



BANK FOR INTERNATIONAL SETTLEMENTS



# Activities of the Representative Office for the Americas

## 2011–12

Annual Report by the Chief Representative  
for the Americas on the occasion of the  
BIS Annual General Meeting 2012

Mexico City, June 2012



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## I. Background

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

### Mission

The purpose of the Americas Office is to strengthen relationships and promote cooperation between the BIS and the region's central banks and supervisory authorities by (i) improving the exchange of information and data, (ii) facilitating the organisation of meetings and seminars and (iii) contributing to the Bank's financial and economic research on the Americas. The Office also promotes the BIS as a bank for central banks and international financial organisations by acting as a link between customers and the BIS Banking Department in Basel.

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.

### BIS regional focus

BIS member central banks from the Americas are those of Argentina (since 1999), Brazil (1996), Canada (1930), Colombia (2011), Chile (2004), Mexico (1996), Peru (2011) 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.

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 Board, and Chairman of the CCA. 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

At the time of the BIS Annual Meeting in June 2012, Americas Office staff working in Mexico comprised the Chief Representative, two Economists, a Research Assistant and two Administrative Assistants/Event Managers. The team of economists is complemented by staff working on the region out of the Basel head office.

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. His assignment to the Representative Office ended on 31 July 2012. The Bank is in the process of recruiting a successor.

Overall, three economists work specifically on regional matters. In **Mexico**, Carlos Montoro joined the Office as Senior Economist in 2010. He 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. 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, working first at the head office in Basel, and since mid-June 2012 at the Americas Office.

The economists in the Representative Office report to the Head of Economics for Latin America and the Caribbean (ELAC), a position held by Ramon Moreno, based in the BIS's Monetary and Economic Department (MED) in **Basel**. His responsibilities include supervising the economic research and analytical work on topics of interest to central banks in the region.

The BIS, with the support of central banks, is strengthening its capacity for economic analysis to support central bank cooperation in the Americas region. The successor to Gregor Heinrich as Chief Representative will be an economist reporting directly to the Head of MED, who will work closely with the ELAC group. The ELAC group will be reinforced by the addition of up to two economists seconded from CCA member central banks. These secondees will join the Americas Office later in 2012, for a period of up to two years. An additional research assistant is also being recruited.

Banking transactions with the BIS are managed by dedicated staff in the BIS Banking Department in Basel.<sup>1</sup>

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<sup>1</sup> Mainly in the Central Bank Services section headed by Richard Jones. See also the "Bank for central banks" section.

### III. Activities during 2011/12

#### 1. Bank for central banks

The BIS has active business relations with some 26 central banks and five international or regional financial organisations (Fondo Latinoamericano de Reservas (FLAR), IMF, IBRD, Inter-American Development Bank (IDB) and Latin American Development Bank (CAF)) in the Americas. Deposits from the region have more than doubled between end-2002, when the Office was established, and March 2012.

##### *Business development*

Deposits from the region more than doubled between end-2002, when the Office was established, to SDR 37 billion at end-May this year. This represents 21% of total customer deposits (SDR 177 billion). However, customer deposits from the Americas did not grow steadily over this period, reflecting the international financial crisis and the measures taken by the BIS to protect its balance sheet.

Recently, customer placements started to decline as the Bank applied a slightly more restrictive pricing policy in the current volatile market conditions. Indeed, the optimism we saw in the financial markets earlier in the year proved to be short-lived. Prospects of global economic growth and financial market sentiment turned negative in the second quarter with tensions in the euro area escalating. Flight-to-quality flows drove yields to near all-time lows or even into negative territory in key sovereign debt markets. Against this background, central banks in the region remained cautious in their reserve portfolio management.

##### *Asset management services*

Between March 2011 and March 2012, assets under management originating from the region increased by 25%.

##### *Reserve management trends*

An interesting development in reserve management in the region – as in some other parts of the world – was 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. The BIS banking service offering is attempting to adapt to these trends.

### *Organisation of BIS banking services in the Americas*

Unlike the BIS Representative Office for Asia and the Pacific, the Americas Office does not conduct banking operations. Customer coverage is carried out mainly by relationship managers based in the Basel head office. During the period under review, numerous visits relating to BIS banking services were paid to central banks and to regional and international organisations based in North, Central and South America, and the Caribbean.

### *Knowledge-sharing activities*

BIS banking seminars held in Switzerland for risk and reserve managers attracted a large number of participants in 2012 from Latin American and Caribbean central banks and international organisations. The BIS also participated in various risk and reserve management seminars organised by other financial institutions, in particular the Center for Latin American Monetary Studies (CEMLA) and the Latin American Reserve Fund (FLAR).

### *Conclusion*

Over the course of this year, the Americas Office continued to act as a hub for the delivery of information about BIS banking services to customers in the region, even though it has no direct role in the execution of banking operations.

## 2. Forum for central bank cooperation

The BIS provides a forum in which central banks can discuss issues of common concern. In the Americas region, the BIS has, since the opening of the Americas Office, sought to stimulate interaction through research activities and meetings.

Of particular importance are two initiatives by the BIS Consultative Council for the Americas: a regional CCA Research Conference and the Research Network.

The Bank of Canada hosted the Second Research Conference in May 2011, which was chaired by Stephen Cecchetti, BIS Economic Adviser and Head of MED. The Third Research Conference, again chaired by Mr Cecchetti, was hosted by the Central Bank of Brazil in April 2012. The conference topic was "Financial stability, financial regulation and monetary policy". Seven 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 included academics and central bank researchers.

The Research Network of CCA central banks is currently studying the effects of foreign exchange market operations in Latin America. The Network held its first plenary session in April 2012 hosted by the BIS Representative Office for the Americas and is planning a second plenary conference in which papers will be presented in November 2012.

The BIS has also organised or supported the following events:

- A special meeting on "Financial stability and financial market developments in Latin America and the Caribbean" for central bank Governors from the region on the occasion of the BIS Annual General Meeting in June 2011.



- In July 2011, the Markets Committee held an outreach meeting, the Working Party on Markets in Latin America in Mexico City, supported by the Americas Office and the Bank of Mexico. The purpose of such meetings is to review more recent market developments and to discuss issues such as capital flows, central bank operations or debt markets.
- The October 2011 meeting of the Working Party on Monetary Policy in Latin America convened at the Central Bank of Argentina. The meeting brought together 14 shareholding central banks, including six from the Latin American region; the discussions centred on macroeconomic developments and outlook, financial market developments and fiscal and monetary policies.
- In December 2011, the Emerging Markets Monitoring Group, one of the standing working groups supported by MED, met in Rio de Janeiro, hosted by the Central Bank of Brazil.

#### *Outreach activities*

The BIS has again engaged in a number of outreach activities in the Americas region, all involving regional central banks and other institutions. One element was collaboration with CEMLA in the implementation of three joint BIS-CEMLA roundtable meetings of central banks:

- June 2011: Roundtable meeting on macroprudential policies (hosted by the Central Bank of Argentina).
- November 2011: Roundtable meeting on external factors and monetary policy (hosted by the Bank of Mexico).
- March 2012: Roundtable meeting on “The future of international banking after the crisis” (hosted by the Central Reserve Bank of Peru).

This support is provided from both the Americas Office and directly from the BIS head office. It consists in making speakers available for CEMLA events and in occasionally holding joint meetings. CEMLA is also invited from time to time to participate as an observer at BIS meetings organised in the region.

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

- Meeting of monetary policy managers (Brazil).
- Meeting on central bank internal audit (Dominican Republic).
- Meeting on financial stability (held jointly with ASBA and Bank of Mexico; Mexico).
- Meeting of the central bank research network (Colombia).
- CEMLA Governors meeting 2011 (Colombia), 2012 (Spain).
- Payment systems week (Paraguay).
- Comprehensive course on central banking (Mexico).

As part of its outreach activities the BIS also organised panels at the annual meetings of the Latin American and Caribbean Economic Association (LACEA).

At the November 2011 annual meeting of LACEA, the BIS organised two panels with academics and high-level officials from regional central banks, including governors, deputy governors and department directors; one on “Capital flows: challenges and policy responses”, and the other on “Financial stability, macroprudential and related policies”.

In addition, the Americas Office supports regional networking via the Bank's eBIS platform, a password-protected internet tool that is free for all registered users. The Office created and administered, until June 2012, a special area in eBIS for central bank lawyers in the region. At present, more than 70 central bank lawyers are registered with 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. In June, the administration of this section was handed over to the documentalists in the BIS Legal Service in Basel.

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 Centre for Monetary Studies (CMCA), based in Costa Rica, and the Caribbean Centre for Money and Finance (CCMF), based in 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 may lead to publications or ad hoc events with 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 Basel head office.

Publications authored or co-authored by Americas Office staff are made available on a special page on the Bank's website,<sup>2</sup> and more recently, BIS economists have also been allocated their own individual sections on the BIS website.<sup>3</sup>

During the past year, articles and published presentations (including by staff working in the Economics for Latin America and the Caribbean section at head office) have included:

- "Commodity prices: microeconomic drivers and emerging risks for Latin America"; papers and proceedings of the FLAR conference "Retos de política macroeconómica en las economías emergentes y en desarrollo" (F Avalos).
- "The development of a regional payment system in Central America: A step towards further integration and economic development"; Journal of Payments Strategy and Systems (G Heinrich).
- "Cooperación internacional y reforma de sistemas de pagos en América Latina y el Caribe"; Foro de Pagos/World Bank/CEMLA (G Heinrich).
- "Basilea III y la relevancia para la banca de desarrollo en América Latina"; ALIDE (G Heinrich).
- "The use of reserve requirements as a policy instrument in Latin America"; BIS Quarterly Review (C Montoro and R Moreno).

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<sup>2</sup> [www.bis.org/forum/amresearch.htm](http://www.bis.org/forum/amresearch.htm).

<sup>3</sup> [www.bis.org/author/index.htm](http://www.bis.org/author/index.htm).

- “Inflation dynamics in the presence of informal labour markets”, BIS Working Papers, no 372 (C Montoro, jointly with P Castillo).
- “Credit at times of stress: Latin American lessons from the global financial crisis”, BIS Working Papers, no 370 (C Montoro, jointly with L Rojas-Suarez).
- “Foreign exchange market intervention in EMEs: implications for central banks”, BIS Papers, no 57 (R Moreno).
- “La formulación de políticas desde una perspectiva macroprudencial en economías emergentes”, Revista Estudios Económicos, no 22, Central Reserve Bank of Peru (R Moreno).

#### *Contributions to regional conferences and meetings*

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

- J Caruana, General Manager of the BIS:
  - o Keynote speech at the meeting of CEMLA central bank Governors held in Seville, Spain, May 2012
  - o Moderator of a panel on “Financial regulatory reform and systemic stability” at the IIF-G20 Conference, “The G-20 agenda under Mexican chairmanship”, Mexico, February 2012
- S Cecchetti, Economic Adviser and Head of MED, speech on the risks to the world economic recovery at the 14th Inflation Targeting Seminar, hosted by the Central Bank of Brazil, May 2012.
- P Turner, Deputy Head of MED, Chair, Working Party on Monetary Policy meeting, hosted by the Central Bank of Argentina.
- D Domanski, Head of Policy Coordination, MED, Chair, BIS Emerging Markets Monitoring Group meeting hosted by Central Bank of Brazil, December 2011 and BIS-CEMLA roundtable on International Banking hosted by the Central Reserve Bank of Peru, March 2012.
- M Drehmann, Senior Economist, MED, presentation on “Funding liquidity risk: definition and measurement” at the Annual Seminar on Banking, Financial Stability and Risk, Brazil, August 2011.
- L Gambacorta, Head of the Monetary Policy Group, MED, “Securitisation is not that evil after all”, presentation at the meeting of the Basel Committee Research Task Force, “Challenges for regulators in the new financial landscape”, hosted by the Bank of Mexico.
- R Moreno, Head of Economics for Latin America and the Caribbean:
  - o Chair, first plenary session of BIS CCA Research Network project, “The effects of foreign exchange market operations in the Americas”
  - o Chair, two BIS-CEMLA roundtable meetings, one on macroprudential policies (June 2011) and another on external factors and monetary policy (November 2011; see above)
  - o Chair, session at LACEA in Santiago de Chile (see above). Participants: Governor Jose De Gregorio (Chile), Deputy Governor Jose Sidaoui (Mexico) and Professor Charles Engel (University of Wisconsin, Madison), November 2011
  - o Panellist on “Emerging market experiences with new policy challenges

for macro- and financial stability”; G20 seminar on “Monetary policy and macro-prudential regulations with high level of liquidity”, hosted by the Central Bank of Brazil, July 2011

- o Presentation on “Enhancements to the BIS banking statistics” at the G20 data gaps meeting, hosted by the Bank of Mexico, March 2012
- o Lead-off speaker, FSB Regional Consultative Group meeting, hosted by the Central Bank of Chile, May 2012
- o Presentations on “Sources of resilience in EME public debt” and “Macroprudential and other policies to deal with financial stability risks in EMEs”, at the senior policymakers seminar on “Managing capital flows and growth amid the sovereign debt crises, organised by the World Bank Institute in collaboration with the Korea Development Institute, the Korean Ministry of Strategy and Finance, the Federal Reserve Bank of San Francisco and the Bank of England, Seoul, June 2012
- F Avalos, Senior Economist, Economics for Latin America and the Caribbean:
  - o Presentation on “Nature or nurture: drivers of commodity prices and their implications”; FLAR-CAF Conference on Economic Research, Colombia, July 2011
  - o Presentation on “Assessing the real impact of Basel III regulations on trade finance bankers”; Euromoney conference on “Structured trade and export finance in the Americas”, Miami, March 2012
- J Coche, BIS Banking Department, presentation on “Central bank reserves in a balance sheet context – Implications for SAA” at the FLAR conference on the management of sovereign wealth funds, Colombia, November 2011.

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:
  - o Presentation on the ongoing work of the BCBS, Annual Conference of the Caribbean Group of Bank Supervisors, Guyana, May 2012
  - o Presentation on BCBS work on microfinance, 42nd Annual Meeting of ALIDE, Ecuador, May 2012
  - o Presentation on “Recent trends in reserve management” at the CMCA meeting of central bank Governors, Nicaragua, July 2011
  - o Session chair, FLAR-CAF Economic Conference: “Retos actuales de política macroeconómica en los mercados emergentes”, Colombia, July 2011
  - o Panellist on regulatory reform at the risk symposium “Towards Basel III” hosted by the Mexican Bankers’ Association, Mexico, October 2011
  - o Presentation on the BIS and the work of standard-setting groups at the IAIS-Microinsurance Network Joint Working Group meeting, Brazil, November 2011
  - o Lecture on the BIS and the international financial architecture, CEMLA training course on “La banca central moderna: un enfoque integral”, Mexico, March 2012

- o Presentation, “Challenges to international financial cooperation”; at the Annual Meeting of IADI’s Regional Committee for Latin America, held in Uruguay, March 2012
- C Montoro:
  - o Presentation, “Financial stability considerations in monetary policy” at the Annual Research Seminar, Guatemala, June 2011
  - o Research paper presentation, “Assessing the role of reserve requirements under financial frictions”, at the 17th International Conference on Computing in Economics and Finance, San Francisco, June 2011; Central Bank Macroeconomic Modelling Workshop, Canada, September 2011; and research seminar of the Central Reserve Bank of Peru, Peru, November 2011
  - o Research paper presentation, “Credit at times of stress: Latin American lessons from the global financial crisis”, at the CEMLA XVI meeting of the central bank research network, Colombia, 16–17 November 2011; and the XXIX BCRP Research Meeting, Peru, October 2011
  - o Research paper presentation, “Oil shocks and optimal monetary policy”, at the Workshop on Commodity Prices and Monetary Policy, Chile, January 2012
  - o Research paper presentation, “Macroprudential policy and financial stability in Latin America: experiences and issues”, at the First Meeting on Financial Stability jointly organised by CEMLA and ASBA, Mexico, November 2011

#### 4. Cooperation with bank supervisors and other regulatory authorities

The Americas Office maintains regular contact with supervisors in the region, primarily through the Association of Bank Supervisors of the Americas (ASBA) and the Caribbean Group of Banking Supervisors (CGBS). In addition, the BIS offers training events to bank and insurance supervisors in the region through its Financial Stability Institute (FSI).

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 Belize in June 2011, and in Guyana in June 2012.

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

- Basel III and macroprudential supervision, with CEMLA (Mexico)
- Basel III and liquidity standards, with ASBA (Peru)
- Basel III and macroprudential policies, with CEMLA (Mexico)
- Liquidity risks, with ASBA (Brazil)
- Risk-based insurance supervisory practices and regulatory capital, with the Asociación de Supervisores de Seguros de América Latina (ASSAL) (Cost Rica)

- Financial stability and macroprudential tools, with ASBA (Mexico)
- Stress testing, with CEMLA (Mexico)
- Application of macroprudential policies and supervision of systemically important banks, with CGBS (Jamaica)

In addition, an FSI high-level meeting for heads of supervisory authorities in the region was held in San Francisco in conjunction with ASBA and hosted by the US Federal Deposit Insurance Corporation.

FSI Connect, the online information resource and learning tool for banking and insurance supervisors, is available to supervisory authorities worldwide. Several central banks, supervisory authorities and deposit insurance agencies from Latin America and the Caribbean have subscribed to FSI Connect. Many of the modules 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. In the past 12 months, staff from the BIS head office or the Americas Office have variously visited institutions or attended events in the following countries in the region:<sup>4</sup>

## 5. General outreach and networking

The Americas Office distributes an e-mail newsletter to more than 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, the Central Bank Research Hub, as well as information on forthcoming BIS-related events, and news from the Americas Office. The June 2012 newsletter reached approximately 1,700 contacts at central banks, 850 at supervisory authorities and deposit insurance agencies, 600 at regional banks and related entities, 150 at academic institutions, 250 at international organisations and 450 others in Mexico City (including at embassies).

	Argentina		Costa Rica		Paraguay
	Bolivia		Ecuador		Peru
	Belize		Guatemala		Trinidad and Tobago
	Brazil		Guyana		Uruguay
	Canada		Jamaica		United States
	Chile		Mexico		
	Colombia		Nicaragua		

<sup>4</sup> For more details, see the table on visits and participation in events in the region, handed out at the June 2012 CCA.

## IV. Forthcoming activities

### Economic research

To support the cooperation between BIS economists and those of 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 CCA sponsored Research Network will be the main forum for the coordination of high-level research on common topics between CCA member central banks and the BIS.

As in the past, outreach to the smaller central banks will be accomplished mainly through presentations in regional forums and conferences (eg those organised by central banks, or by institutions such as CEMLA, ASBA, FLAR and others), and through contributions to the events listed below.

Current research includes work on macroprudential issues (eg on use of reserve requirements, or the effects of capital flows on policy options). This is related to topics raised at the 2011 and 2012 CCA research conferences. Research results will be presented at central banks in the region and regional conferences.

### Events

For the period after the 2012 BIS Annual General Meeting, the BIS is planning the following major events in the region:

#### *Meetings of committees and groups*

- Working Party on Monetary Policy in Latin America, Peru, September 2012.
- FSI High-Level Meeting for Heads of Banking Supervision (chaired by J Tošovský), Panama, November 2012 (co-organised with ASBA).
- BIS bimonthly meetings, Mexico, November 2012.

#### *Research conferences and panels*

- Fourth 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 of 2012.  
Lead contacts: S Cecchetti and the Americas Office.
- Two panels (topic still to be decided) at LACEA, Colombia, November 2012.  
As in previous years, the BIS is planning a high-level policy panel at LACEA. The BIS plans to invite CCA Governors to make a presentation at this panel. Presentations have been issued as a BIS Paper (eg contributions to the Second BIS CCA Conference on “Monetary policy, financial stability and the business cycle” hosted by the Bank of Canada, Ottawa, 12–13 May 2011).

*Training and seminars*

- Events with CEMLA, ASBA, ASSAL or the CGBS:
  - o FSI seminar “Capital and risk management”, Mexico, September 2012
  - o FSI seminar “Basel III and stress testing”, Argentina, September 2012
  - o FSI seminar “Basel III and macroprudential policies”, Uruguay, September 2012
  - o FSI seminar “Basel III and capital rules”, Mexico, December 2012





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