and sterilisation

Khalid Al Khater, Director, Department of Research and Monetary Policy, Qatar Central Bank

Capital mobility presents central banks with difficult choices in implementing monetary policy. While inflation targeting remains the fashionable way to make monetary policy, a 'pure' approach is not possible in all markets. This is especially true at time of destabilising capital flows, and market uncertainty over the actions and intentions of major central banks. As the so-called "taper tantrum" demonstrated in 2013, central banks had to be on the guard against such volatility and stand ready to act. This session will look at how central banks have been preparing for, and dealing with swings in, hot money.

Workshop: unravelling a liquidity paradox

Led by the chairman, **Jesper Berg**

This session, led by the chairman, will take the form of a case study exercise based on the chairman's field work experiences. Delegates will be split into small groups to consider the case of a small open economy, where despite seemingly ample liquidity in the banking system, conditions in the market often appear "tight". The case study will invite consideration of what the banks consider to be their liquidity position, the dynamics of liquidity in the money market, behavioral characteristics of market participants, central bank operations and facilities, and the forex market. The workshop will conclude with a plenary recording the groups' recommendations for instruments and policies the central bank in the economy should develop to solve the problem and broad lessons that can be drawn from the exercise.

👍👍 The topics were relevant and the caliber of presenters was very high. I have taken a lot away from this course 🗨️🗨️

Amelia O'Connell, ECB Relations Executive, Central Bank of Ireland

Thursday 11 September

Effective Implementation and Liquidity Management

Delivering accurate and timely liquidity forecasts: an interactive workshop

Olav Syrstad, Senior Economist, Norges Bank

In this session, the speaker will outline the key features of his central bank's liquidity forecasting system, discussing recent changes and plans for further development. The group will then break into groups to complete a stylised forecasting exercise designed to highlight the challenges faced by central banks in today's volatile markets. A plenary will then discuss the results and, more broadly, the resources needed to produce accurate and timely forecasts.

Reserve requirements and liquidity control

Jens Tapking, Principal Economist, Market Operations Framework Section, Market Operations Analysis Division, European Central Bank

Of a central bank's main policy options, reserve requirements receive considerably less attention than discount lending and open market operations. Yet they play an important role in stabilising money market rates, creating a structural liquidity shortage and helping to control monetary expansion. This session will consider two key questions: when should reserve requirement instruments be used? And what are the key variables to consider when setting them? Discussion will cover the calculation of minimum requirements, averaging mechanisms and remuneration.

Auctions: design, implementation and effectiveness

Natacha Valla, Deputy Director, Centre d'Etudes Prospectives et d'Informations Internationales (invited)

In recent years, a popular way of implementing monetary policy has been to steer short-term interest rates indirectly through the control of liquidity to the banking system. One method of creating such a flow of liquidity is to perform a tender or auction in which the central bank subsequently determines the flow of liquidity to be effected to or from any commercial bank. In this session the speaker will set out models typically employed in central banks, discussing their strengths and weaknesses, as well as how to design incentives to shape bidding behaviour.

Balance sheets risks at a time of rising yields

Jens Larsen, Macro Analyst, Wellington Management and former Head of Macro Financial Analysis Division, Bank of England

The central bank operations that were vital to shoring up financial markets around the world now present two interlocking challenges. Firstly, when to unwind these positions without destabilising markets and, secondly, how to insure rising yields (and falling prices) in asset markets do not jeopardise the central bank's solvency. Such dynamics are exacerbated by foreign exchange movements that draw down revaluation reserves. The issue is not a trivial one. Central banks can and do function with negative net worth, but this can threaten policy effectiveness and undermine independence.

Past attendees include: Bank of Algeria • Reserve Bank of Australia • Austrian National Bank • Central Bank of Barbados • Central Bank of Brazil • British Virgin Islands Financial Services Commission • Bank of Canada • Central Bank of Colombia • Czech National Bank • Central Bank of Ecuador • Banque de France • European Central Bank • Bank of Ghana • Central Bank of Honduras • Hong Kong Monetary Authority • Central Bank of Hungary • Reserve Bank of India • Bank Indonesia • Bank of Jamaica • Central Bank of Kenya • Bank of Korea • Bank Negara Malaysia • Reserve Bank of New Zealand • Central Bank of Nigeria • Central Bank of Oman • State Bank of Pakistan • Central Bank of Paraguay • Central Bank of the Philippines • Central Bank of Qatar • National Bank of Romania • SAMA • Monetary Authority of Singapore • South African Reserve Bank • Bank of Spain • Central Bank of Sri Lanka • Sveriges Riksbank • Bank of Tanzania • Bank of Thailand • Bank of England • Federal Reserve Bank of New York • Bank of Zambia •

Friday 12 September

Deriving Value from Market Dialogue

Effective communication: guiding markets and collecting intelligence

Mika Pösö, Head of General Secretariat, Bank of Finland

Monetary policy is not implemented by the operational framework alone. Central bank communication plays a key complementary role: preparing markets, delivering the message and shaping future expectations. This session, led by an experienced senior central banker, will first draw on a series of examples of communications to show how markets look for (and find) policy signals in all announcements and how every sentence becomes “priced in”. The examples will include set-piece press release type communications as well as more ad hoc messages, including those delivered in times of market stress or volatility. Discussion will consider the internal processes and checklists that can be employed to ensure a consistency of message. He will then turn, in the second half of the talk, to discuss how central banks can make use of the operations function to collect market intelligence and how this can be effectively distributed and used.

Central bank communication: a view from the markets

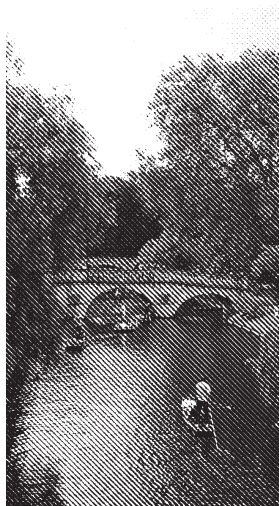
Kevin Gardiner, former Managing Director and Head of Investment Strategy, EMEA, Barclays Wealth

Monetary policy operations do not exist in isolation. In fact, central banks need to make sure they work with financial markets when implementing monetary policy. There has been no clearer example of this in recent years than the “forward guidance” employed by a number of central banks. In this session, the speaker, a former central banker with more than 20 years of experience writing about and analysing markets, will discuss, from a private-sector perspective, the how central bankers manage their relationships with markets, what signals can prove effective and how participants interpret what central banks do and do not say.

Closing remarks and delegate action plans

Led by the chairman, **Jesper Berg**

The day and the seminar will conclude with a session summarising the week’s key themes and issues. Participants will identify and discuss how the experiences and ideas from earlier sessions could be specifically applied to their own institution’s challenges with a view to forming action plans to take back with them. Broader group discussion will seek to draw out common lessons for the operations function in central banks.



CBP's Autumn Series 2014 also features the seminars:

- Effective Oversight of Financial Market Infrastructures
- Financial Independence, Reporting and Accountability for Central Banks
- Government Debt Management: New Trends and Challenges
- IT Governance for Central Banks
- Legal Risks and Good Governance for Central Banks
- Communications and External Relations for Central Banks
- Economic Analysis and Forecasting for Macroeprudential and Monetary Policymaking
- Human Resources: Enhancing Human Capital and Facilitating Higher Performance
- Knowledge Hubs: Managing Central Bank Libraries and Information Centres
- New Challenges in Financial Market Regulation & Supervision
- Risk Management for Central Banks

Booking details

Course fee: £2,800

4-Day (3 nights) residential course

Course fee includes: en-suite accommodation, meals, refreshments, course documentation and a complimentary copy of the most recent issue of the Central Banking journal. Substitute delegates can be accepted should the registered delegate be unable to attend; please let us know prior to the event.

How to book

There is a booking form overleaf. Please use one of the following methods to book your place:

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Call: Clare Hope on +44 (0) 207 4849894 / +44 (0) 207 3169152

Email: conference@centralbanking.com

Fax: Attention of Central Banking Events to +44 (0)207 504 3730

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The Venue

Christ's College, St Andrew's Street,
Cambridge, CB2 3BU, UK

Christ's College is one of England's oldest university colleges and traces its origins back to 1439 when it was founded by William Byngam as "God's house" and adopted by King Henry VI. The college is conveniently situated in the heart of Cambridge surrounded by all the historical sites, and is one hour by train from London.

About Central Banking Publications

Central Banking Publications' events division is the leading independent organiser of public policy seminars/training courses for the official sector. Since 1999, CBP has hosted roundtable seminars and training courses for over 4,500 senior policymakers from central banks, ministries of finance and financial regulatory agencies around the world. Senior officials from more than 140 countries have attended these meetings over the past decade and a half.

The Changing Framework of Monetary Policy Operations

1. Delegate details: PLEASE WRITE IN CAPITALS

Mr/Mrs/Ms: _____ Surname/Family name: _____

First name: _____

Job title: _____

Department: _____

Organisation: _____

Address: _____

Postcode: _____

Telephone: _____

Facsimile: _____

Email 1: _____

Email 2: _____

Please provide us with the direct email address of the delegate and an additional email address if possible. This is very important because all correspondence with delegates is by email.

Course fee: £2,800

2. Payment details:

Invoice: If you select this option an invoice will be sent to you by email and by post. If you would like to provide different details to the above for the invoice please notify us when sending back the booking form.

Credit card: please charge £2,800 to my Visa Mastercard American Express

Card No: Security Code:

Cardholder name: _____ Expiry date: _____

Cardholder address (if different from above): _____

Signature: _____ Date: _____

I have read and agree to the terms and conditions below.

Signature: _____ Date: _____

Terms & Conditions: A refund (less 10% administration fee) will be made if notice of cancellation is received in writing three weeks before the event. We regret that no refunds can be given after this period. In addition delegates are wholly responsible for obtaining any necessary entry visas and refunds cannot be given as a result of non-attendance arising from a failure to secure such visa. A substitute delegate is always welcome at no extra charge. The programme may change due to unforeseen circumstances, and Incisive Media reserves the right to alter the venue and/or speakers. Incisive Media accepts no responsibility for any loss or damage to property belonging to, nor for any personal injury incurred by, attendees at our conferences, whether within the conference venue or otherwise. Data protection: by registering for a Central Banking training course you will receive further information relating to this event. In addition we will send you information about our other relevant products and services which we believe will be of interest to you. If you do not wish to receive other relevant information from Incisive Media via a particular medium please click the following relevant boxes: mail phone fax email Incisive Media will also allow carefully selected third parties to contact you about their products and services. If you do not wish to receive information from third parties via any of the following media please tick the relevant boxes: mail phone Please tick if you are happy to receive relevant information from carefully selected third parties by email and fax .