

INTERNATIONAL ACADEMY OF CENTRAL BANKING

Prospectus 2011

CENTRAL BANK



OMFIF

Official Monetary and
Financial Institutions Forum

Official Monetary and Financial Institutions Forum

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Introducing the International Academy of Central Banking (IACB)

The last few years have been difficult ones for central banks. While they deserve praise for their response to the worst financial crisis since the Great Depression, central banks have also received criticism for their actions in the build-up to the crisis. What is clear, however, is that the crisis and its aftermath forcefully demonstrate the pressing need for world-class professionalism and a global exchange of ideas, solutions and best practices in central banking.

The need for skills development and education exists in central banking in three areas: (i) entry-level central bankers, (ii) those in or aspiring to management positions, (iii) and the leadership, director and executive level of the central bank. The Official Monetary and Financial Institutions Forum (OMFIF) has, therefore, developed three distinct diploma programmes: Foundations of Central Banking, Advanced Management in Central Banking, and Leadership in Central Banking.

Successful completion of each of these programmes leads to an IACB Diploma, accredited by OMFIF. Candidates who have completed all three diploma programmes receive the designation “Certified International Central Banker” and become Fellows of the IACB (both of which may be achieved through an accelerated track for experienced central bankers).

The Academy will be the leading global education initiative focused exclusively on enhancing professionalism in central banking. Working with a talented and experienced group of advisers, curriculum developers and faculty members, we have built a robust set of teaching and reading materials, which will develop the skills and expertise of central bankers around the world.

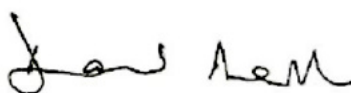
The Academy will have a global orientation. We will not only offer our services to all central banks around the world (through in-house sessions or regional open-enrollment programmes), but will also bring a comparative approach to education. While taking local factors into account, we will identify best practice and common challenges, goals and ambitions among countries to assemble a cohesive framework for worldwide learning.

We would be pleased if you would take a moment to consider this Prospectus, which outlines the content of our programmes and the education methods we employ.

Yours sincerely,



Michael Lafferty
co-Chairman



David Marsh
co-Chairman



Malan Rietveld
Head of Education

Why the IACB?

The International Academy of Central Banking is the first global educational initiative focused exclusively on the central banking industry. The IACB will provide educational and personnel-development services that enhance the skills and expertise of central bankers around the world. Our entire offering is based on three basic beliefs about the art and science of central banking in the 21st century:

(i) Central banking is a unique profession

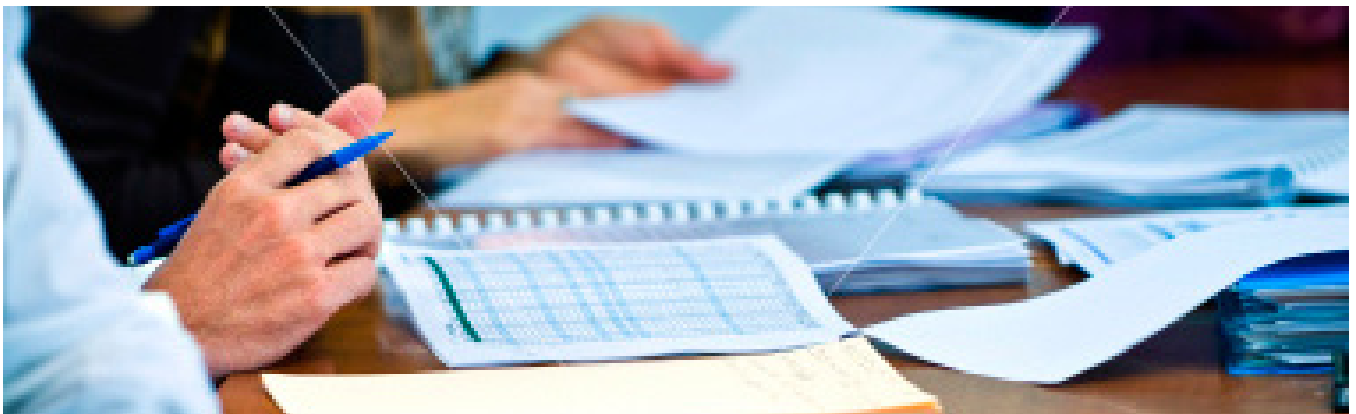
Central banking demands a set of skills and an institutional culture that is unlike any other professional environment. This does not mean that central banks do not benefit from having staff members with experience in other professions, but that the working in the central bank environment requires a unique mindset, skill set and understanding of the institutional and legal foundations of the organisation. Central banking is a unique profession that differs in critically important ways from those in finance, public administration and academia. It is essential that the global central banking community has access to world-class educational services that speak directly to this.

(ii) Seeing the “bigger picture”

For often very good reasons, central banks are highly structured and hierarchical organisations, with conservative institutional cultures. This can, however, result in a tendency for central bank staff and management to, firstly, think in terms of “silos” and, secondly, become unaware of the shifting social, economic and political environments they operate in. A large part of the Academy’s content is focused on helping central bankers gain a more comprehensive and holistic view of their institutions’ functions, objectives and structures; and how the political, economic and social environment they operate affects the central banking profession.

(iii) Universality

While local laws, customs and realities are always important, there is a core of best practices and principles in central banking that have universal applicability and relevance. Our programmes allow scope for local specification and tailoring through case studies, focus sessions and guest speakers – yet, they are built around a core of content on the global history, best practices and universal lessons in central banking.



Programme Structure

The International Academy of Central Banking offers 3 modular diploma programmes: Foundations of Central Banking, Advanced Management in Central Banking, and Leadership in Central Banking. Participants who pass the evaluation and assessment section of these programmes are awarded an IACB Diploma, accredited by OMFIF.

Upon completion of all three diploma programmes, participants will receive the designation “Certified International Central Banker” and become Fellows of the International Academy of Central Banking. The diploma programmes have the following features and requirements:

“Foundations of Central Banking” Diploma

“Advanced Management in Central Banking” Diploma

- 5 to 10 days of structured self-study: participants receive a detailed preparatory study plan, including one IACB Reader per module, background readings from the secondary sources literature, and Key Concept summary documents.
- 5 days of in-person instruction: both diploma programmes feature an intensive 5-day in-person instruction component. Covering one module per day, expert IACB faculty members will guide participants through the course material and explain its relevance to the central banking profession. Participants will also engage in problem-solving workshops with real-world applications and attend guest lectures by incumbent central bankers. The in-person component is offered on an open-enrolment basis in up to 5 regional locations (London, Cape Town, Kuala Lumpur, Atlanta and Abu Dhabi); or in-house at central banks for groups of 7 or more participants.
- An assessment component: the diploma programmes are rigorously assessed to ensure participants have engaged with the material presented to them and captured the key lessons for the profession. Assessment tools include tutorial assignments, tests and essays.

“Leadership in Central Banking” Diploma

The Leadership in Central Banking diploma programme – the IACB’s most advanced programme – has the following key features:

- The Leadership in Central Banking diploma programme is centred around an intensive 5-day seminar in London (the programme can also be offered in-house at central banks for groups of 5 or more participants).
- The programme requires 10 days of preparatory self-study and reading.
- The programme does not have an assessment component, but participants in the programme need to be nominated by the Governor or a member of the senior executive management of the central bank.

Accelerated path to the Certified International Central Banker designation

In addition to receiving an OMFIF-accredited Diploma for successfully completing one of the Academy’s three programmes, candidates who have completed all three programmes will receive the designation “Certified International Central Banker”.

Mid-career or experienced central bankers can, however, accelerate their path to certification by completing the Foundations of Central Banking and Advanced Management in Central Banking modules through our shortened Conversion Programme. Participants in the Conversion Programme receive all the course materials for the 10 modules of the Foundations of Central Banking and Advanced Management in Central Banking programmes, attend an intensive 2-day workshop of lectures, and be expected to complete the requisite assessment material.

What we offer?

Comprehensive teaching and study materials

Participants in the International Academy of Central Banking will receive a set of teaching and study materials. These materials will be used for preparatory individual study, form the backbone for the taught component of the programmes and provide an invaluable reference source after participants have completed the programme.

Each individual module within the three programmes offered by the Academy includes the following teaching and study materials:

- A proprietary module reader: authored by an experienced central banking expert, these readers cover essential aspects of the profession – such as “Functions, Organisation and Objectives of Central Banks” (Foundation Level), “Inside the Central Bank Balance Sheet” (Advanced Management Level) or “Governance and Oversight in Modern Central Banks” (Leadership Level). These readers address key topics in central banking from a practitioner’s perspective, identifying the implications from case studies and academic theory for the profession. Each module reader is between 7,500 and 10,000 words in length.
- Background readings: in addition to the reader, participants receive a secondary reading list, consisting of a small number of easy to access and understand academic or central bank research papers on the topics covered in each module.
- “Key concepts” summaries: these provide a snapshot of the most important tools and concepts developed in each module.
- Problem sets and tutorials: the Foundation and Advanced Management Level programmes draw heavily on the use of individual exercises, which ensure that participants in the programme are able to grasp key concepts and understand their relevance to the practice of their profession.
- PowerPoint presentations: participants will receive the lesson plans and slide presentations that are used in the instructor-led teaching segment of each programme.

World-class teaching faculty

The intensive 5-day teaching segment of each programme is led by seasoned experts in central banking. The teaching segment of the programme can be offered in-house at central banks (for groups with 7 participants or more) or during the regional programmes run by the International Academy of Central Banking.

The Academy has forged relationships with an international faculty of experienced experts in central banking, who are equipped with the skills and tools required to explain and teach the course content to participants. These instructors include recently retired central bankers, consultants, advisors and academics. The instructors receive extensive guidance and training from the Academy’s management to ensure they are fully prepared to deliver in-depth learning during the teaching segment of each programme.

Assessment: exams, written assignments and tutorials

Participation in the Academy’s programmes is rigorously assessed. In order to successfully complete the programmes, participants have to receive a satisfactory grade on their exams and/or written assignments, and complete all the tutorials set for each module.

Curriculum Development Team

Nick Bray

Nicholas Bray is an independent communications consultant and journalist based in Paris. He specialises in helping international companies and institutions develop effective communications strategies and teaches reporting and writing techniques at the Sciences Po' School of Journalism. From December 1998 to July 2010, Bray headed the media relations department of the Organisation for Economic Cooperation and Development (OECD). Before that, as a correspondent for Reuters and subsequently The Wall Street Journal, he covered politics, business and finance in a succession of European countries. He was educated at Oxford and Vienna Universities and at the School for Oriental and African Studies in London.

Robin Darbyshire

Robin Darbyshire is a chartered accountant who worked for 19 years at the Bank of England, where he was responsible for the accounts and tax affairs. He was also a member of the committee of European central banks that prepared the accounting rules for the European System of Central Banks and the European Central Bank. He now undertakes consultancy missions for the International Monetary Fund and advises a number of central banks on matters of financial reporting and balance sheet management. He is also honorary accountant and company secretary of St Paul's Cathedral Foundation.

Meghnad Desai

Lord Meghnad Desai is emeritus professor of economics at the London School of Economics, which he joined in 1965 and where he established the Centre for the Study of Global Governance in 1992. His research interests include economics, international political economy, economic history and globalisation. He is a regular contributor in international media and received his PhD from the University of Pennsylvania. He is a member of the House of Lords, having been made a life peer as Baron Desai of St Clement Danes in the City of Westminster in April 1991.

Stanley du Plessis

Stanley du Plessis is professor of economics at the University of Stellenbosch in South Africa. He is also president of the Economic Society of South Africa and an editor of the South African Journal of Economics. Prior to joining the University of Stellenbosch, he worked as an economist for Old Mutual Asset Management in London. His main research and teaching interests are monetary economics, central banking, institutional economics and econometrics. Professor du Plessis received an M.Phil in economics from the University of Cambridge and a PhD in economics from Stellenbosch University.

David Marsh

David Marsh, co-chairman of OMFIF, is a renowned British consultant and writer on political, economic and monetary issues, and one of the world's leading experts on the euro. He is also chairman of SCCO International, a German management consultancy, and London & Oxford Capital Markets, an independent investment bank. Marsh has written four books, including *The Euro – The Politics of the New Global Currency*, published by Yale University Press in 2009 (new edition published in 2011, as *The Euro – The Battle for the New Global Currency*). He worked for the Financial Times between 1978 and 1995, becoming European editor. Previously he worked for a City merchant bank (Robert Fleming), a corporate finance boutique (Hawkpoint) and a German management consultancy (Droege). He studied chemistry at the University of Oxford, and is an honorary professor at the University of Birmingham. He was made Commander of the British Empire in 2000 and was awarded the German Order of Merit in 2003.

Ila Patnaik

Ila Patnaik is a Senior Fellow at the National Institute of Public Finance and Policy in New Delhi, where her main area of interest is open economy macroeconomics. This includes issues related to capital flows, exchange rate policy, monetary policy, business cycles and financial-sector development under capital-account liberalisation. She has worked at the National Council of Applied Economic Research, the Indian Council for Research on International Economic Relations and writes a regular column for Indian Express.

Malan Rietveld

Malan Rietveld is Head of Education at the Official Monetary and Financial Institutions Forum (OMFIF). He has been involved in the organisation and management of training programmes for central banks and financial regulators since 2004. He also writes regularly on issues around monetary policy, financial stability and supervision, reserves management and political developments affecting central banks and regulators. He has a Masters degree in Economics from the University of Leuven and a Masters degree in Economic History from the London School of Economics.

René Smits

René Smits is professor of law at University of Amsterdam. He is also chief legal counsel of the Netherlands Competition Authority. He was formerly director of the authority's legal department and before that held several positions at De Nederlandsche Bank (DNB), including general counsel, responsible for legal advice on in-house corporate affairs, monetary union, EC banking directives and engagements with the IMF. René is also a visiting professorial fellow at Queen Mary, University of London, and a member of the Committee on International Monetary Law (International Law Association).

Niels Thygesen

Niels Thygesen is professor emeritus of economics at the University of Copenhagen. He was a member of the Delors Committee in 1988-89 that set the path to the European Monetary Union. He currently serves on the board of Nordea Investment Funds and is a founding member of the European Shadow Financial Regulatory Committee. He has been a visiting professor at the European University Institute in Florence, Institut d'Etudes Politiques in Paris and the London School of Economics. Educated at Copenhagen and Harvard, he joined the Danish Ministry of Economic Affairs before becoming professor at Copenhagen in 1971. He has also been economic advisor to the Malaysian Treasury, Head of Monetary Division and Studies at the OECD, and advisor to the Governor of the Denmark Central Bank.

Songzuo Xiang

Songzuo Xiang is Deputy Director and Senior Fellow at the Centre for International Monetary Research at Renmin University of China. He is also Professor of Economics at the Huazhong University of Science and Technology, and Editor-in-Chief of Global Finance & Business. Xiang previously served as executive deputy chief of the fund planning department at People's Bank of China's Shenzhen branch. He holds a Masters of International Affairs in Economic Policy Management from the School of International and Public Affairs at Columbia University in New York and was a Visiting Scholar at Judge Institute of Management Studies at Cambridge University. He has published numerous academic papers and dissertations and is editor and Chinese translator of Selected Works on Economics by Robert Mundell.

Francois van Zyl

Francois van Zyl is Head of Strategic Management at the South African Reserve Bank. In his capacity, he is responsible for the helping the central bank and its senior management develop and implement a strategic vision and plan, analyse how various scenarios will impact the institution and how it can best prepare to meet its objectives in a changing environment. Van Zyl studied at the University of the Free State, where he received graduate degrees in Economics, Politics and Philosophy, as well as Strategic Studies.

Locations

Whenever possible, the International Academy of Central Banking runs the teaching segment of its programmes in-house at the headquarters or conference/training facilities of central banks – thereby reducing the cost of participation in the Academy by removing transport and accommodation costs. As a general rule, the Academy can present the teaching segment of the programme in-house for groups of 7 or more participants.

In addition to in-house teaching, the Academy runs a number of regional 5-day seminars that can be attended to complete the taught segment of the Foundation and Advanced Management diploma programmes. Regional programmes are offered in the following locations:

- **Europe:** London
- **Asia:** Kuala Lumpur
- **Sub-Saharan Africa:** Cape Town
- **Middle East and North Africa:** Abu Dhabi
- **The Americas:** Atlanta

The 5-day Executive Leadership in Central Banking diploma programme runs twice a year in London, and can also be conducted in-house at central banks for groups of 5 or more participants.

Level 1: The Foundations of Central Banking

Duration: 10 days of assisted and structured self-study
10 days to complete written assignments and problem sets
5 days of in-person classroom instruction

Target Participants: New recruits, entry-level employees and staff with less than 5 years' experience. The objective of this programme is to help students to transition from the theoretical academic education they received before joining the central bank to a more practitioner-orientated education in the profession of central banking.

Modules:

- Central Banking and Monetary Systems in the 20th Century
- The Functions and Objectives of Central Banks
- Core Objectives I: Monetary Policy
- Core Objectives II: Financial Stability
- The Global Financial Crisis: Causes, Lessons and Implications



Central Banking and Monetary Systems in the 20th Century

Summary: This introductory module places the current practice of central banking in historical context. The module provides an understanding of the role of central banks under different configurations of the international monetary system, including the Gold Standard, the Bretton Woods system and the current system of largely free-floating, fiat currencies. Particular attention is paid to the political and institutional arrangements that governed the practice of central banking in various historical periods. Finally, we study the global trend towards monetary-policy independence and inflation targeting.

Core texts

Module reader, written by Prof. Stanley du Plessis,
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Additional reading and resources

De Long, J.B. (2000). "The Triumph of Monetarism?" *Journal of Economic Perspectives*, Vol.14 (1).

Friedman, M. (1968). "The Role of Monetary Policy," *The American Economic Review*, Vol.58 (1).

Mishkin, M. (1999). "International Experiences with Different Monetary Policy Regimes," *Journal of Monetary Economics*, Vol. 43 (4).

Taylor, J.B. (1998). "Five Things we Know for Sure," *Hoover Digest*, 1998 (July).

Teaching outcomes: This module will enable participants to gain a deeper understanding of the following historical developments in central banking and monetary policy in the 20th century – and their relevance to modern central banking practice:

- (i) The evolution and various types of monetary regimes of the 20th century.
- (ii) The concept and adoption of nominal anchors under the post-Bretton Woods system of fiat currencies.
- (iii) The historical and intellectual context to the increasing embrace of inflation targets as nominal anchors.
- (iv) The role of incentive problems under the current fiat money regime on the modern practice of monetary policy.
- (v) The implications of major intellectual debates of the 20th century on central banking and monetary policy, including those between Monetarists and Keynesians, and around the Philips Curve.

Key Concepts: nominal anchors, explicit targets, Bretton Woods, the Gold Standard, inflation, Monetarism, Keynesianism, Philips Curve, Impossible Trinity, policy commitments and credibility, central bank independence, dynamic inconsistency, transmission mechanism, inflation targeting, institutional frameworks for monetary policy.

The Functions and Objectives of Central Banks

Summary: This module provides a bird's-eye view of all the functions performed by a modern central bank, and how different institutions have structured themselves to operate efficiently and effectively. The module helps students comprehend the range of activities central banks are responsible for and how various units within a modern central bank fit together.

Core text

Module reader, written by Malan Rietveld
© International Academy of Central Banking

Additional reading and resources

Bank for International Settlements. (2009). "Roles and objectives of modern central banks," in *Issues in the Governance of Central Banks*, Basel.

Mishkin, F. (2000). "What Should Central Banks Do?," *Federal Reserve Bank of St. Louis Review*, Vol. 82 (6).

Singleton, J. (2010). "A Beginner's Guide to Central Banking," in *Central Banking in the Twentieth Century*. Cambridge University Press: Cambridge.

Teaching outcomes: This module will enable participants to gain familiarity with the unique institutional characteristics and organisational culture of a central bank. The module will promote an understanding of:

- (i) The objectives of modern central banks.
- (ii) The various functions performed by a central bank.
- (iii) The typical organisational structure of a central bank.
- (iv) The central bank's position within the state's policy infrastructure.
- (v) How objective, functions and organisation impact on the institutional culture of central banks.

Key Concepts: central bank objectives, central bank functions, policy instruments, central bank independence, central bank accountability, organisational culture and structure.

Core Objectives I: Monetary Policy Rules vs Discretion

Summary: Monetary policy is the most widely documented function performed by a central bank – and price stability (the achievement of low and stable inflation) is often seen a central bank’s most important objective. Typically central banks devote a large portion of their resources (both financial and human) to both the analysis of monetary policy, and its implementation. We start by examining the most critical debate in monetary policymaking: the tension between rules and discretion. We investigate how the arguments for rules have been interpreted and implemented by central banks, and the extent to which they still allow for constrained discretion by policymakers.

Core text

Module reader, written by Prof. Stanley du Plessis
© International Academy of Central Banking

Additional reading and resources

Cecchetti, S.G. (1998). “Policy Rules and Targets: Framing the Central Banker’s Problem,” *Economic Policy Review*, Federal Reserve Bank of New York, Vol. 4(2).

King, M. (2000). “Monetary Policy: Theory in Practice”, Bank of England, address to American Economic Association and the American Finance Association, Boston, 7 January 2000.

Taylor, J.B. (1999). “A Historical Analysis of Monetary Policy Rules,” NBER Working Paper 6768.

Teaching outcomes: This module enables participants to understand how theories around discretion and policy rules have shaped the debate on monetary policy since the breakdown of the Bretton Woods system. In particular, the module focuses on:

- (i) Theoretical perspectives on rules vs discretion in monetary policy.
- (ii) Different kinds of policy rules employed by central banks.
- (iii) The practicalities of implementing and explaining policy rules.
- (iv) The evolution of policy rules from “mechanistic rules” to flexible, medium-term commitments.
- (v) A discussion of connection between policy rules and inflation targeting.

Key Concepts: rules vs discretion in monetary policy, monetary policy rules, contingent rules, inflation expectations, rational expectations, targeting vs instrument rules.

Core Objectives II: Financial Stability

Summary: This module examines current best practices and emerging trends in central banks' role in promoting financial stability – a core function of central banks that has gained prominence in recent years. Critical issues that are discussed include the trend towards macroprudential supervision, potential conflicts between financial stability and other objectives, how central banks can communicate their concerns about sources of financial instability without causing undue panic in the financial markets, and the interactions and distribution of responsibility and authority between central banks, supervisory agencies and national governments.

Core text

Module reader, compiled by Malan Rietveld

Additional reading and resources

Schinasi, G. (1998). "Defining Financial Stability," IMF Working Paper, No. 04/187

Schinasi, G. (2009). "More Than One Step to Financial Stability," Policy Briefs, Bruegel. No. 341.

Davis, E.P. and Karim, D. (2009), "Macroprudential regulation - the missing policy pillar", keynote address at the Euroframe Conference, London, June 2009.

Teaching outcomes: This module explains and contextualises the rise of financial stability as a critical objective of central banks. The module covers the following issues in detail:

- (i) The definition of financial stability – and the problems central banks and theoreticians have encountered in achieving it.
- (ii) Measures of financial stability and instability.
- (iii) Policy tools for financial stability.
- (iv) The macroprudential approach to financial stability surveillance and supervision.
- (v) The institutional organisation of financial stability tasks and responsibilities.

Key Concepts: financial stability, Basel III, macroprudential supervision and surveillance, regulations vs supervision, early warning signals, lender-of-last-resort, contagion.

The Global Financial Crisis: Causes, Lessons and Implications

Summary: Surveys of the general public have revealed that central banks and regulators are widely believed to have failed at their core tasks during the global financial crisis – and large parts of society believe that central banks played a major role in causing the crisis. Yet, it appears that a repeat of the worst mistakes of historical episodes such as the Great Depression were avoided. In this module, we provide a narrative of the role played by government institutions – including central banks and financial regulated – before and during the crisis – and what it could mean for the delicate institutional balance and social contract that governs the practice of central banking.

Core text

Module reader, written by Stanley du Plessis
© International Academy of Central Banking

Additional reading and resources

Barrell, R. and Davis, E.P. (2008), “The evolution of the financial crisis of 2007-8,” National Institute Economic Review, No. 206 (1).

Council on Foreign Relations. (2011). “Timeline: Global Economy in Crisis – Meltdown”, online.

Federal Reserve Bank of New York. (2010). “Timelines of Policy Responses to the Global Financial Crisis”, New York.

Cecchetti, S. (2008). “Monetary Policy and the Financial Crisis of 2007-2008,” CEPR Policy Insight No. 21.

Teaching outcomes: This module surveys the causes, lessons and implications of the global financial crisis of 2007-09. The focus is on understanding what happened during the crisis – and what this means for the central banking profession. Key outcomes include:

- (i) Understanding the context and events of the global financial crisis.
- (ii) Understanding arguments in the academic literature and media around the role central bank, regulatory and government policies played in causing or enabling the crisis.
- (iii) An overview of the extraordinary actions taken by central banks during the crisis.
- (iv) An evaluation of the implications and consequences of central bank actions to resolve the financial crisis and ensuing recession.
- (v) Understanding the main trends in financial reform, as they emerge in the aftermath of the crisis.

Key Concepts: subprime crisis, structured finance, mortgage- and asset-backed securities, originate-and-distribute model, currency wars, quantitative easing, moral hazard, too-big-to-fail institutions, Great Recession.

Level 2: Advanced Management

Duration: 10 days of assisted and structured self-study
10 days to complete written assignments and problem sets
5 days of classes

Target Participants: Mid-career central bankers, looking to upgrade their skill and expertise set, and gain a comprehensive overview of policy, operational and managerial practices in modern central banking.

Modules:

- The Political Economy of Modern Central Banking
- Inside the Central Bank Balance Sheet
- Effective External Communication
- Strategic Management and Planning in Central Banks
- Recruiting, Training, Retaining and Motivating Staff



The Political Economy of Modern Central Banking

Summary: The conduct of monetary policy – and indeed the entire institutional foundation of modern central banking – is governed by expectations and legal requirements for accountability and transparency. Indeed, these elements are the political quid pro quo of central bank’s policy and operational independence. In this module we explain the rationale for accountability, transparency and independence in modern central banking. We study how various central banks have adapted to become more accountable and transparent in the era of greater central bank independence.

Core text

Module reader, written by Stanley du Plessis
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Additional reading and resources

Bernanke, B. (2010). “Central Bank Independence, Transparency, and Accountability,” speech at the Institute for Monetary and Economic Studies International Conference, Bank of Japan, Tokyo, 25 May 2010.

Bini Smaghi, L. (2007). “Central bank independence: from theory to practice,” speech at the conference , Good Governance and Effective Partnership, Hungarian National Assembly, Budapest, 19 April 2007.

Harris, E. (2008). “Declaration of Independence: The Political Economy of Central Banking,” in Ben Bernanke’s Fed: The Federal Reserve After Greenspan, Harvard Business Press.

Walsh, C. (2008). “Central Bank Independence,” in The New Palgrave Dictionary of Economics, Second Edition, edited by Steven N. Durlauf and Lawrence E. Blume. Palgrave MacMillan.

Teaching outcomes: This module covers the key aspects of the political economy of modern central banks, particularly aspects of central bank independence – and its counterparts in terms of accountability and transparency. Key topics covered are:

- (i) Different interpretations and dimensions of independence.
- (ii) Central banks’ actions to promote accountability and transparency.
- (iii) Legal provisions to ensure independence, accountability and transparency.
- (iv) Empirical evidence on central bank independence, accountability and transparency.
- (v) Best practice and “checklists” of accountability and transparency.

Key Concepts: goal vs operational independence, accountability, transparency, central bank law, voting records and minutes.

Inside the Central Bank Balance Sheet

Summary: Central banks are not primarily in the business of making money – their balance sheets consist of asset and liabilities that are the direct result of their policy objectives and how these are implemented. Yet the financial structure of the central bank’s balance sheet has critically important implications for its ability to implement its desired policies – and, moreover, to do so without frequent and potentially politically contentious assistance from the government. This module examines the typical central bank balance sheet, with specific attention to the main sources of volatility and financial risk to the central bank – and the steps central banks take to limit and manage these.

Core text

Module reader, written by Robin Darbyshire
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Additional reading and resources

KPMG. (2009). Central bank accountability and transparency: a comparative study of central bank financial reporting practices, KPMG International.

Papi, L. (2011). Central bank capital adequacy for central banks with or without a monetary policy, Università Politecnica delle Marche, Department of Economics, MoFiR Working Paper no. 49.

Sleeper, R. (2005). “How central banks manage their finances,” speech to the South African Reserve Bank, 18 February 2005.

Sullivan, K. (2002). “Profits, Dividends and Capital – Considerations for Central Banks”, presented at seminar on Current Developments in Monetary and Financial Law, International Monetary Fund, Washington, D.C., 7-17 May 2002.

Teaching outcomes: This module provides a perspective on central bank finances and why its financial position and practices are important from a managerial perspective, despite the fact that central banks are not profit-seeking institutions. Key topics covered are:

- (i) The nature and structure of the typical central bank balance sheet
- (ii) Financial risks to the central bank balance sheet and capital
- (iii) Adaptations for international accounting rules to the central bank context
- (iv) Financial reporting practices of central banks
- (v) Why central banks need capital and issues of financial independence

Key Concepts: central bank assets and liabilities, audits, IFRS, ECB accounting standard, financial risk, central bank capital, financial independence.

Effective External Communication

Summary: A central bank's ability to communicate effectively with various actors in society has never been more important. Whether the communication is with the markets and key market participants, with the media, politicians or society at large, a modern central bank lives and dies by its ability to get its message across in a clear, accurate and timely manner. This applies to all activities and functions of modern central banking, which calls for a comprehensive, institution-wide approach in which senior managers must take the lead. In this module we identify best practices in central bank communications, and update participants on the very latest developments in communications practices and technology.

Core text

Module reader, written by Nick Bray
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Additional reading and resources

Barry, P. (2006). "Media monitoring: some issues," presentation at the IMF Regional Seminar on Central Bank Communications, Mumbai, 22-24 January 2006.

Bini Smaghi, L. (2007). "The value of central bank communication," speech at Financial Market Speech Series, Landesbank Hessen-Thüringen, Permanent Representation of Hessen in Brussels, Brussels, 20 November 2007.

Stevens, G. (2007). "Central bank communication," speech at the Sydney Institute, Sydney, 11 December 2007.

Teaching outcomes: This module explains why communications is increasingly regarded as a critical operational aspect of central banking – and even as part of the policy implementation process. The module has the following outcomes:

- (i) A delineation of best practices in central bank communication.
- (ii) A survey of theoretical perspectives on the link between central bank communications and policy effectiveness.
- (iii) An analysis of communication as an element of central bank accountability and transparency.
- (iv) An investigation of crisis communications.
- (v) Examples of the use of "new media" by central banks.

Key Concepts: press statements and briefings, annual and quarterly report, monetary policy reports, forecasts, crisis communications, media monitoring, new media (webcasts, blogs, twitter, RSS feeds), media training.

Strategic Management and Planning in Central Banks

Summary: Central banks have been relatively slow to embrace the techniques and tools of strategic management and planning. However, an increasing number of central banks have started to adopt a rigorous approach to strategic thinking – focusing on the internal capacity of the institution, the expected future environment in which it will operate, and how these issues interact and impact the organisation. In this module, we look carefully at the specific organisational and management characteristics of central banks, we ask how strategic management tools can be employed in the central banking profession, and consider a number of case studies of how this worked in practice.

Core text

Module reader, written by Francois van Zyl
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Additional reading and resources

Central Bank of Ireland. (2009). “Strategic Plan: 2010 – 2012,” Central Bank of Ireland.

Iyer, D. (2011). Building the capacity to regulate: central bank reform in Egypt, 2003-2009,” Policy Note, Innovations for Successful Societies, Princeton University.

Mintzberg, H. (1994). “The Fall and Rise of Strategic Planning,” Harvard Business Review, January/February 1994.

Teaching outcomes: This module explains why and how central banks should approach the challenge of strategic planning and management. Key outcomes include:

- (i) Defining strategic management and planning.
- (ii) A strategic look at the specifics of central banks as institutions.
- (iii) An explanation of strategy design, implementation and monitoring.
- (iv) An investigation of the planning cycle.
- (v) Measuring and evaluating strategy in the central banking context.

Key Concepts: central bank functions, strategy and planning cycle, communication strategy, strategy implementation.

Recruiting, Training and Retaining Staff

Summary: The human resources of a central bank are its lifeblood – modern central banks require informed, intelligent and highly motivated individuals in order to operate effectively. Moreover, central banks are highly collegiate organisations, where team work and clear and functional lines of communications are non-negotiable. Yet, the reality is that central banks compete for human talent in the national – and increasingly global – labour markets, which means they have to have a strategy for attracting and retaining skillful individuals. Another challenge is how to ensure that staff members are adequately prepared for the practical realities of their work, and that they continually update their skills sets. In this module we look at the unique features of the human resource challenge of central banks – and at how a number of central banks have succeeded in meeting this challenge.

Core text

Module reader, compiled by Malan Rietveld

Additional reading and resources

Hickey, D. and Mortlock, G. (2002). “Managing human resources – a central bank perspective,” Reserve Bank of New Zealand Bulletin, Vol. 65 (1).

Suarez, R. (2009). “Comparative Strategies of Human Resource Management in Selected SEACEN Countries,” South East Asian Central Banks Research and Training Centre.

Teaching outcomes: This module equips central bank managers with the frameworks, tools and ideas required to effectively manage human resources. Key outcomes include:

- (i) An understanding of the key human resource needs and challenges of modern central banks.
- (ii) Proposals for training and skills development.
- (iii) The role and interaction of monetary and non-monetary rewards in making a career in central banking attractive and retaining talent.
- (iv) Best practice in recruitment processes.
- (v) Ideas and examples for collaboration with external training and education authorities.

Key Concepts: recruitment, training and education, skills development, staff retention, succession planning.

Level 3: Leadership in Central Banking

Duration: 10 days of assisted and structured self-study
5 days of classes

Target Participants: Executive directors, deputy governors, department/division heads, and non-executive board members who need to be aware of current legislation, societal and political challenges and broader environmental shifts that affect their institutions. The programme aides creative and forward-looking leadership, beyond the day-to-day management of central banks.

Modules:

- Frontiers of Central Banking: Asset Prices, Financial Instability and Monetary Policy
- Financial Crisis Management: the Interactive Role of Central Banks
- Governance and Oversight in Modern Central Banks
- The Future: Central Banking after the Global Financial Crisis
- Inflation targeting: Best Practice in Monetary Policy?



Frontiers of Central Banking: Asset Prices, Financial Instability and Monetary Policy

Summary: A number of prominent observers have argued that the inadequacy of a central bank's workhorse economic models, at best, contributed to policy mistakes during and after the Global Financial Crisis, and at worst, played a large role in causing it. Prof. John Muellbauer, the noted Oxford economist and regular advisor to central banks, for example, has argued that central banks had pursued an inadequate policy response to the crisis due to a reliance on models that were "based on fashionable but outdated economic theory" and are "overdue for the scrap heap". This is a devastating prospect for modern central banks, who increasingly employ a model-based approach to policymaking. In this module, we focus on three related shortcomings of pre-crisis models: (i) their inability to discover emergent financial fragility or vulnerability; (ii) their assumption of perfectly functioning credit markets, (iii) their inadequate incorporation of the macroeconomic effects on asset prices and markets. The module will enable central bank leaders to gain a fuller understanding of the need and prospects for central bank models that capture the interactions between financial markets and the real economy.

Core text

Module reader, written by Stanley du Plessis
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Additional reading and resources

Bernanke, B. (2010). "Implications of the Financial Crisis for Economics," speech at conference co-sponsored by the Center for Economic Policy Studies and the Bendheim Center for Finance, Princeton University, Princeton, 24 September 2010.

Cecchetti, S., Kohler, M. and Upper, C. (2009). "Financial Crises and Economic Activity," CEPR Discussion Papers, No. 7495.

Muellbauer, J. (2008). The Folly of the Central Banks of Europe. VoxEU, CEPR, 27 October 2008.

Teaching outcomes: This module provides a high-level perspective on one of the most critically important debates on central bank methodology – how economic models should be improved by including more accurate interactions between the financial and real sectors of the economy. Outcomes of this module include:

- (i) A high-level view of the failure of standard central bank models.
- (ii) A contextualisation of the implications of model failures for policymakers.
- (iii) A survey of current research on the interactions between the financial sector and the real economy.
- (iv) Suggestions for areas for improvement and research priorities.

Key Concepts: economic models, forecasts, asset and housing bubbles, liquidity, leverage, credit, defaults, credit crunches, uncertainty, financial fragility.

Financial Crisis Management: The Interactive Role of Central Banks

Summary: It has been said that central bankers earn their keep in times of crisis. Certainly, central banks are uniquely empowered to take bold action in the midst of a crisis. With this comes enormous responsibility, pressure and public scrutiny. While every crisis is different, central banks can use moments of relative calm to think through various aspects of crisis management. While central banks have the ability to cut interest rates and provide lender-of-last-resort facilities to distressed financial institutions, their role in financial restructuring and resolution is much less clear and extremely controversial. In this session, we study the logic and policy options available to restructure and resolve financial institutions that pose systemic risks. We also investigate the critically important issue of institutional coordination between various public sector institutions involved in financial crisis management.

Core text

Module reader, written by Rodrigo Olivares-Caminal
© International Academy of Central Banking

Additional reading and resources

Čihák, M. and Nier, E. (2009). "The Need for Special Resolution Regimes for Financial Institutions—The Case of the EU," IMF Working Paper, No. 09/200.

Claessens, S. et al. (2011). "Crisis Management and Resolution Policies: Early Lessons from the Financial Crisis," Staff Discussion Note, 11/05, International Monetary Fund.

Lastra, R. (2010). "Central Bank Independence and Financial Stability," Bank of Spain, Estabilidad Financiera, No. 18, May 2010.

Teaching outcomes: The module prepares leaders in central banking for engaging with on-going and politically sensitive discussions around financial crisis management and identifying policy options for establishing resolution arrangements. Specific module outcomes are:

- (i) An explanation of the crisis management "toolkit"; including "bridge banks", living wills, deposit insurance, resolution authorities, and liquidation procedures.
- (ii) A detailed understanding of the problems that emerged during the global financial crisis around the resolution of systemically important financial institutions.
- (iii) A summary of existing resolution arrangements – and their weaknesses.
- (iv) An overview of the regulatory proposals for the establishment of cross-border resolution authorities, including the recommendations of the Basel Committee.
- (v) Proposals for implementation frameworks for resolution regimes, including the sequencing of various initiatives, communication and transparency issues, legislative requirements, and skills/human capital needs.

Key Concepts: bridge banks, living wills, deposit insurance, resolution authorities, liquidation and bankruptcy procedures, systemically important financial institutions, resolution authorities.

Governance and Oversight in Modern Central Banks

Summary: Only relatively recently have central banks started to take the issue of governance seriously. Yet, if done correctly, the creation of sound and robust governance and oversight structures is an immense asset to central banks. For example, the external input on developments in the financial sector and the real economy that the central bank can receive through its board of non-executive directors, is invaluable. Further, a challenging and even intrusive system of checks and balances contributes to improved performance and helps eradicate bad practices. This module surveys the theory and practice of central bank governance, paying specific attention to the unique nature and requirements of central banks in this regard.

Core text

Module reader, compiled by Malan Rietveld

Additional reading and resources

BIS. (2009). Issues in the Governance of Central Banks, report by the Central Bank Governance Group, Bank for International Settlements.

Teaching outcomes: The module will explain the abstract issues around central bank governance in practical terms. The module has the following outcomes:

- (i) An examination of the role of the governance processes in establishing clear and well-specified objectives for the central banks;
- (ii) Frameworks for ensuring the central bank has appropriate powers and the resources to use them effectively;
- (iii) Examples of how effective governance frameworks ensure that the incentives of policymakers are aligned with the objectives of the institution.
- (iv) An explanation of how effective governance and oversight can help identify and manage risks to the institution.
- (v) A study of how sound governance can support the legal status of a central bank and protect the institution from external and political pressure.

Key Concepts: legal status of central banks, decision-making structures, political relations, internal and external boards, central bank resources, organisational structures.

The Future: Central Banking After the Global Financial Crisis

Summary: The challenge of making tradition-rich public institutions embrace change is one many central banks have confronted – and few have done successfully. Yet, it is clear to most observers, including prominent central bankers, that the art and science of central bank has been profoundly changed by the global financial crisis that erupted in 2007, and that this process of change is set to continue. It seems likely that central banks will in future be performing ever more complex and more numerous tasks. In this module, we survey leading thinkers' views on the future of central banking – and how central banks might prepare for these changes.

Core text

Module reader, compiled by Malan Rietveld

Additional reading and resources

Blinder, A. (2010). "How Central Should the Central Bank Be?," Working Papers 1202, Department of Economics, Center for Economic Policy Studies, Princeton University.

Gnan, E. and Kaufmann, S. (2010). "Central Banking after the Crisis: Responsibilities, Strategies, Instruments," Summary of the 38th Economics Conference, Monetary Policy & the Economy, Austrian National Bank, Vienna, May 31 and June 1, 2010.

Goodhart, C. (2005). "The Future of Central Banking," FMG Special Papers, No 162, Financial Markets Group, London School of Economics.

Lastra, Rosa M. (2010). "Review: Central Banking after the Crisis," *International Finance*, Vol. 13(2).

Teaching outcomes: The module provides a futuristic, forward-looking perspective on how the art and science of central banking is evolving in the aftermath of the world's worst financial crisis since the Great Depression. Key outcomes are:

- (i) A survey of leading thinkers' perspectives on the future of central banking.
- (ii) Concrete examples of new and more complex tasks being performed by central banks in the aftermath of the crisis.
- (iii) An analysis of the shifting political and social pressures and perspectives on central banking.
- (iv) A discussion of potential threats to central bank independence.
- (v) Perspectives on how central banks can prepare for future roles and challenges.

Key Concepts: mandates, central bank law, policy tools, political and social pressure, financial stability and macroprudential supervision.

Inflation Targeting: Best Practice in Monetary Policy?

Summary: Proponents of inflation targeting argue that the experience with the framework for monetary policy has been universally positive. No country that has adopted the framework has turned back. They argue further that inflation targeting (i) promotes accountability and transparency, (ii) constrains discretion of policymakers, while still allowing for flexibility in the face of various shocks, and (iii) institutionalises the commitment to price stability and reduces the reliance on individual reputations. Yet, the framework is not without its critics – particularly, in the aftermath of the global financial crisis. In this module we critically engage with the question of whether inflation targeting constitutes best practice in 21st century monetary policymaking.

Core text

Module reader, written by Stanley du Plessis
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Additional reading and resources

Cecchetti, S. (2006). “What is inflation targeting?”, VoxEU, CEPR, 1 July 2006.

King, M. (2000). “Monetary Policy: Theory in Practice”, Bank of England, address to American Economic Association and the American Finance Association, Boston, 7 January 2000.

Mishkin, F. (2001). “Inflation targeting,” in An Encyclopedia of Macroeconomics, Brian Vane and Howard Vine (eds.), Edward Elgar: London, forthcoming.

Teaching outcomes: The module outlines the arguments for and against inflation targeting, and the practical considerations involved in adopting and implementing the framework. Specific outcomes include:

- (i) Arguments for and against inflation targeting.
- (ii) A “check-list” of institutional features of inflation targeting.
- (iii) A summary of the technical and data requirements for adopting inflation targeting.
- (iv) A detailed discussion of communication in the context of inflation targeting.
- (v) An analysis of a best practice approach to inflation targeting, including the definition of “flexible” inflation targeting.

Key Concepts: expectation management, inflation targets (points vs ranges), choice and determination of targets, inflation indexes, escape clauses, inflation forecasts, data needs, elements of an inflation targeting framework, monetary policy rules.

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