

Gold as a Reserve Asset

The Role of Gold in Modern Central Bank Reserve Management

May 4-6 2011

Shanghai



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

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In association with



Dear Delegate,

The past two years have witnessed a sea change in official sector attitudes towards gold, culminating in 2010 with central banks becoming net buyers for the first time in two decades.

In the light of the financial crisis, central banks the world over increasingly recognised the important role played by gold in reserve portfolios today.

Now in its 3rd year, Central Banking Publications' "Gold as a Reserve Asset" seminar is unique in focusing on the practical challenges in this crucial aspect of modern reserve management.

Held in Shanghai from May 4-6, this is an in-depth seminar, featuring case study presentations from a select panel of speakers comprising current and former reserve managers, industry experts and market practitioners.

There will also be an offsite visit to the Shanghai Gold Exchange, which traded 6,046.1 tonnes in 2010, an increase of 43% on 2009.

The roundtable format enables delegates to develop an excellent rapport with speakers whilst discussing emergent challenges which

they face with respect to gold and reserve management. Discussion allows delegates to benchmark their own work against leading best practice. The informal setting allows a sharing of internal practice and a frank exchange of views.

Held on the iconic Shanghai bund this educational workshop will address key practical questions such as:

- What is the special relationship between central banks and gold
- Challenges of accounting for gold
- Trading strategies in low lease environments
- Reappraising the role of gold in reserve management

I look forward to welcoming you to Shanghai on 4 May.

Best regards,



Sarah Doyle
Course Rapporteur
sarah.doyle@centralbanking.com

“ This course exposed me to the intricacies of gold. I found the seminar extremely interesting and useful for all central bankers, the chairman and Mr. Milling-Stanley proved to be the right people for their deep and detailed knowledge and enthusiasm, well done!!! ”

A central bank delegate 2010

Day one – Wednesday May 4

Market fundamentals

Registration and refreshments

Chairman's welcome and opening remarks

John Nugée Senior Managing Director, Head of Official Institutions Group, State Street Global Advisors and 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.

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.

Lunch

Visit to Shanghai Gold Exchange

A central bank perspective on the gold market

Speaker to be confirmed

This session will draw on an expert view to provide an assessment of the gold market from the official sector perspective. Discussion will encompass trading, lending, counterparty relations and the construction and execution of long-term strategies.

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

Natalie Dempster Director, Government Affairs, World Gold Council

This session will examine the contribution gold can make to an investment portfolio. The speaker will discuss how gold can enhance a portfolio's risk-adjusted returns due to its lack of correlation with other assets and volatility characteristics. It will also discuss the tactical benefits that gold can bring to a portfolio thanks to gold's relationships with key macro-economic variables.

Dinner Fairmont Peace Hotel

Day two – Thursday May 5

Effective management of central bank gold reserves

Case Study: why do central banks hold gold?

Discussion 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.

Break

Trading strategies in a low lease rate environment

Michael Paprotta Assistant Director, Foreign Exchange and Money Markets, Swiss National Bank
How can central banks best use their gold stocks in today's low yield and lease-rate environment? This session draws on the expertise and experience of the Swiss central bank, an active participant in the gold market in recent years.

Practicalities of gold ownership – accounting for gold

Friedrich Karrer Director Accounting Department, the National Bank of Austria

The recognition of gold transactions, whether in physical gold, unallocated gold or investments, is an important and sensitive issue for central banks given their potential impact on the balance sheet. Discussions will cover: valuation of gold reserves and the treatment of revaluation differences, international central bank practice relating to accounting for gold, gold accounting under IFRS, material management in sub account ledgers for gold bars and accounting issues in central banks for numismatic and non-monetary gold holdings.

Lunch

How central banks use gold: two case studies

Speakers to be confirmed

In this session two central banks will present their recent experience of holding and using gold within the context of their reserve management strategies.

Break

Using gold to hedge tail risk

Natalie Dempster Director, Government Affairs, World Gold Council

This session will examine gold's performance during "fat tail" events. It will investigate why gold tends to outperform other assets. It will also examine in detail the depth and liquidity of the 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.

Chairman's closing remarks

Formal dinner at Xian Qiang Fang

Day three – Friday May 6

Redefining the role of gold

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.

How central banks can make use of their gold reserves in times of need

Speakers to be confirmed

This session will firstly attempt to shed some light on the extraordinary gold swap transactions that took place during the crisis between the Basel-based central banks' bank and commercial banks. Secondly speakers will look at the IMF gold sales..

Break

New directions for gold: exchange traded funds

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.

The changing role of gold in reserve management

Led by the chairman

The seminar will conclude with an open debate that brings together the threads of previous discussions. Each delegate will be asked to share their thoughts about what they have learned from the seminar and what lessons can be taken back to their home institution.

Lunch and course conclusion

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:

Sarah Doyle
Central Banking Publications
Incisive Media,
Tower II
Admiralty Centre
18 Harcourt Road
Hong Kong

Telephone: +852 3411 4842

Fax: +852 3411 4811

Email: sarah.doyle@centralbanking.com

Venue
Fairmont Peace Hotel
20 Nanjing Road East
Shanghai, China
200002
www.fairmont.com/peacehotel

“This course provided me an opportunity to learn the fundamentals of the gold market and the place/role of gold in foreign exchange reserves.”

A central bank delegate

Please note that there is no registration fee and that accommodation will be provided for the duration of the course from the nights of May 4-6. To book accommodation, please contact Fion Lau of fion.lau@incisivemedia.com

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 3,000 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

May 4-6 2011
Shanghai

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 .