

## **Polibio Cordoba: Overview of activities undertaken by the Central Bank of Ecuador**

Speech by Mr Polibio Cordoba, President of the Board of Directors of the Central Bank of Ecuador, held on 17 February at the inauguration of the 2005 BIS Central Bank Legal Experts' Meeting, Quito, 17-18 February 2005.

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Ladies and gentlemen

It is an honour for the Central Bank of Ecuador (BCE) to host the Central Bank Legal Experts' Meeting organised by the Bank for International Settlements (BIS) and its Representative Office for the Americas.

The role of the BIS as one of the most important centres in the world for monetary and financial cooperation between central banks is fulfilled precisely through forums like this one, promoting high-level legal discussion and research on key economic topics.

For this reason the government of Ecuador and the central bank are particularly pleased that Quito has been chosen as the location for such an important event, with participants including legal experts from Europe and America as well as renowned international speakers representing the Federal Reserve Bank of New York, the European Central Bank, Euroclear Bank and the Hague Conference on Private International Law.

The main objective of the meeting will be to analyse the use of collateral and complementary guarantees in central bank operations as well as rights associated with guarantees in the hands of intermediaries and possible conflicts between national laws. At the same time, the meeting represents an ideal setting in which to exchange views and opinions on this topic and to reconcile views with respect to the application of international standards which make central bank operations more viable and secure.

In this regard, it is very important to the BCE to emphasise its functions and role as from the year 2000; it was then that the country adopted the dollar as its official currency. This meant that the money supply became an endogenous variable; that is, a value determined by each line of the balance of payments (trade in goods and services, and net capital inflows). However, this renunciation of the money issuance function also significantly restricted the central bank's ability to act as a provider of liquidity assistance to the financial system via money markets and as lender of last resort, despite ongoing problems relating to economic liquidity, systemic risk and competitiveness.

For this reason, the BCE's focus has now shifted more towards economic tasks, resulting in greater emphasis on functions such as establishing guidelines and carrying out activities linked to financial and credit policy, aimed at improving conditions for access to financing by the manufacturing sector, strengthening the solvency of public and private financial intermediaries and stabilising and deepening the payment system in accordance with constitutional provisions.

In this context, the BCE works to ensure the stability of the economy and the prevailing monetary regime via monitoring and analysis of developments in public finances, which, in the short, medium and long term, help maintain the financial sustainability of the state.

With regard to the subject matter of the meeting, the BCE is somewhat restricted when it comes to using collateral, since, with the official dollarisation of the economy, its role as lender of last resort is very limited. Without prejudice to this, it should be highlighted that commercial trustee accounts were and still are the most important collateral for the BCE, having been used successfully in the past, including in complex situations and during bankruptcy proceedings for financial institutions, thus guaranteeing the interests of the BCE and the state.

On the other hand, repurchase operations, one of the typical central bank strategies for recycling liquidity, are another important tool which is used in the same way as in other countries. I am sure these aspects will be addressed in detail as part of this event.

In addition to participating in the meeting itself, you will also have the opportunity to enjoy the historical and cultural wealth of Quito, a UNESCO World Heritage Site. The city, together with the BCE, welcomes you and wishes you every success with this event.

Thank you.