

Gold as a Reserve Asset

A key element of central bank portfolio management

17th – 19th May 2010

Four Seasons Hotel, Hong Kong

Updated

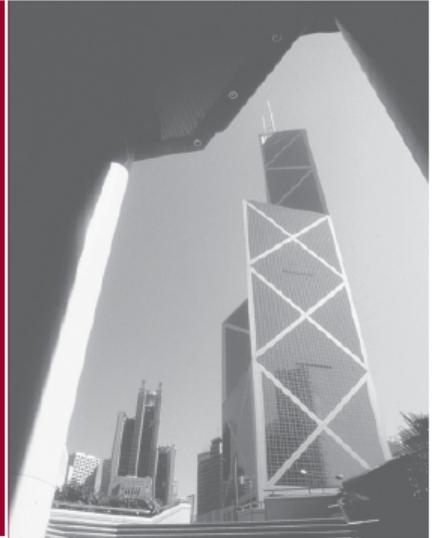
Course chairman:

John Nugée

Senior Managing Director,
Head of Official Institutions Group,
State Street Global Advisors
Formerly Chief Manager of Reserve Management,
Bank of England

Series adviser:

Charles Goodhart, CBE
Professor Emeritus,
London School of Economics



Dear Delegate,

The turmoil that has spread across international financial markets over the last few years is now showing some signs of stabilising. However it has reignited interest in, and the importance of, a number of traditional asset classes one of the most prominent being gold.

Central banks are now not only holders and sellers of gold but also purchasers of it and it is therefore important for all reserves managers to understand the fundamentals of the gold market, the investment characteristics of the yellow metal and the practical implications of holding it as a reserve asset.

Following on from a highly successful inaugural event in 2009 Central Banking Publications is proud to host the second annual seminar 'Gold as a reserve asset' that will take place in Hong Kong this May.

This is an in-depth seminar, featuring case-study presentations from an elite panel of speakers comprising current and former reserve managers, industry experts and market practitioners.

The roundtable format enables delegates to quiz speakers, to "benchmark" their work against leading thinking and practice internationally and to exchange views with

their peers in an informal setting.

Held in the heart of Hong Kong, this seminar will address key practical questions such as:

- The role of gold in the international monetary system: a critical analysis of 2009 & 2010
- Understanding the International Monetary Fund's gold sales
- The investment characteristics of gold
- Managing a gold portfolio: the mechanics of trading, moving & storing
- The changing role of gold in reserves management

Governors the world over are demanding an every increasing level of expertise from those responsible for managing central bank reserves. As a core portfolio asset gold has an important role to play and in order to best understand it all central banks with gold holdings should attend this seminar.

I look forward to welcoming you to Hong Kong on 17 May.

Best regards,



Oliver Lowe
Course Rapporteur
Oliver.lowe@incisivemedia.com

“ Thank you for a very professional and enlightening seminar. I learned a lot and I hope to have the opportunity to participate the next time. ”

A central bank delegate

Day one – Monday 17 May

Market fundamentals

Chairman's welcome and opening remarks

John Nugée

Senior Managing Director, Head of Official Institutions Group, State Street Global Advisors
Formerly Chief Manager of Reserve Management, Bank of England

This opening session sets the scene for those that follow by highlighting key developments in reserve management and the markets in which reserve managers typically operate. Delegates will be invited to give a brief account of the main features of their reserve management and the specific issues they face. The aim will be to identify key topics of interest for attention in later sessions.

Reserve management in changing times

Speaker to be confirmed

The financial crisis of 2007-09 demonstrated all too effectively the need for reserve managers to be prepared for the worst. For it is in the context of illiquid markets, systemic instabilities, heightened counterparty risk, uncertain liability profiles and underperforming investments that portfolios need to be at their strongest. This session will provide an overview of the key challenges facing reserve managers and group discussion will focus on how they can best meet them.

Gold in the market: a critical analysis of 2009 & 2010

Sunil Kashyap

Managing Director, Regional Head - Asia-Pacific, Scotia Capital

What part of the unprecedented increase in the price of gold in 2009 and 2010 is due to the crisis? Is it beginnings of a bubble? Why did central banks turn back to gold at the end of 2009? How did this affect the market? In this session a gold market expert will give an overview of how gold has performed during the crisis and share some thoughts on how market participants – and central banks – now view it in the light of the experiences of this turbulent period.

Gold price drivers: the fundamentals

George Milling-Stanley

Managing Director, Official Sector, World Gold Council

Key to investing in any asset is an understanding of the forces that drive supply and demand. Gold is no exception to this, but the variety of economic sectors influencing the market makes this a daunting prospect. This session will focus on the influences on demand and supply, illustrating these through a description of how gold gets from the mine to the ultimate purchaser. Particular reference will be made to today's volatile economic conditions.

Panel Discussion: understanding the International Monetary Fund's gold sales

Andrew Tweedie

Finance Director, International Monetary Fund

K Dheerasinghe

Deputy Governor, Central Bank of Sri Lanka

Roberto Schiavi

Head of Investment Division, European Central Bank

Raj Brij

Assistant General Manager, Reserve Bank of India

In 2009 the IMF began a pre-announced policy of selling some of its gold. A guiding principle behind these sales is to avoid causing disruptions that would adversely affect gold holders and gold producers as well as the functioning of the gold market. In this panel discussion a representative of the IMF will be joined by central banks active in the market to discuss how the sales have worked and what the plans for the future are.

Day two – Tuesday 18 May

The life-cycle of gold within central banking

Workshop: **why do central banks hold gold?**

Led by the chairman

The return of central banks as active purchasers in 2009 underscored the important role gold continues to play in official sector holdings. More than 100 central banks hold bullion and at the start of 2010 gold made up an impressive 25% of G10 reserves by value. Today, central banks continue to see value in these holdings, although a variety of sophisticated financial products exist. Why? In this session delegates will share some of their thoughts about the reasons central banks continue to hold gold and the challenges and opportunities that the asset class presents.

Portfolio considerations: adding gold to a central bank's portfolio

Natalie Dempster

World Gold Council

This session will examine the contribution gold can make to an investment portfolio from two perspectives: risk-adjusted returns and liquidity. First, the speaker will discuss how gold can enhance a portfolio's performance due to its lack of correlation with other assets and volatility characteristics. Second, using data from the recent crisis, the speaker will show how gold's role as a high quality liquid asset can be beneficial in times of markets stress.

The mechanics of trading, moving & storing

Michael Paprotta

Assistant Director, Money Market and Foreign Exchange, Swiss National Bank

As a physical commodity, the practical aspects of dealing in, transporting and holding gold differ significantly from de-materialised financial assets. In this session an experienced central bank portfolio manager will describe the challenges this presents to a reserve manager, the infrastructure needed and where they can look to for support.

The evolving relationship between China and gold

He Fan

Director of World Economy and Policy Research, China Academy of Social

China is the world's top producer and consumer of gold and because of this unique position it is vital for all those involved in the gold market to be aware of how China views the precious metal. In this session a leading Chinese expert will provide an overview of the current state of China's foreign exchange reserves. From this starting point he will share thoughts about the role of gold in China's foreign exchange reserves and the implications of China's private demand for gold on the world gold market.

Breakout sessions: **reappraising the place of gold in reserve management**

Led by the chairman

As the closing session of the day delegates will split into three groups to apply the knowledge that they have built up over previous sessions to critically assess the extent to which their portfolios need to be balanced between foreign exchange, gold and alternative investments. Observations and conclusions will be presented at a reporting-back session the following morning.

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Day three – Wednesday 19 May

Reserve management: time for rebalancing?

Reporting back: **have views about gold changed?**

In this session the three working groups will report back with thoughts from the previous day's discussions on portfolio re-balancing.

New directions for gold: exchange traded funds

George Milling-Stanley

Managing Director, Official Sector, World Gold Council

Thomas Poullaouec

Product Engineer, State Street Global Advisors Asia

A gold exchange-traded fund (ETF) is a vehicle that aims to track the price of gold. Since their inception five years ago, gold ETFs have rapidly grown in popularity among the institutional investment community as a way of investing in gold. As a new and innovative product that will take on increasing importance, it is useful for all members of the gold market including central banks to understand the key aspects of these vehicles. In this session experts in gold ETFs will discuss how these vehicles are structured, what opportunities they present for those who wish to hold gold in a more easily tradable form and their impact on the gold price.

Guardians of central bank gold

Sam Kwok

Treasurer, Hong Kong Airport Authority

While gold retains an important place in reserve management, the majority of central banks do not actually store their holdings in their vault. Rather they entrust it to the care of a custodian bank. This discussion will consider the role of the custodians, why institutions might use a custodian to look after its gold, the typical way in which agreements are structured and the services a custodian can provide. It will also cover the particular services that the new precious metals depository in Hong Kong can offer.

Panel discussion: **the changing role of gold in reserves management**

The seminar will conclude with an open debate that brings together the threads of previous discussions. Led by a panel of speakers with a range of experiences of both the gold market and central banking this will be an opportunity to address how attitudes to gold are changing, what role gold has in reserve portfolios, how the market is currently tracking and whether the role of central banks as players in the gold market will change.

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How to book

To confirm your attendance at the Gold as a Reserve Asset seminar, please complete the registration form overleaf and send it to:

Aurelie Li
Central Banking Publications Ltd.
Incisive Media,
Haymarket House
28 – 29 Haymarket,
London SW1Y 4RX
UK

telephone: +44 (0) 20 7484 9890

fax: +44 (0) 20 7504 3730

email: aurelie.li@incisivemedia.com

Venue:

Four Seasons Hotel
8 Finance Street, Central, Hong Kong

Please note that there is no registration fee and that accommodation will be provided for the duration of the course from the nights of 16th - 18th May.

"This course is very much interesting. I would appreciate if you conduct courses like this in the future to strengthen the knowledge of participants, to update them and give them challenges in managing gold as a reserve."

A central bank delegate

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 1997, CBP has hosted roundtable seminars and training courses for over 2,200 senior policymakers from central banks, ministries of finance and financial regulatory agencies around the world. Senior officials from more than 110 countries have attended these meetings over the past ten years.

Registration form for **Gold as a Reserve Asset**

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Please complete attendee details:

Title: _____ Surname/Family name: _____

First name: _____

Job title: _____

Organisation: _____

Address: _____

Direct E-mail address: _____

Telephone: _____

Fax: _____

Central Banking Publications will contact you on receipt of this registration form

Please note: No course fee applies and attendance is by invitation only. Only a limited number of seats are available for this event. We accept participants on a “first-come, first-served” basis. Please register early to avoid disappointment. Only one participant per institution may apply with this form. 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. By registering, Incisive Media will send you 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 tick the following relevant boxes: mail ; phone ; fax ; email .