



## BASIC MONETARY POLICY INSTRUMENT AND OPERATIONS

### OVERALL DESCRIPTION

This course seeks to convey the key principles of monetary economics on a theoretical level as well as policy-related issues. Particular emphasis rests on the monetary policy issues facing developing countries and emerging market economies.

### COURSE OBJECTIVES

After this course, participants will be able to:

- ▶ Explain and differentiate between monetary theories
- ▶ Explain implications for the conduct of monetary policy in mature and emerging market economies.
- ▶ Analyse the conduct of monetary policies in mature and emerging market economies

### CONTENT

- ▶ What is Money?
- ▶ The Demand for Money (Quantity Theory / Interest Rate Approach)
- ▶ The Supply of Money ( Money Base / Money Stock / Multiplier)
- ▶ Transmission of Monetary Policy (Quantity, Interest Rate, Expectations)
- ▶ Inflation, Growth and Price Stability
- ▶ Central Bank Independence
- ▶ Rules vs Discretion
- ▶ Monetary Targeting
- ▶ Inflation Targeting
- ▶ Taylor Rule

### METHODOLOGY AND APPROACH

The training methodology will be a combination of traditional one-way, trainer-centered teaching and active (participatory) learning based on case studies.

### TARGET GROUP

- ▶ Middle and lower level staff

### DURATION

- ▶ 10 half days

## PAYMENT SYSTEMS

### OVERALL DESCRIPTION

This five-day training course introduces participants to payment systems and covering the latest developments in payment and securities settlement systems which includes an update on international standards and codes, recent trends in retail payments and large value payments, payment systems reform, experiences from selected countries, regulatory framework and securities clearing & settlement systems.

### COURSE OBJECTIVES

This training course aims:

- ▶ To demonstrate the importance of payment systems.
- ▶ To describe and understand the central banks' role in payment systems.
- ▶ To describe and understand the functioning and evolution of the national and international payment systems with the focus on the Payment Systems in Europe.
- ▶ To provide trainees with an understanding of the structure of the payments industry, the way in which payment systems function, and the characteristics of individual payment instruments.
- ▶ To make trainees aware of important strategic issues for the future.
- ▶ To enable trainees to take informed positions on key issues.

### CONTENT

- ▶ Payment evolution
- ▶ Money classifications
- ▶ Payment methods
- ▶ What are payment systems?
- ▶ Risks in payment systems
- ▶ Core principles for payment system
- ▶ Role of CBs in payment system
- ▶ Development of clearing and settlement arrangements
- ▶ Role and responsibilities of the central bank and participants
- ▶ Some facts about central bank money
- ▶ Payment systems are an academic discipline in their own right
- ▶ Domestic retail payment systems
- ▶ Cross border retail payment systems
- ▶ The Single Euro Payments Area (SEPA): The integration process of retail payment systems in Euro
- ▶ Introduction of large value payment system
- ▶ Large value payment systems
- ▶ Current trend of large value payment system (LVPS)
- ▶ Global trends in large value payment system
- ▶ Framework for the development and governance of payment systems in emerging economies
- ▶ Case Study: Egypt Payments Systems - The Evolution of The National Payment systems in Egypt
- ▶ Case Study: Behind the Scenes on September 11 - How the Federal Reserve Made Sure that ash machines and credit cards kept

### TARGET GROUP

Staff members of units in charge of operating or overseeing payment systems;  
IT personnel and operational staff;  
Policymakers involved in the development and regulation of payment and securities settlement systems;  
Central bank officials from payment systems, banking, and credit departments; and Commercial bankers.

### DURATION

- ▶ 10 half days

## MANAGEMENT OF FOREIGN EXCHANGE RESERVES

### OVERALL DESCRIPTION

For many countries, especially in the emerging markets, the official foreign exchange reserves are both a major national asset and a crucial tool of monetary and exchange rate policy. It is vital therefore that this national resource is used and managed wisely and effectively. Management of reserves is a complex and time-consuming business. It requires clear objectives, extensive delegation, strong control systems, open and transparent reporting and a realistic appreciation of the constraints faced.

Many developing countries still have not set up formal mechanisms to measure their reserve needs or set objectives for managing their reserves. This subject has not been widely studied in recent years, leaving many policymakers without much guidance on the issues behind this activity. To help fill this gap, this training course aims at providing a basic framework for setting and implementing a policy on managing foreign exchange reserves.

This training course does not aim to provide details of the market or of portfolio management. Rather it aims at exploring the strategic issues related to the country's policy for the official reserves. A correct and appropriate policy framework for the official reserves is the most important element of successful reserves management; without it, even the most technically accomplished portfolio management operation will fail to be strategically successful. Thus this four-day course addresses issues pertaining to how countries link policy objectives and constraints in the management of foreign exchange reserves to the determination of their sovereign strategic asset allocation and investment policies.

### COURSE OBJECTIVES

The management of a country's foreign exchange reserves is a major task of many central banks.

After this course, the participants will be able to:

- Understand the different reasons for holding foreign reserves and how their management can be improved.
- Consolidate the knowledge to refine policy analysis.
- Understand the choices of the currency composition and the investment risk profile of reserves.
- Develop practical skills for designing and implementing benchmarks.
- Upgrade the knowledge in performance measurement, reporting and attribution.
- Enhance skills for constructing, managing and maintaining foreign exchange reserves.

### CONTENT

- THE DECISION TO HOLD FX RESERVES
- STRATEGIC ISSUES
- THE BENCHMARK PROCESS
- LIQUIDITY MANAGEMENT
- ACTIVE MANAGEMENT
- COMPLIANCE AND THE MIDDLE OFFICE
- REPORTING
- CONSIDERATIONS IN ENGAGING EXTERNAL ASSET MANAGERS
- FOREIGN RESERVES: POTENTIAL SOURCE OF FINANCING FOR DEVELOPMENT (LESSONS IN GOOD PRACTICES FROM SELECTED COUNTRIES)
- INTERNATIONAL CURRENCY RESERVES IN EMERGING MARKET ECONOMIES: THE CASE OF INDIA

### TARGET GROUP

This training is ideally for:

- Practitioners from the NBE with relevant background in designing and implementing policies for the management of foreign exchange reserves.
- NBE Staff engaged in management of balance of payments/economic departments
- Junior to middle level professionals in the front, middle and back offices of the foreign exchange reserves management operations.

### DURATION

8 half days

## FINANCIAL SECTOR SUPERVISION

### OVERALL DESCRIPTION

In the last years, market developments world-wide have made it more difficult to supervise the financial sector through separate agencies. Supervisors face difficulties in classifying some of the new financial products under the traditional categories of banking, securities or insurance. The growing number of financial conglomerates has posed enormous challenges to national supervisory authorities, since risks have become more difficult to monitor, not just because financial institutions tend to be larger and more complex, but also because they operate in most segments of the financial system. To respond to these challenges, advocates of integrated supervision believe that a unified supervisory agency with authority over all, or almost all financial intermediaries, can be more effective than multiple supervisors in monitoring risks across the financial system and responding to possible threats to the stability of the financial system. Good financial sector supervision is when a country combines any, or all, of several functional supervisors – banking, insurance, pensions and securities markets – into one agency.

This course has been developed to assist supervisors of the National Bank of Ethiopia within the knowledge, methodological skills and practical tools for the supervision of the financial sector, incl. all current players – banks, insurance companies and MFIs. The step by step approach and interactive nature of this course will assist participants in becoming better supervisors or, for private sector participants, to develop a better understanding of financial sector supervision as such. Given the fact that also the Ethiopian financial sector will become more internationally oriented in the future, it is of utmost importance for supervisors and the financial sector practitioners to be informed about international supervisory standards.

### COURSE OBJECTIVES

After this course, the course participants will be able:

- To understand the international standards developed in the area of financial sector supervision
- To introduce and apply those standards for the Ethiopian financial sector
- To apply modern techniques and tools on the supervision of the financial sector

### CONTENT

- The Financial Crisis: origin, development, destructive power, and state intervention
- International and selected national reform initiatives (G20, Basle Committee, US, EU etc)
- Regulation and supervision of Banks
- Regulation and supervision of insurance companies
- Birth, live and death of the "Solid Rock Bank Inc.": A case study The "last" line of defense: Deposit insurance, investor compensation, and the protection of policyholders
- Design of National Financial Safety Nets
- Regulation and supervision of capital markets
- Anti-money laundering
- Supervision of Micro Finance Institutions (MFIs)
- Islamic Finance – selected topics
- Is all good regulation global, and what does it take to become a good supervisor?

### TARGET GROUP

- Employees of the supervision departments of National Bank of Ethiopia
- Employees of banks, insurance undertakings and MFIs who have to ensure compliance with supervisory requirements

### DURATION

4 full days