



BANK FOR INTERNATIONAL SETTLEMENTS



Activities of the Representative Office for the Americas

2010/11

Annual Report of the Americas Office on the
occasion of the BIS Annual General Meeting 2011

Mexico City, June 2011

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I. Background

The BIS Representative Office for the Americas was established in November 2002. It is located in Mexico City.

1. Mission

The purpose of the Americas Office is to strengthen relations and promote cooperation between the BIS and the central banks and supervisory authorities based in the region. The Office accomplishes that goal by improving the exchange of information and data, facilitating the organisation of meetings and seminars and contributing to the Bank's financial and economic research on the Americas. By informing and advising customers in the region about BIS banking services, the Office also actively promotes the role of the BIS as a bank for central banks and international financial organisations.

In short, the Office provides central banks, financial authorities and international organisations in the Americas with greater access to the BIS. As an integral part of the BIS that reports directly to the General Manager, the Office also strives to add a Latin American and Caribbean perspective to all aspects of BIS operations.

2. BIS regional focus

BIS member central banks from the Americas are those of Argentina (since 1999), Brazil (1996), Canada (1930), Chile (2004), Mexico (1996) and the United States (1930).

The Governors of all regional BIS member central banks constitute the BIS Consultative Council for the Americas (CCA), established by the BIS Board in May 2008 to provide a vehicle for communication between BIS members in the Americas and the Bank's Board and Management on matters of interest and concern to the central bank community in the region.

At the end of 2010, Henrique de Campos Meirelles, Governor of the Central Bank of Brazil, completed his term and hence stepped down as a member of the BIS Board of Directors and as Chairman of the CCA.

The Board of Directors of the BIS also has regional representation: in January 2011, the Board elected Agustín Carstens, Governor of the Bank of Mexico, as a member of the BIS Board for the remainder of Mr Meirelles' three-year term ending on 30 June 2012. Other members of the BIS Board from the region are Ben Bernanke, Chairman of the Board of Governors of the Federal Reserve System; William Dudley, President of the Federal Reserve Bank of New York; and Mark Carney, Governor of the Bank of Canada.

II. Staffing

As of June 2011, the Americas Office staff comprised the Chief Representative, the Deputy Chief Representative (and Banking Representative for the region), one Economist,¹ a Research Assistant and two Administrative Assistants/Event Managers.

Gregor Heinrich was appointed Chief Representative in 2002. Before joining the Americas Office, he was the Head of the Secretariat for the Committee on Payment and Settlement Systems (CPSS) for three years and, before that, the Head of Legal Research and International Cooperation in the Legal Service of the BIS.

Hugues Antheaume was appointed Deputy Chief Representative in August 2008 for three years until 31 July 2011, when he returns to Basel. He has been a BIS staff member in various areas of the Bank for more than 30 years. Before joining the Americas Office, he served for 10 years as a relationship manager in the Central Bank Services unit of the Banking Department and, before that, he was Head of the Central Bank Secretariat.

Carlos Montoro joined the Office as Senior Economist in 2010, succeeding Alejandro Jara who returned to the Central Bank of Chile after two years in the Office. Mr Montoro was previously the Head of the Macroeconomic Modelling Division at the Central Reserve Bank of Peru. He has a PhD in economics from the London School of Economics and Political Sciences.

The economists in the Representative Office report to the Head of Economics for Latin America and the Caribbean, a position held by Ramon Moreno, based in the Monetary and Economic Department of the BIS in Basel. His responsibilities include supervising the economic research and analytical work on topics of interest to central banks in the region. Fernando Avalos, an economist formerly with the Central Bank of Argentina, and Chief Economist at Banco Itaú (Argentina), joined the group as Senior Economist in May 2011.

As regards BIS business relations, transactions are managed by dedicated staff in the BIS Banking Department in Basel.²

¹ A vacancy that arose with the departure of a Senior Economist in June 2010 was filled in May 2011, but the economist is currently working out of Head Office in Basel.

² Mainly in the Central Bank Services section, headed by Richard Jones. See also "Bank for central banks" on pp 3–4.

III. Activities during 2010/11

1. Bank for central banks

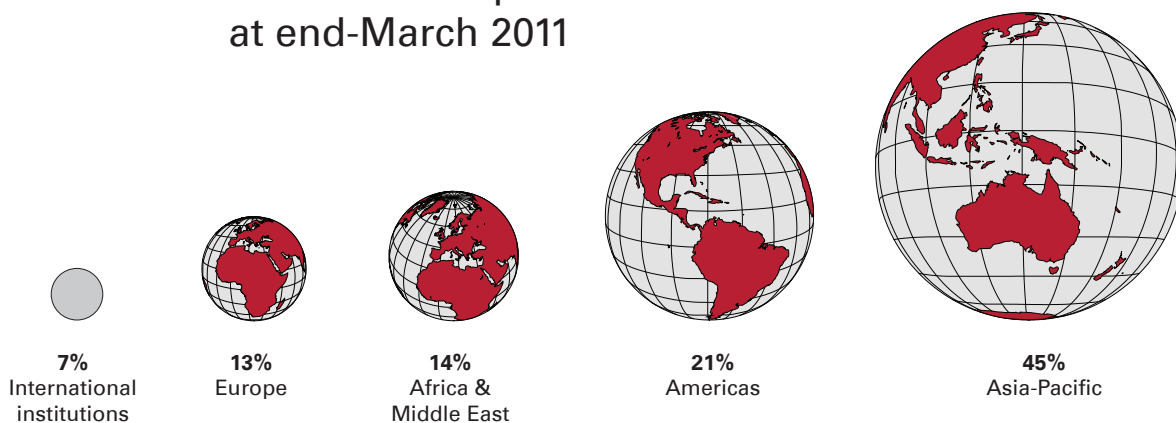
The BIS has active business relations with some 30 central banks and six international or regional financial organisations in the Americas. Deposits from the region increased more than threefold between end-2002, when the Office was established, and end-2010.

Business development

This expansion has not always proceeded steadily and smoothly over the years. In 2008–09, as a result of the international financial crisis, the BIS experienced a temporary but marked decrease in business volumes, mainly due to measures taken by the BIS to protect its balance sheet. However, the subsequent gradual return to more normal market conditions in 2009–10 allowed the BIS to restore its banking relationships in the region to their previous levels or even beyond them. An interesting development in this respect has been a renewed search for diversification, in terms not only of strategic asset allocation (with gold coming back to the forefront), but also of currency composition of reserves, in particular for central banks whose economies have increasing connections with Asian markets.

This steady business development, certainly reflecting the overall economic growth in Latin America during the period under review, has led the region to further consolidate its substantial position in the BIS balance sheet. At end-March 2011, its share of total customer deposits had increased from 19% to more than 21%, as compared to the previous year.

BIS customer placements at end-March 2011



Business cooperation

Unlike the BIS Representative Office for Asia and the Pacific, the Americas Office does not conduct treasury operations or have a dealing room. Nonetheless, it facilitates BIS banking activities by providing marketing support and technical advice to customers in the region. In this connection, the special Training Workshops Programme held in Switzerland by the BIS for risk and reserve managers attracted in 2010 a record number of participants from central banks and international organisations of Latin America and the Caribbean.

In line with the ongoing modernisation process evidenced in most financial institutions, but also partly as a result of the 2008 crisis and of repeated natural disasters in recent years, various central banks of the region have reconsidered their working environment and operational procedures. This new approach has led a growing number of central banks to ask the BIS to set up bilateral contingency arrangements. Even though the Americas Office has no technical infrastructure to intervene directly in case of an emergency, it nevertheless has a useful role for BIS customers in the region in facilitating contacts with its Head Office and relaying timely information to the appropriate business units in Basel.

In addition, during the period under review, numerous business relationship and technical visits were paid to central bank customers and to regional and international organisations based in North, Central and South America, and the Caribbean. The BIS also participated in various risk and reserve management seminars organised by other financial institutions, in particular the Centre for Latin American Monetary Studies (CEMLA) and the Latin American Reserve Fund (FLAR).

To conclude, without having a direct role in the execution of banking operations, the Americas Office continues to act as a hub for the delivery of business information and the development of a personal network with BIS customers in the region.

2. Forum for central bank cooperation

The BIS provides a forum in which central banks can discuss issues of common concern. Most often, this cooperation takes place at the expert level or in the form of meetings for Governors. Some of the meetings that had been planned for the period under review had to be postponed due to a refocusing of BIS efforts on the financial crisis. Nevertheless, a number of relevant events took place.

In the Americas, the BIS organised or supported the following BIS-related events:

- The September 2010 meeting of the Working Party on Monetary Policy in Latin America, convened at the Central Bank of Brazil; the event covered recent macroeconomic developments, monetary policy and macroprudential policy.
- In October 2010, the Office hosted and co-chaired a regional meeting of heads of internal audit from central banks in the Americas.
- At the November 2010 annual meeting of the Latin American and Caribbean

Economic Association (LACEA), the Americas Office and the BIS Monetary and Economic Department organised a discussion with academics and high-level officials from regional central banks, including Governors, Deputy Governors and research directors; and sponsored two sessions, one on the implications of global factors for monetary policies in emerging market economies and the other on financial stability considerations in monetary frameworks.

- In December 2010, it hosted a meeting in Mexico City on the future of international banking, organised jointly by the BIS and the Bank of Spain; the event offered an opportunity to provide input to ongoing work at the Committee on the Global Financial System.
- In April 2011, the Central Bank of Chile hosted the meeting of the Executive Committee of the Irving Fisher Committee on Central Bank Statistics, and the IFC Workshop on “The real estate sector: data issues and policy implications”

Of particular importance is the support of a regional CCA research conference, an initiative by the BIS Consultative Council for the Americas. The first conference of this kind was hosted in March 2010 by the Central Bank of Argentina and chaired by Stephen Cecchetti, Economic Adviser and Head of the BIS Monetary and Economic Department. The Bank of Canada hosted the second research conference in May 2011, which was again chaired by Mr Cecchetti. On this occasion, the Bank of the Republic (Colombia) and the Central Reserve Bank of Peru were also invited to present. Nine research papers were presented and discussed, selected by a Scientific Committee made up mainly of Heads of Economic Research of the BIS CCA central banks. Discussants were well regarded academics or central bank researchers. The topic of the meeting was “Monetary policy, financial stability and the business cycle”, and the papers were published on the BIS website.

In addition, the Americas Office supports regional networking through use of the Bank’s eBIS platform, a password-protected internet tool that is free for all registered users. The Office created and administers a special area in eBIS for central bank lawyers in the region. At present, more than 60 central bank lawyers form part of this group. Several, but not all, regional central banks are represented. Through eBIS, users have access to documents, most often unpublished, relating to the administration of reserves, central bank autonomy, bank resolutions and payment systems. The platform also provides access to the “knowledge base” of the Central Bank Governance Network.

Support for CEMLA and other sub-regional central bank groupings

The BIS’s involvement with central banks in the region extends to its support for CEMLA, based in Mexico City. This support is provided from both the Americas Office and directly from BIS headquarters. CEMLA is invited from time to time to participate as an observer at BIS meetings organised in the region.

The BIS participated in the following events with CEMLA during the past year, not counting FSI seminars:

- Meeting of monetary policy managers 2010 (Colombia) and 2011 (Brazil)

- V Meeting of Open Market Operators (Argentina)
- CEMLA Governors meeting 2010 (Argentina) and 2011 (Colombia)
- Payment systems week (Amsterdam)³
- Outreach seminar of the Irving Fisher Committee on “Inflation measures: policy issues and concerns” (Peru)³
- Seminar on retail payment systems (Trinidad and Tobago)³
- Comprehensive course on central banking (Mexico)
- Seminar on macroprudential instruments for central banks (Argentina).³ The event offered an opportunity to discuss the challenges in the development of macroprudential policy in the region.

The Americas Office also occasionally participates in, or supports, activities of other regional organisations based in Latin America and the Caribbean, such as the Central American Monetary Council / Consejo Monetario Centroamericano (CMCA), based in Costa Rica, and the Caribbean Centre for Money and Finance (CCMF), based in the Republic of Trinidad and Tobago.

3. Research / publications / conference presentations

Research, policy analysis and secretariat support at the BIS underpins the preparation of background notes for meetings of central bank Governors or experts and, furthermore, leads to publications or ad hoc events with strong participation from the private sector and academics. This is true both for staff working in the Americas Office and the economists working on the region out of Head Office.

Publications authored or co-authored by Americas Office staff are made available on a special page on the Bank’s website.⁴

During the past year, such publications have included:

- “Basilea III y la relevancia para la banca de desarrollo en América Latina”, by G Heinrich
- “El papel de los bancos centrales en la supervisión macroprudencial”, by G Heinrich
- “El fortalecimiento institucional de los bancos centrales”, by G Heinrich
- “The use of reserve requirements as a policy instrument in Latin America”, by R Moreno and C Montoro
- “Monetary policy in the presence of informal labour markets”, by P Castillo (Central Reserve Bank of Peru) and C Montoro
- “Estimación de la Q de Tobin para la economía peruana”, by C Montoro and A Navarro (Central Reserve Bank of Peru)
- “Currency collapses and output dynamics: a long-run perspective”, by CTovar
- “Trends and policy trade-offs of capital flows in Latin America and the Caribbean: 2003–08”, by A Jara and CTovar

³ Content and preparation of the event provided to a large extent by the BIS.

⁴ www.bis.org/forum/amresearch.htm.

- “Some thoughts on the development of retail payment systems”; by G Heinrich

Contributions to regional conferences and meetings

Staff at BIS Head Office made the following direct contributions to regional conferences and meetings during the year:

- Jaime Caruana, BIS General Manager, presented “La importancia de Basilea III para los mercados financieros de América Latina y el Caribe” at the FSI high-level meeting held in Guatemala; the meeting was chaired by J Tošovský, Chairman of the FSI.
- Louis de Montpellier, Deputy Head of the Banking Department, made a presentation on “Recent trends in reserves management” at the FLAR conference on “Managing reserves and sovereign funds in a time of change and uncertainty”; in Colombia.
- Diego Devos, General Counsel, made a presentation on issues of central bank independence and immunities at a seminar on “Recent developments in key legal issues of international reserves investment”; organised by the Central Reserve Bank of Peru.
- Philip Turner, Deputy Head, Monetary and Economic Department, was a panellist on “The boom/bust pattern of capital flows: challenges for emerging economies” at a conference organised in Peru by the Reinventing Bretton Woods Committee with the support of the Central Reserve Bank of Peru.
- Jens Ulrich, Head of Risk Control, moderated a panel on “The risk management framework” at the Central Bank Risk Management Conference, organised by the Central Bank of Brazil.
- Jacob BJORHEIM, Head of Asset Management, spoke on “Economic and financial objectives for international reserve management: theoretical framework” at a workshop on reserve management hosted by the Central Bank of Chile.
- Gavin Bingham, Secretary General of the Governance Forum, presented a BIS report on central bank governance issues at the CEMLA Governors meeting in Buenos Aires (2010).
- Ramon Moreno chaired a session at LACEA (see above), and presented “Policymaking from a ‘macroprudential’ perspective in emerging market economies” at the CEMLA Meeting of Monetary Policy Advisors in Colombia (2010).
- Leonardo Gambacorta, Head of the Monetary Policy Group in MED, presented “The risks of low interest rates” at the Central Bank Conference “Ensayos sobre política económica”; organised by the Bank of the Republic, Colombia; and presented “Securitisation is not that evil after all” at the meeting of the Basel Committee Research Task Force, hosted by the Bank of Mexico.

The staff of the Americas Office (and those working on the region out of Basel) made direct contributions to regional conferences in Latin America and the Caribbean during the year, in addition to attending various regional events, or contributing to regional training events (eg with CEMLA).

- G Heinrich
 - spoke on the effects of the recent financial crisis on the BIS and central banks at the CEMLA Governors meeting in Argentina (May 2010);
 - made a presentation on central bank aspects of macroprudential regulation at the International Seminar on the New Framework for Macroprudential Regulation, organised by the Central Bank of Bolivia (September 2010); and
 - spoke on the BIS and Basel III and its relevance for development banks at the ALIDE Annual Meeting, held in Paraguay with the support of the Central Bank of Paraguay (May 2011).

- C Montoro
 - presented “Monetary policy in the presence of informal labour markets” at the 16th International Conference on Computing in Economics and Finance, City University, London (July 2010);
 - attended a workshop on macroeconomic fluctuations and labour markets, at the Central Bank of Chile (November 2010);
 - attended the XIII LACEA Workshop in International Economics and Finance, Peru (May 2011);
 - presented “Assessing the role of reserve requirements under financial frictions” at the XV Meeting of the CEMLA Central Bank Researchers Network of the Americas, Bolivia (November 2011), and the Bank of Mexico Research Seminar, Mexico (June 2011);
 - made a presentation on the use of reserve requirements in a liquidity-constrained environment, at the BIS-sponsored session at the XV Annual Meeting of LACEA, Colombia (November 2010);
 - made a presentation on the use of reserve requirements as a policy instrument in Latin America at the VII CEMLA Meeting of Monetary Policy Managers, Brazil (April 2011); and
 - made a presentation on financial stability considerations in monetary policy frameworks at the XX Cycle of Economics Meetings of the Central Bank of Guatemala (June 2011).

The Americas Office has the capacity to receive experts from regional central banks to work on projects of mutual interest. For instance, from December 2010 to February 2011, a senior legal expert from the Central Bank of Brazil worked on a study of comparative central bank legislation.

4. Cooperation with bank supervisors and other regulatory authorities

With the BIS hosting the Secretariat for the Basel Committee on Banking Supervision (BCBS) and offering training events to bank and insurance regulators through the FSI, the Americas Office maintains regular contact with supervisors in the region, with the Association of Bank Supervisors of the Americas (ASBA), based in Mexico City, and with the Caribbean Group of Banking Supervisors (CGBS).

For instance, Americas Office staff occasionally contribute to, or participate in, regional training events of the FSI, and the Chief Representative attended the annual meeting of the CGBS, in the Netherlands Antilles in May 2010 and in Belize in June 2011.

FSI training events are held in cooperation with ASBA, CEMLA or CGBS with the support of the respective local authorities. During the period under review, the regional FSI training events included:

- Basel II enhancements, with ASBA (Costa Rica)
- Stress testing, with ASBA (Peru)
- Current developments in supervising systemic banking institutions, with ASBA (Mexico, and Brazil)
- Reinsurance and other risk transfers, with IADI-ASAL (Mexico)
- Financial stability issues, with CEMLA (Chile)
- Capital adequacy and Basel III, with CGBS (Cayman Islands)
- Basel III application, with ASBA (Argentina)
- Basel III and macroprudential supervision, with CEMLA (Mexico)
- A high-level meeting for heads of supervisory authorities, with ASBA (Guatemala)

Finally, FSI Connect, the online information resource and learning tool for bank and insurance supervisors, managed by the FSI in Basel, is available to authorities worldwide. Several central banks, supervisory authorities and deposit insurance agencies from Latin America and the Caribbean have subscribed to the various training modules, many of which are also available in Spanish.

Visits to central banks, international organisations and supervisory authorities

As mentioned above, close bilateral relationships with central banks and supervisors are pursued through visits to regional institutions. Moreover, personal contacts have been established with various academic institutions, banking associations and the private sector. Over the past year, staff from the BIS Head Office or the Americas Office have variously visited institutions or attended events in the following countries in the region:

| | | | | | |
|---|-----------|---|--------------------|---|---------------------|
|  | Argentina |  | Dominican Republic |  | Paraguay |
|  | Belize |  | Ecuador |  | Peru |
|  | Bolivia |  | Guatemala |  | Trinidad and Tobago |
|  | Brazil |  | Guyana |  | United States |
|  | Canada |  | Mexico |  | Venezuela |
|  | Colombia |  | Nicaragua | | |
|  | Chile |  | Panama | | |

5. Outreach and networking

The Americas Office distributes an e-mail newsletter to about 3,500 contacts in the region. The newsletter is sent out in parallel with the BIS Quarterly Review and provides direct internet links to selected BIS and other publications of likely interest, services provided by the BIS such as FSI Connect, BIS statistics and the “research hub”, information on forthcoming BIS-related events and news from the Americas Office. The June 2011 newsletter reached approximately 1,600 contacts at central banks, 800 at supervisory authorities and deposit insurance agencies, 500 at regional banks and related entities, 140 at academic institutions, 200 at international organisations and 450 others in Mexico City (including at embassies).

IV. Forthcoming activities

Economic research

In addition to efforts to further enhance the cooperation among economists of the BIS and CCA member central banks, BIS economists in the Americas Office and in Basel will focus mainly on the larger central banks in the region (the four BIS member central banks in Latin America plus Colombia and Peru). As in the past, outreach to the smaller central banks will be accomplished mainly through presentations in regional forums and conferences, and through contribution to the events listed below.

Among the analysis and research being undertaken is work on macroprudential issues (eg on use of reserve requirements, or the effects of capital flows on policy options). This is related to some of the topics of the 2010 and 2011 CCA conferences. The outcome of this work is to be presented at central banks in the region and regional conferences (eg CEMLA research network, FLAR economic conference, LACEA).

Events

At the time of publication of this Annual Report, the BIS was planning the following major events in the region:

Meetings of committees and groups

- Special roundtable for Central Bank Governors from Latin America and the Caribbean, Basel, June 2011
- Working Party on Markets in Latin America, Mexico, July 2011
- Working Party on Monetary Policy in Latin America, Argentina, October 2011
- FSI High-Level Meeting for Heads of Banking Supervision (chaired by Josef Tošovský), San Francisco, November 2011 (hosted by the FDIC and coorganised with ASBA)
- Fourth BIS Meeting of Heads of Internal Audit for regional central banks, Colombia, 2012 (to be confirmed)

Research conferences and panels

- Research conference for CCA member central banks (the topic and date are currently being discussed at the level of the Scientific Committee), Brazil, second quarter 2012.
Lead contacts: Stephen Cecchetti and the Americas Office.
- Two panels (topic still to be decided) at LACEA, Chile, November 2011.
As in previous years, the BIS is planning to organise a high-level policy panel at the LACEA. The BIS plans to invite CCA Governors to make a

presentation at this panel. Presentations have been issued as a BIS Paper (eg "Perspectives on inflation targeting, financial stability and the global crisis"; *BIS Papers*, no 51, March 2010).

Training and seminars

- Events with CEMLA, ASBA, ASSAL or CGBS
 - FSI seminar on "Liquidity risk"; Brazil, July 2011
 - FSI seminar on "Risk-based insurance, supervisory practices, and regulatory capital"; Costa Rica, September 2011
 - FSI seminar on "Financial stability and macroprudential tools"; Mexico, September 2011
 - "New views on monetary policy frameworks"; Mexico, November 2011
 - FSI seminar on "Stress testing"; Bolivia, December 2011

Representative Office for the Americas

Torre Chapultepec

Rubén Darío 281 – 17th floor

Col. Bosque de Chapultepec

Del. Miguel Hidalgo

11580 México, D.F.

México

Tel: +52 55 9138 0290

Fax: +52 55 9138 0299

www.bis.org