

10 November 2014 – LBMA, Lima

MANAGING GOLD AS A RESERVE ASSET

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MANAGING GOLD AS A FX RESERVE ASSET

- CB asset allocation decisions submitted to a comprehensive process
- “The **4 R**” : **R**eturn, **R**isk, **R**esources and **R**esponsibility
- This process is amplified in the case of **Gold**

DEFINING ASSET ALLOCATION

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**WHICH ACTIVE RESERVE MANAGEMENT ?**

- Custody
- Buy and Sell
- Deposits
- Gold Swaps

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WHICH ACTIVE RESERVE MANAGEMENT ?

- Custody:
 - German approach: gold “back home”
 - New approach: gold not only at a home
 - Cost of shipping not a crucial issue
 - Auditability becoming a crucial issue

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WHICH ACTIVE RESERVE MANAGEMENT ?

- Buy and Sell: time to buy or time to sell ?



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WHICH ACTIVE RESERVE MANAGEMENT ?

- Buy and Sell: time to buy or time to sell ?



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WHICH ACTIVE RESERVE MANAGEMENT ?

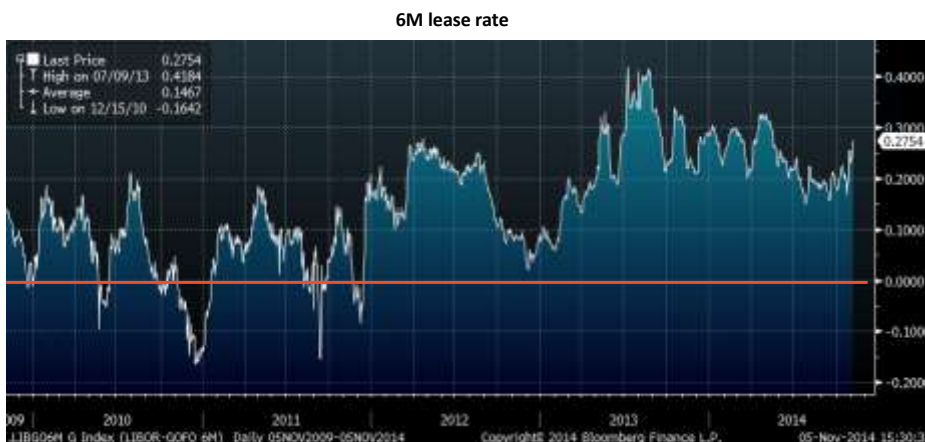
- Buy and Sell
 - Buy: 995 or 9999 ?
 - Sell: meeting LGD standards
 - Buy or Sell: which benchmark ?

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WHICH ACTIVE RESERVE MANAGEMENT ?

- Deposits: rates back in positive territory



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WHICH ACTIVE RESERVE MANAGEMENT ?

- Deposits:
 - Easy implementation: FO + BO + RM + ACC
 - Limited credit risk if traded in allocated basis (compared to currency deposits)
 - Gold to be moved to a trading market place?

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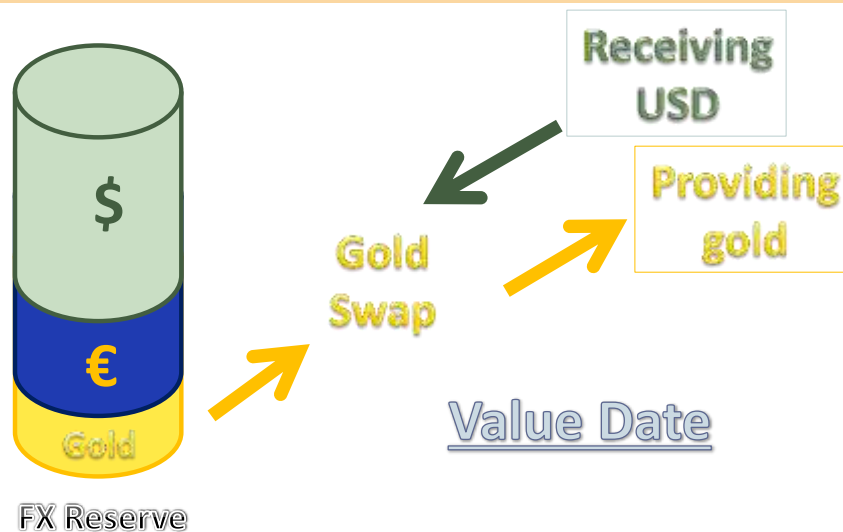
WHICH ACTIVE RESERVE MANAGEMENT ?

- Gold Swaps:
 - Liquidity tool in USD
 - Avoid portfolio liquidation/Allow longer duration investments

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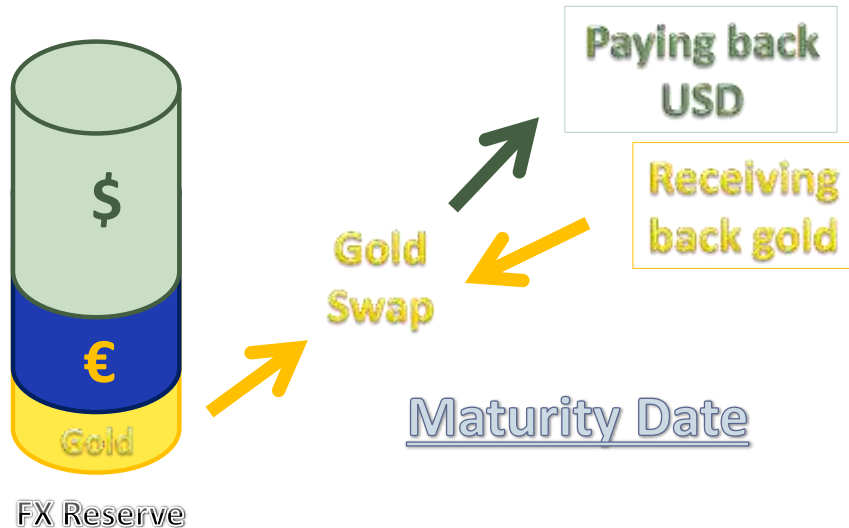
GOLD SWAP



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GOLD SWAP



GOLD SWAP



GOLD SWAP

Tenor	GOFO	LIBOR	Lease Rt
1 Month	-.08750	.15550	.24300
2 Month	-.05000	.19910	.24910
3 Month	-.02000	.23235	.25235
6 Month	.05250	.32790	.27540
1 Year	.16250	.55580	.39330

- When holding Gold, you can ‘Sell’ gold at Spot and ‘Buy it back’ at Spot + GOFO => cost of funding is GOFO

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WHICH ACTIVE RESERVE MANAGEMENT ?

- Gold Swaps:
 - Gold to be in a trading market place (or loco swap possible)
 - Implementation comparable to Gold deposits

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Thank you for your attention !

Questions ?