

FX Reserves Management – the Czech Experience Before and After 2013

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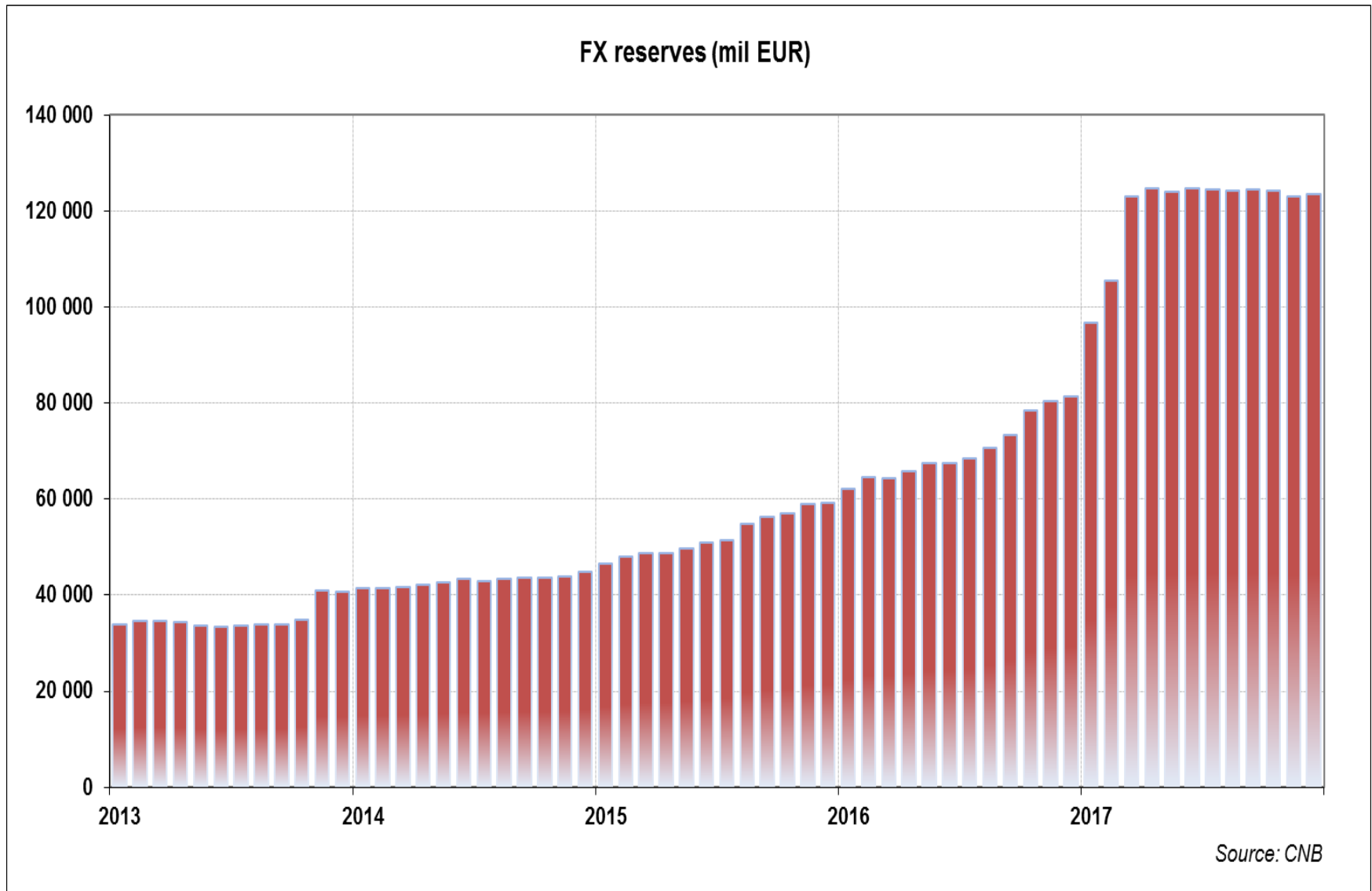
Vice-Governor of the CNB

The National Bank of the Republic of Macedonia

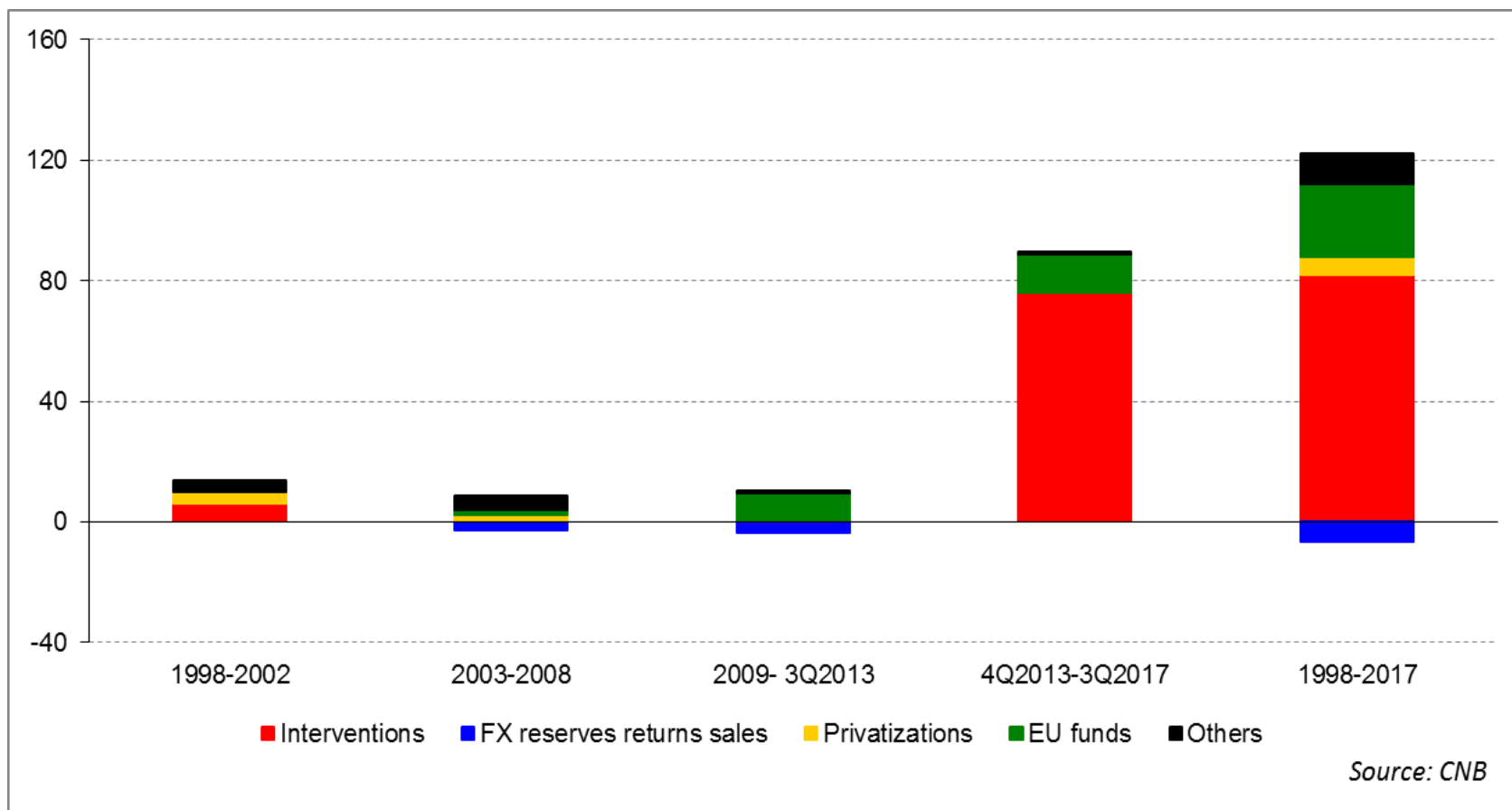
Reinventing Bretton Woods Committee

Skopje, February 16, 2018

FX reserves Jan 2013 – Dec 2017

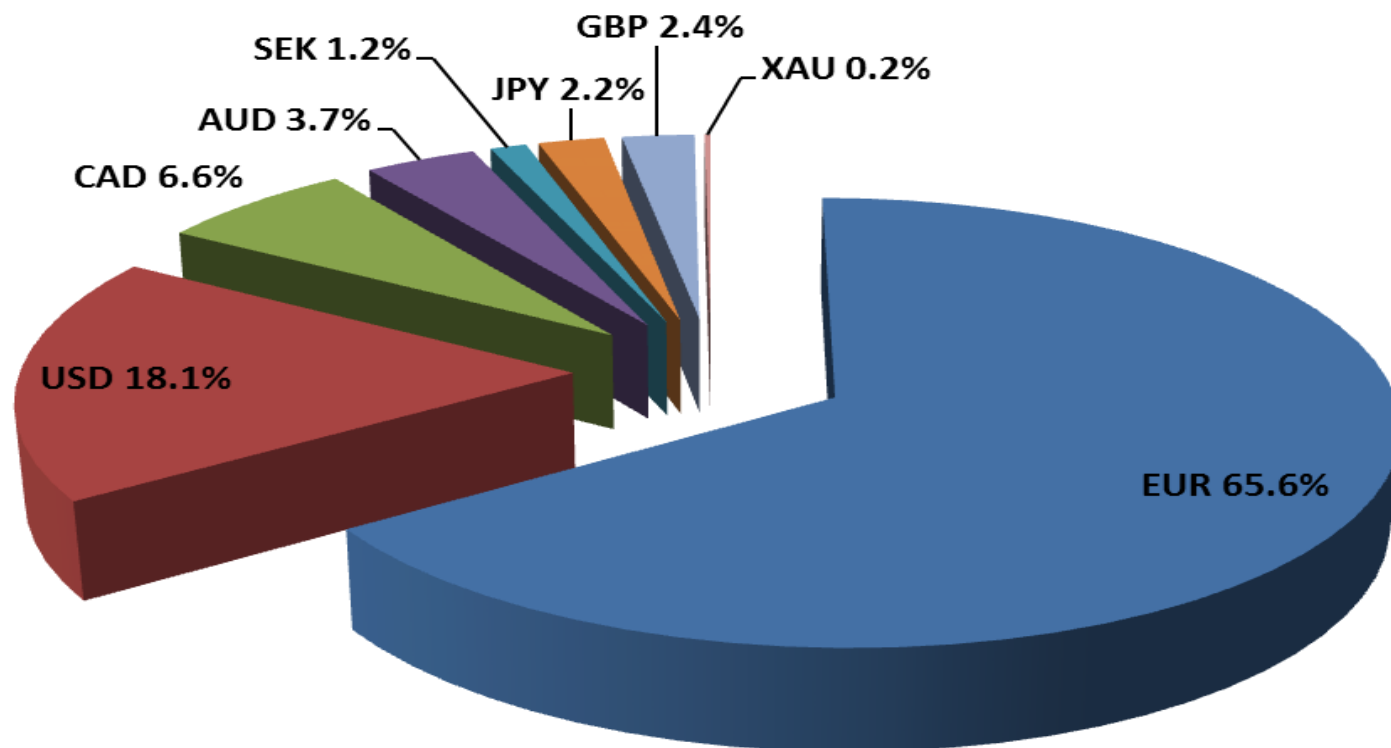


FX reserves sources



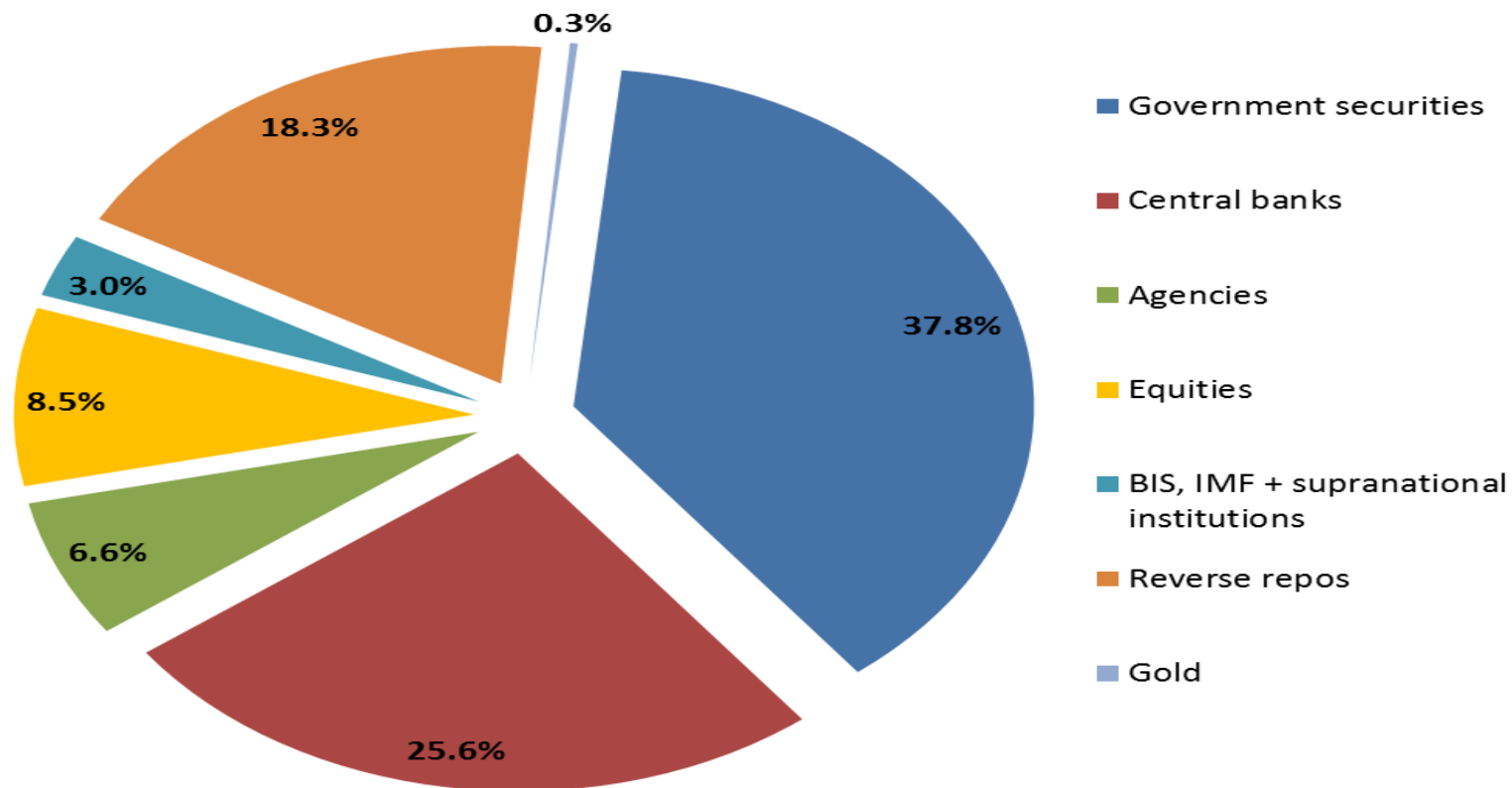
	Interventions	FX reserves returns sales	Privatizations	EU funds	Others
1998 - 2002	5 896	0	3 882	0	3 813
2003 - 2008	0	-2 625	2 208	1 925	4 496
2009 - 3Q2013	0	-3 794	0	9 580	916
4Q2013 - 2Q2017	75 878	0	0	12 852	984
1998 - 2017	81 774	-6 419	6 090	24 356	10 209

FX reserves currency allocation (31. 12. 2017)



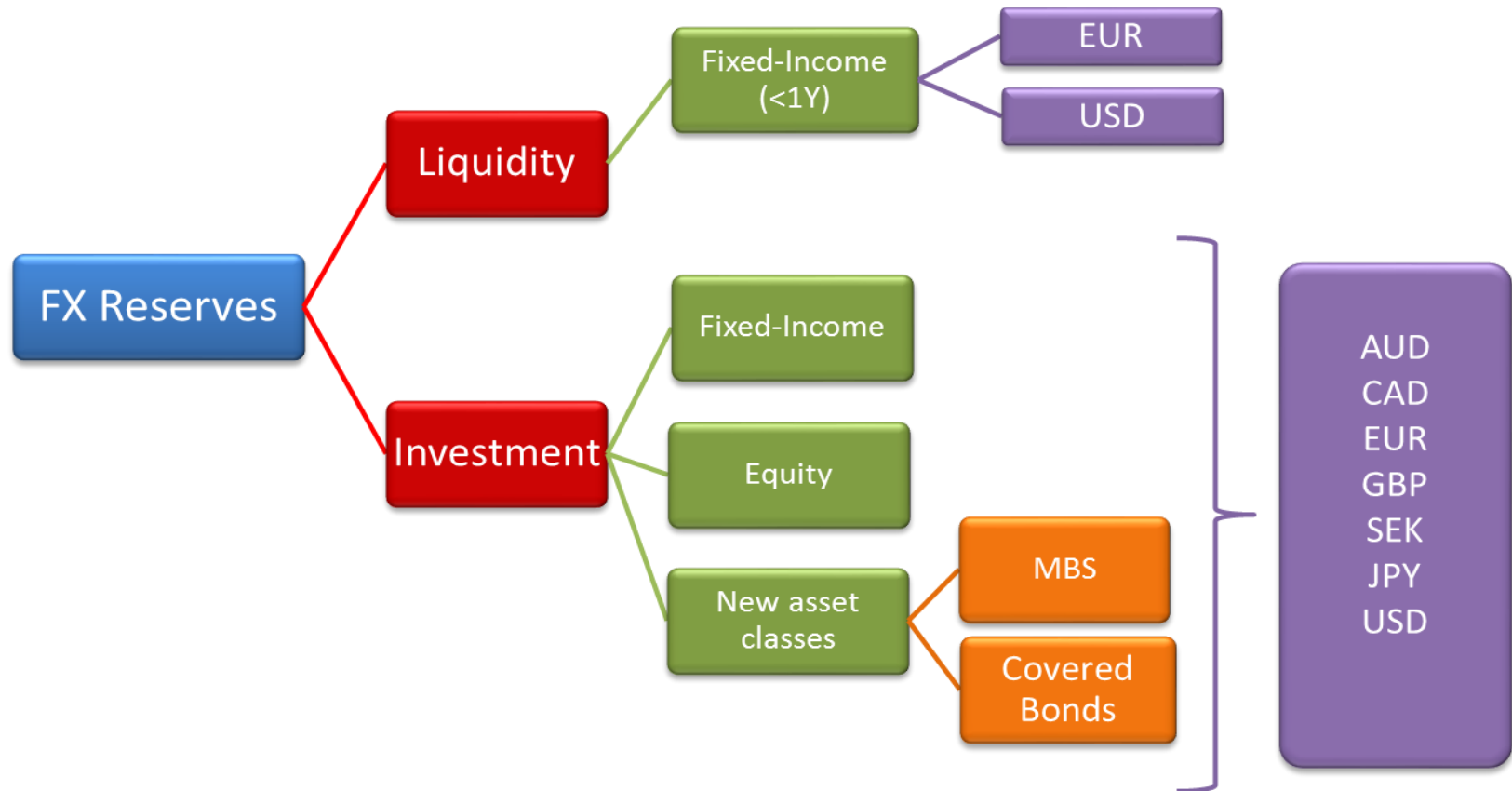
Source: CNB

Investment allocation (31. 1. 2018)



Source: CNB

Agencies: KfW, ÖKB, EDC etc.

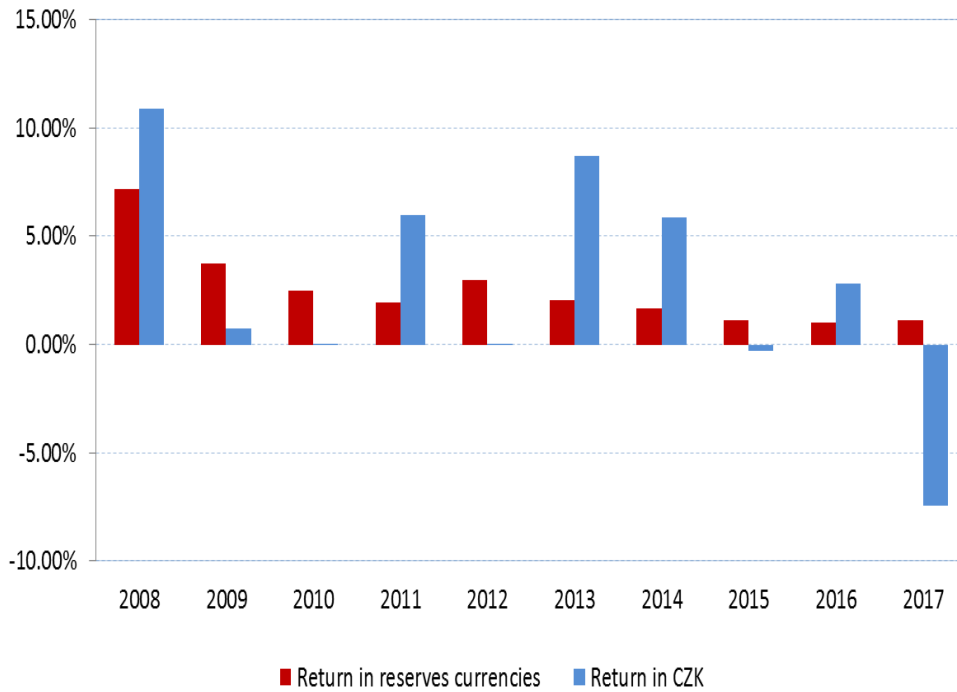


Source: CNB

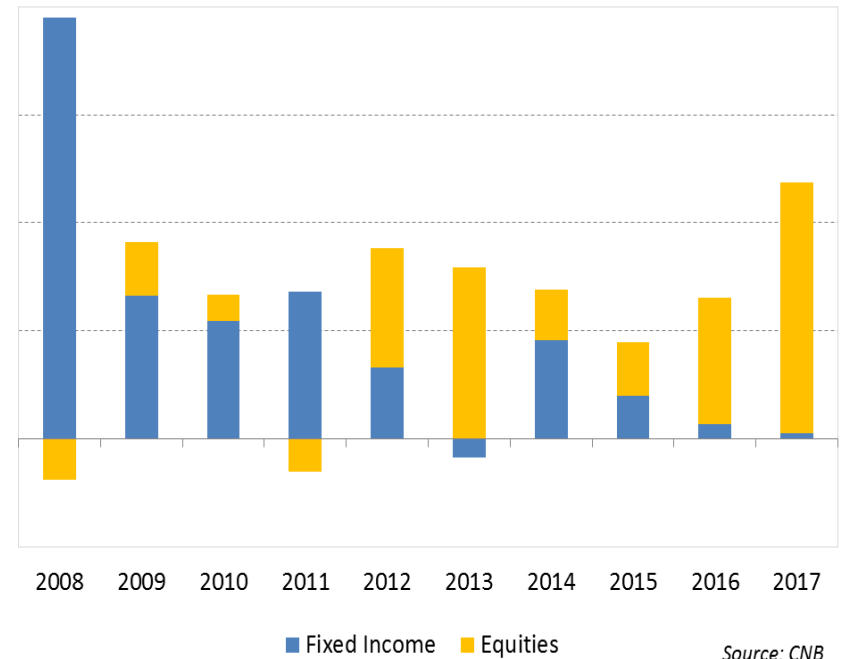
USD 150 billion actively managed

- Seven portfolios: → investment USD, EUR, CAD, AUD, SEK
→ liquidity USD, EUR
- Currency overlay portfolios in GBP and JPY
- About 10% of reserves externally managed in equities
- All internal portfolios managed by six people.
- Investments in new asset classes – covered bonds, MBS.
- Further alternatives being investigated (asset classes, currencies).

FX reserves total return



FX reserves return Fixed Income vs Equities



Source: CNB

Regulatory avalanche

- limits the ability of banks to operate in the markets, take risks, and thereby absorb various shocks/flows. The result is, for example, flash crash episodes even on very liquid markets such as US Treasuries, FX GBP;
- stays behind enormous efforts of banks to eliminate legal and regulatory risks at the expense of profitability (buoyant compliance units vs squeezed profit ones). Banks are then unable to make use of arbitrage opportunities. Example: abnormality over the turn of the year due to BRRD payments calculation;
- overextends CNB staff even when the CNB is exempt from regulation (e.g. MiFID II/MiFIR).



Thank you for your attention!

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