

The HKIMR was established by the Hong Kong Monetary Authority (HKMA) in August 1999 to conduct and support research on issues in monetary policy, banking and finance that are of strategic importance to Hong Kong and the Asian region.

**Highlights of this issue:**

Workshop on International Reserves Accumulation

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Seminar on the Development of the Offshore Renminbi Market

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Visiting Fellow – George M. von Furstenberg

# Hong Kong Institute for Monetary Research – *Newsletter*

Twentieth Issue (August 2011)

## Recent Activities

### Workshop on International Reserves Accumulation

*The HKIMR co-organised a two-day workshop with the Independent Evaluation Office (IEO) of the International Monetary Fund (IMF) on 24 and 25 March 2011 on international reserves accumulation.*

The objective of the workshop was to discuss the issue of international reserves accumulation with senior policy officials and academics who had an in-depth knowledge of the topic.

The workshop had two themes: “IEO Evaluation on ‘International Reserves: IMF and Country Perspectives’” on the first day, and “IEO Evaluation on ‘IMF Performance in the Run-up to the Financial and Economic Crisis’” on the second day.

The workshop dealt with the important topic of policies adopted by authorities in different jurisdictions with respect to international reserves and with the advice given by the IMF in its consultations with policy authorities.

A number of issues were discussed in the workshop: i) What is the most appropriate definition of foreign assets when discussing ‘reserve’ adequacy and what are the country practices? ii) Should the IMF have a clearly articulated policy with respect to reserves holdings and accumulation of member countries? iii) What are the characteristics of the policies of countries in Asia towards reserves accumulation during 2000-10? iv) What is the IMF advice in practice with particular reference to Asian economies?



Peter Pang (Deputy Chief Executive of the HKMA and Deputy Chairman of the Board of Directors of the HKIMR) and Dong He (Executive Director (Research) of the HKMA and Director of the HKIMR) (from right to left)



Moisés Schwartz (Director of IEO) and Hans Genberg (Assistant Director of IEO) (from left to right)



Angana Banerji (Lead Evaluator of IEO) giving a presentation

## CCBS/HKIMR Seminar on “Systemic Risk Modeling: Ideas and Methods”



Event Directors: Kevin James (left) and Iryna Kaminska (right) from BOE

lectures on Mathematica and Matlab, macroprudential modeling, BOE’s RAMSI Model and Network Model construction, Funding Liquidity Model, introduction to Bootstrapping, and evaluating systemic risk models. During the seminar, the participants had opportunities to construct, explore and evaluate the systemic risk models by using the software Mathematica and Matlab under the guidance of the Event Directors.

The seminar was well-received and was attended by participants from regional central banks including the Reserve Bank of Australia, The People's Bank of China, HKMA, Bank Indonesia, Bank of Korea, Bank Negara Malaysia, Reserve Bank of New Zealand, Bangko Sentral ng Pilipinas, Monetary Authority of Singapore, and Bank of Thailand.



Discussion during the seminar

*The Centre for Central Banking Studies (CCBS) of the Bank of England (BOE) and the HKIMR co-organised a four-day seminar on “Systemic Risk Modeling: Ideas and Methods” from 12 to 15 April 2011.*

The aim of this seminar was to provide participants with an in-depth and practical understanding of how systemic risk models work. The seminar focused on using network models to identify the contributions of individual banks to the overall systemic risk.

The HKIMR invited Kevin James (Senior Adviser of CCBS) and Iryna Kaminska (Analyst of Risk Assessment Division of BOE) to conduct this four-day seminar. As Event Directors, they gave



Seminar participants raising questions during the seminar



Welcoming Dinner in Peking Garden

## Seminar on the Development of the Offshore Renminbi Market

The HKIMR, The People's Bank of China (PBOC), and the UK Government (HMG) co-organised a seminar entitled "Development of the Offshore Renminbi Market" on 23 May 2011 in Hong Kong.

The seminar covered topics including: i) The implications of the development of the offshore RMB market for China's monetary policy and international monetary system, ii) Financial stability issues arising from the development of offshore RMB markets, iii) Private sector opportunities for provision of financial services arising from the development of offshore RMB markets, and iv) Offshore RMB financial products.

Speakers of the seminar were from various public and private organisations including the HKMA, HM Treasury, Bank for International Settlements (BIS), IMF, Bank of China, Morgan Stanley, Standard Chartered Bank, PBOC, The Royal Bank of Scotland, The Hongkong and Shanghai Banking Corporation Limited, and Chinese Academy of Social Sciences.



Creon Butler  
(Senior Adviser of HM Treasury)



Jianhua Zhang (Director-General of the Research Bureau of PBOC) and Dong He (Executive Director (Research) of the HKMA and Director of the HKIMR) (from left to right)



Sean Craig  
(IMF Resident Representative for HKSAR)

## The Ninth HKIMR Summer Workshop

The HKIMR held its ninth annual summer workshop on 3 August 2011 in Hong Kong. The theme of this year's workshop was "US Monetary Policy and Asset Bubble in Hong Kong".

The objective of this workshop series is to bring together scholars, central bankers and market practitioners to discuss current economic and financial issues. Four papers were presented in this workshop. The first one was "The Impact of the International Financial Crisis on Asia and the Pacific: Highlighting Monetary Policy Challenges from an Asset Price Bubble Perspective" presented by Andrew Filardo (BIS) and discussed by Andre Meier (IMF). The second paper was "In the Shadow of the United States: The International Transmission Effect of Asset Returns" presented by Charles Ka Yui Leung (City University of Hong Kong) and discussed



Andrew Filardo (BIS)

## The Ninth HKIMR Summer Workshop

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by Peng Wang (The Hong Kong University of Science and Technology). The third paper was “Bank Competition and Stability: Cross-country Heterogeneity” presented by Thorsten Beck (Tilburg University) and discussed by Yue Ma (Lingnan University). The final paper was “A Darwinian Perspective on the Chinese Exchange Rate” presented by Shang-Jin Wei (Columbia University) and discussed by Heiwai Tang (Tufts University).



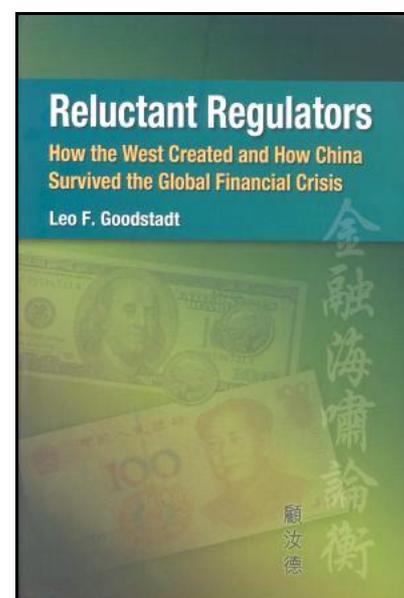
Heiwai Tang (Tufts University) and Shang-Jin Wei (Columbia University) (from left to right)

## Visiting Fellow's Recent Book

### “Reluctant Regulators: How the West Created and How China Survived the Global Financial Crisis” by Leo F. Goodstadt

The Hong Kong University Press recently published this book by Leo F. Goodstadt. Much of the research that this book is based on was done when Professor Goodstadt was a visiting fellow at the HKIMR in 2009 and 2011. He has published a number of working papers in the institute, and three of them are used extensively in the chapters of the book.

This book is a scathing indictment of regulatory inertia in the West. It provides important and original insights into the causes of financial crises and pays special attention to China's attempts at reform and Hong Kong's place in China's financial modernization. The book will be of interest to professionals in financial services, to policy-makers, and to scholars and students in economics, political science and economic history.



## HKIMR Occasional Papers No.6 and 7

The Institute has published its sixth and seventh Occasional Papers entitled “在國家金融開放和金融安全總體戰略下推進粵港金融合作「先行先試」專題研究” written by 馮邦彥 (暨南大學), and “跨境人民幣業務與香港人民幣市場” written by 李波, 王佐罡 and 席鈺 (中國人民銀行) respectively. (Chinese version only)

The former explores the areas of financial co-operation between Hong Kong and Guangdong Province, and issues on the development of Hong Kong as an international financial centre. The latter examines the development of cross-border renminbi business, the renminbi market in Hong Kong and its impact on the macroeconomic management in Mainland China.



## Visiting Fellow – George M. von Furstenberg

*George M. von Furstenberg was born in the western part of Germany mid-World War II. He emigrated at age 19 alone to the United States and became a citizen 5 years later in 1966 and a Princeton Ph.D. in Economics in 1967. At Indiana University, he was a full (1973) and then titled (J.H. Rudy, 1983) professor, emeritus since 2006. Several years as Chief of the Financial Studies Division in the Research Department of the IMF (1978-1983) and service at various U.S. government agencies including the U.S. President's Council of Economic Advisers (CEA, 1973-76), the Department of State (1989-1990), and the National Science Foundation (2006-08) have alternated with his academic pursuits. He has been listed in Who's Who in the World since 2006 not, he trusts, as a retirement present. A prolific writer and frequent editor, his interests are policy-oriented, broad, and international, with a core in open-economy macroeconomics and international finance.*

This being my second visit at the HKIMR, but under a new director, I was excited to find that nothing had slipped in any way, as far as I could tell, at all. Hence if anything had changed, it must have been for the better. Just as before, a broad range of interests were shared between the fellows and the research staff from HKIMR and HKMA. Researchers from a wide range of professional backgrounds and nationalities were made to feel welcome almost instantly by HKIMR's Director and the Senior Manager. In addition, the excellent organization and support staff looked out with unfailing efficiency and caring in the kindest way.

There were benefits from access to the regional offices of the IMF and BIS, next door or down a floor of this magnificent building, as well. The beneficial interaction within, and across with IFIs and financial industry represented in Hong Kong, was on full display at a conference on the internationalization of the renminbi held at the HKMA during my visit. There expert knowledge of economics, regulation, and finance combined with vast policy experience to ferret out what works and what can go wrong responsibly. It was obvious that for those around the long oval table, getting the policy formulation and application right really mattered more than being brilliant.

This brought back an incident which occurred shortly after I had left the CEA and which has haunted me ever since. Talking to a famous economist who had just delivered a paper whose policy conclusions were derived from an uncompromising model with *Ricardian equivalence*, I asked him whether he would take these conclusions confidently into the room if he had been asked to advise the U.S. President. He looked at me and his answer was quick, "of course not." I admired his frankness and the fact that he would not give advice just because it looked ever so good academically and respectable at the time as long as he could not fully believe that what it was based on was sufficiently robust and trustworthy.

I got the feeling that where I was visiting, researchers knew that what we all cook up, no matter how impeccable academically, must still meet a further test before it may be offered as "actionable intelligence" to policymakers: If you were in a position of authority, would you actual dare run with your "policy conclusions" or would you say, "of course not," like the famous economist who could not quite get himself to believe in Ricardian equivalence as an article of faith deep down in his heart or conscience?

*Ricardian equivalence*, by the way, is the notion that fiscal deficits do not matter because cutting taxes now without touching spending would just mean that taxes are understood to rise later. Hence the present value of current and future taxes that is assumed to affect private spending behavior would be expected to remain the same: Taxing less or more now would just be equivalent to taxing more or less later, so you could care less either way precisely because you care about those who come after you as if you had life eternal.



"A broad range of interests were shared between the fellows and the research staff from HKIMR and HKMA. Researchers from a wide range of professional backgrounds and nationalities were made to feel welcome almost instantly by HKIMR's Director and the Senior Manager. In addition, the excellent organization and support staff looked out with unfailing efficiency and caring in the kindest way."

## Upcoming Activities

### Call for Papers: Conference on China's Macroeconomic Performance in the Medium-Term: Deepening Reforms and Further Opening Up

The HKIMR will hold its third Annual International Conference on the Chinese Economy in Hong Kong on 12-13 January 2012.

The conference is intended to provide a forum for academics, policymakers and business economists to discuss important analytical and policy issues related to the Chinese economy. Past conferences in this series attracted high-quality paper presentations and rigorous discussions, and were attended by researchers and China watchers from central banks and other institutions across the globe.

The theme of this year's conference is "China's Macroeconomic Performance in the Medium-Term: Deepening Reforms and Further Opening Up"

Possible topics include (but are not restricted to):

- Prospects of China's medium- and long-term growth
- Rebalancing the Chinese economy towards services and domestic demand
- External competitiveness in the medium-term
- Improving service industry productivity
- Labour market trends and their macroeconomic implications
- Fiscal reforms and fiscal policies
- Monetary and exchange rate policies
- Interest rate liberalisation and capital market development
- Key issues in the housing market and housing finance
- Capital account liberalisation and internationalisation of the renminbi
- "Going global" by Chinese firms and financial institutions

Papers that do not fit into these categories, but that are related to the main theme of the conference, are also welcome.

Interested contributors should submit a draft paper (in a Word or PDF file) to the HKIMR by 3 October 2011 (e-mail to [hkimr@hkma.gov.hk](mailto:hkimr@hkma.gov.hk)). Please use the contact author's name as the name of the file. The HKIMR will select the papers based on originality, analytical rigor, and policy relevance and will contact the authors whose papers have been selected by 12 November 2011.

Presenters will be reimbursed for reasonable travel expenses and accommodation. For further information, please e-mail to [hkimr@hkma.gov.hk](mailto:hkimr@hkma.gov.hk) or visit the HKIMR website <http://www.hkimr.org>.

### Conference on Monetary and Financial Stability in the Asia-Pacific amid an Uneven Global Recovery

The HKIMR will co-organise a conference entitled "Monetary and Financial Stability in the Asia-Pacific amid an Uneven Global Recovery" with the Asia-Pacific Department (APD) of the International Monetary Fund (IMF) on 12 October 2011 in Hong Kong. The conference aims to bring together policymakers, academics as well as market participants to generate constructive discussion on a wide range of empirical and policy issues related to the maintenance of monetary and financial stability in the region. The paper selection process is underway and the result will be announced soon.

### The Ninth HKIMR Conference on the Mainland Economy

The HKIMR will organise a conference on the Mainland economy on 17 and 18 November 2011 in Hong Kong. This conference will be the ninth of the institute's conference series on the Mainland in *Putonghua*. The theme of this conference will be China's money market.



The conference on the Mainland economy in 2010

## Application for Visiting Research Fellow

The HKIMR accepts applications for positions as Visiting Research Fellow on an ongoing and highly competitive basis. The Council of Advisers reviews proposals four times a year. The deadline for the next round of applications is 30 September 2011.

*Applicants should note that papers produced, partly or wholly under this visiting programme, are required to acknowledge the financial support of the HKIMR if the papers are submitted to any journals.*

Please visit our website (<http://www.hkimr.org>) if you are interested in this programme.

## Recruitment of Part-time Research Assistants and Administrative Assistant

The following positions are now available in our institute. An attractive package is offered to the right candidates who meet with the following criteria.

### Part-time Research Assistants

#### **Key Responsibilities:**

- To assist in the econometric/quantitative analysis of macroeconomic, monetary and financial developments in the global and regional economies.

#### **Requirements:**

- Bachelor's or preferably master's degree in economics,
- Basic knowledge in Econometrics and Excel spreadsheet skills, and practical use of computer software such as Eviews and Stata. Familiarity with Matlab an advantage,
- Familiarity with economic and financial statistics and the use of economic databases such as CEIC and Bloomberg are an advantage

A competitive remuneration package will be offered to the successful candidates. The length of stay and working schedule are negotiable (around two working days per week). Interested candidates should send your **transcripts** and a **full resumé** including details of past experience, expected salary, availability and contact details to [hkimr@hkma.gov.hk](mailto:hkimr@hkma.gov.hk) by 31 August 2011.

### Administrative Assistant

#### **Key Responsibilities:**

- Responsible for general administrative duties including word processing, maintaining filing system, logistic arrangements, secretarial duties and other tasks assigned by supervisors.

#### **Requirements:**

- Three years relevant experience in multinational companies,
- Five subjects, including Chinese Language and English Language ("Syllabus B" before 2007), at Level 2 / Grade E or above in the Hong Kong Certificate of Education Examination, Diploma / Associate Degree or above is a plus,
- Proficiency in Chinese and English word-processing,
- Well versed in Microsoft Office,
- Good command of English and Chinese, proficiency in Putonghua an advantage,
- Mature, reliable, team player and good communication skill

A competitive remuneration package will be offered to the successful candidate, with flexibility to take account of additional experience and qualifications. Fringe benefits include medical and dental benefits, paid annual leave and mandatory provident fund benefits. Interested candidates, please send your **full resumé** including details of past experience, expected salary, availability and contact details to [hkimr@hkma.gov.hk](mailto:hkimr@hkma.gov.hk) by 31 August 2011.

## Upcoming Visiting Fellows and Seminars

3 – 14 October 2011; 13 – 25 February 2012

**Peter Tillmann** (University of Giessen)

November / December 2011

**Shang-Jin Wei** (Columbia University)

**1 September 2011** *Assessing the Effect of Policies on Real Estate Prices in Hong Kong using a Co-integration Model* – Sean Craig and Changchun Hua (International Monetary Fund)

**6 September 2011** *The Use of Reserve Requirements in China* – Guonan Ma (Bank for International Settlements)

## Recent HKIMR Working Papers

- No.10/2011** *“Risk Management and Managerial Efficiency in Chinese Banks: A Network DEA Framework”* by Kent Matthews
- No.11/2011** *“Do Short Selling Restrictions Destabilize Stock Markets? Lessons from Taiwan”* by Martin T. Bohl, Badye Essid and Pierre L. Siklos
- No.12/2011** *“Channels of Interprovincial Risk Sharing in China”* by Julan Du, Qing He and Oliver M. Rui
- No.13/2011** *“China’s Outward Direct Investment in Africa”* by Yin-Wong Cheung, Jakob de Haan, XingWang Qian and Shu Yu
- No.14/2011** *“Composition of International Capital Flows: A Survey”* by Korlai Kirabaeva and Assaf Razin
- No.15/2011** *“What Drives Urban Consumption in Mainland China? The Role of Property Price Dynamics”* by Yu-Fu Chen, Michael Funke and Aaron Mehrotra
- No.16/2011** *“Can Anchoring and Loss Aversion Explain the Predictability in the Housing Market?”* by Tin Cheuk Leung and Kwok Ping Tsang
- No.17/2011** *“Specification Sensitivities in Right-Tailed Unit Root Testing for Financial Bubbles”* by Shu-Ping Shi, Peter C. B. Phillips and Jun Yu
- No.18/2011** *“Securitization Rating Performance and Agency Incentives”* by Daniel Rösch and Harald Scheule
- No.19/2011** *“House Price, Mortgage Premium, and Business Fluctuations”* by Nan-Kuang Chen, Han-Liang Cheng and Ching-Sheng Mao
- No.20/2011** *“Sailing through this Storm? Capital Flows in Asia during the Crisis”* by Cédric Tille
- No.21/2011** *“Dual-Track Interest Rates and the Conduct of Monetary Policy in China”* by Dong He and Honglin Wang
- No.22/2011** *“Concocting Marketable Cocos”* by George M. von Furstenberg
- No.23/2011** *“Enter the Dragon: Interactions between Chinese, US and Asia-Pacific Equity Markets, 1995-2010”* by Richard C. K. Burdekin and Pierre L. Siklos

and more ..... please visit our website.

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