



საქართველოს ეროვნული ბანკი  
National Bank of Georgia

# **Governance in Reserves Management: The National Bank of Georgia**

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# Introduction

- ④ The National Bank of Georgia (NBG) serves as the cornerstone of Georgia's financial system, playing a pivotal role in ensuring economic stability and growth.
- ④ Importance of Reserves Management:
  - Support of the existing FX regime and policy
  - Provide assistance to The Government of Georgia to render unimpeded expenditures (Inc. external debt payments)
  - Meeting the foreign currency demand of the economy during external shocks, crisis, or other types of emergency situations



# The Backbone of Governance: Legislation for Reserves Management

Excerpts from Legislation:

⊗ **Article 68 of Constitution of Georgia:** *“The National Bank shall be **independent** in its activity. ... The National Bank shall be accountable to Parliament and shall annually submit an activity report to it.*

⊗ **Article 68 of Constitution of Georgia:** “The... guarantees for the independence of the National Bank, shall be determined by the organic law.

**Article 3 of Organic Law of NBG:** NBG “own, keep and dispose of the official international reserves”;

**Article 9 of Organic Law of NBG:** NBG board may: “review and approve the key principles of managing and disposing of international reserves”;



# Who owns the Foreign Reserves?

- ④ The legal ownership in Foreign Reserves rests in National Bank of Georgia
  - *According to Article 3 paragraph 3, subparagraph d) of the Organic Law - The function of the National Bank of Georgia is to own, keep and dispose of the official international reserves*
- ④ Foreign Reserves held outside of Georgia has the protection of the Sovereign Immunity. (Unless duly waived by NBG)
  - *Majority of Jurisdictions where NBG's assets are held honor this important principle of International Public Law.*
  - *NBG's Assets shall be immune even to the claims against the Government or other state bodies of Georgia.*



# Protection of Reserve Assets

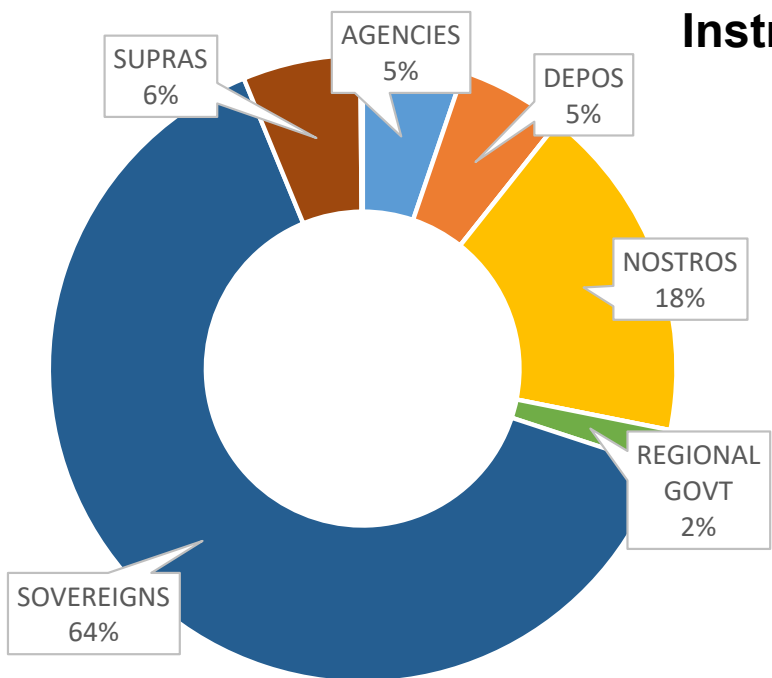


# Diverse Assets for Stability: Composition of Official International Reserves

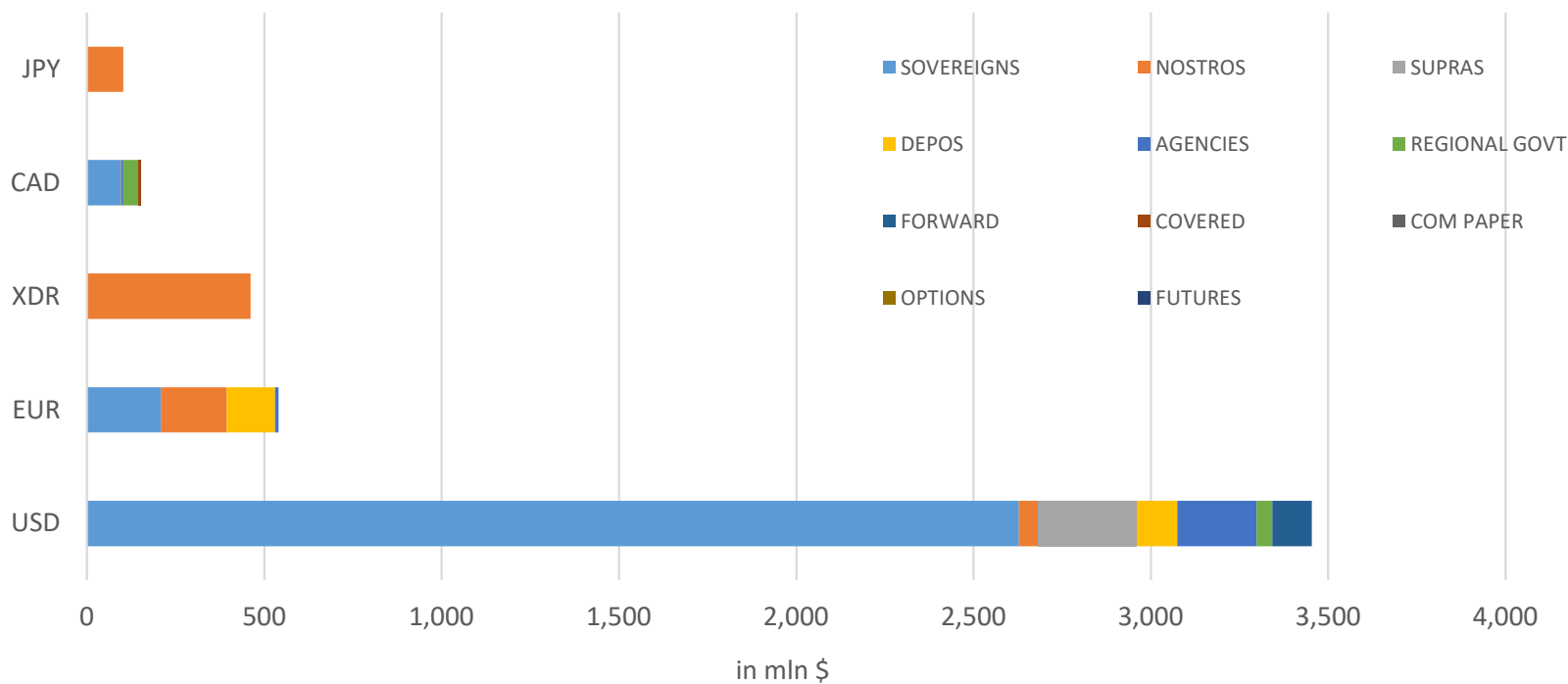
- a. Monetary Gold
- b. Foreign Currency (Coins and Banknotes)
- c. Foreign Currency Balances in Bank Accounts
- d. Special Drawing Rights (SDR) and IMF Reserve Position
- e. Bills of Exchange and Deposit Certificates
- f. Debt Instruments
- g. Derivatives and Purchase Agreements
- h. Other Universally Recognized International Reserves



# Instrument Composition (Internal Reserves)



## Instrument Composition by currency (Internal Reserves)



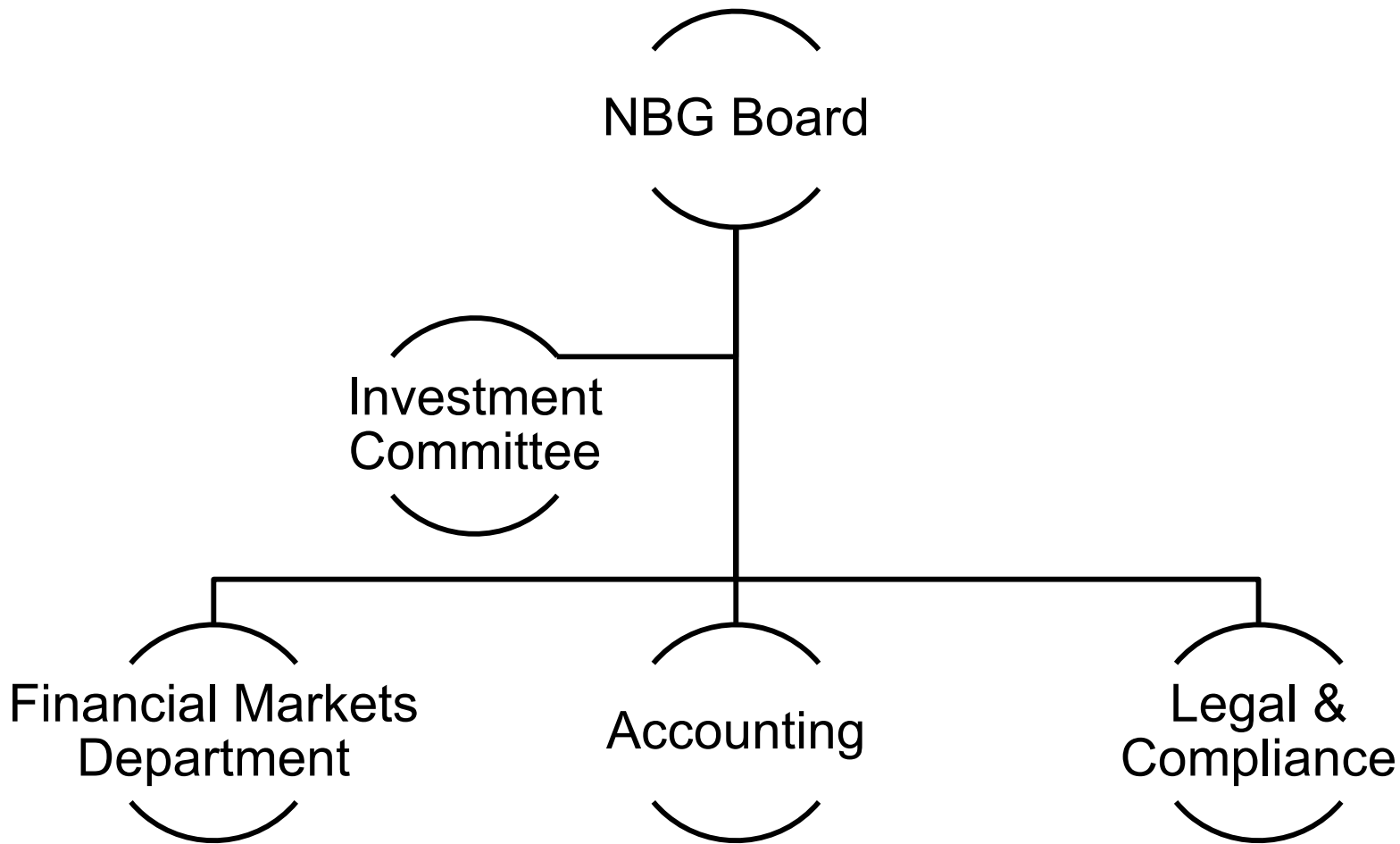
# Guiding Principles for Prudent Management

- ⊗ Governance Structure
- ⊗ Delegation
- ⊗ Transparency and Accountability
- ⊗ Asset Allocation
- ⊗ Risk Management





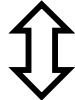
# Foundations of Oversight: Governance Structure at NBG



# Governance in Practice

Set of rules and procedures

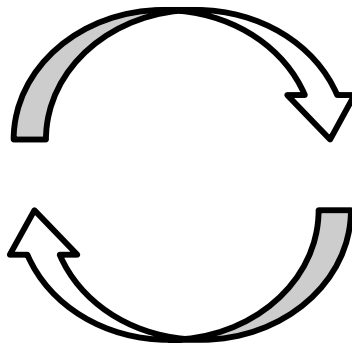


Market Info  Investments

Board

Approved Benchmarks

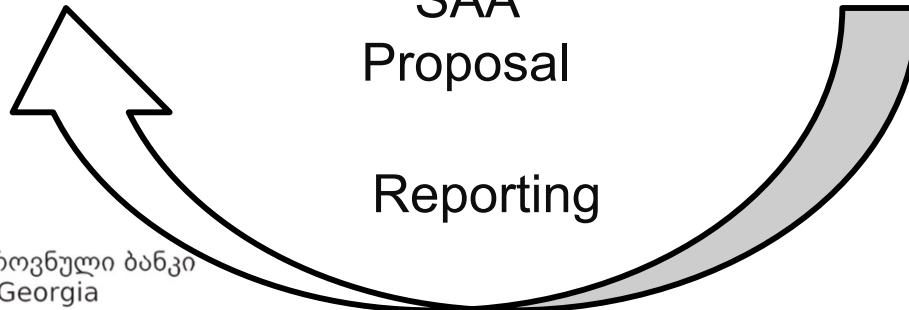
Trading Desk



Investment Committee

Risk Management

SAA Proposal



Reporting

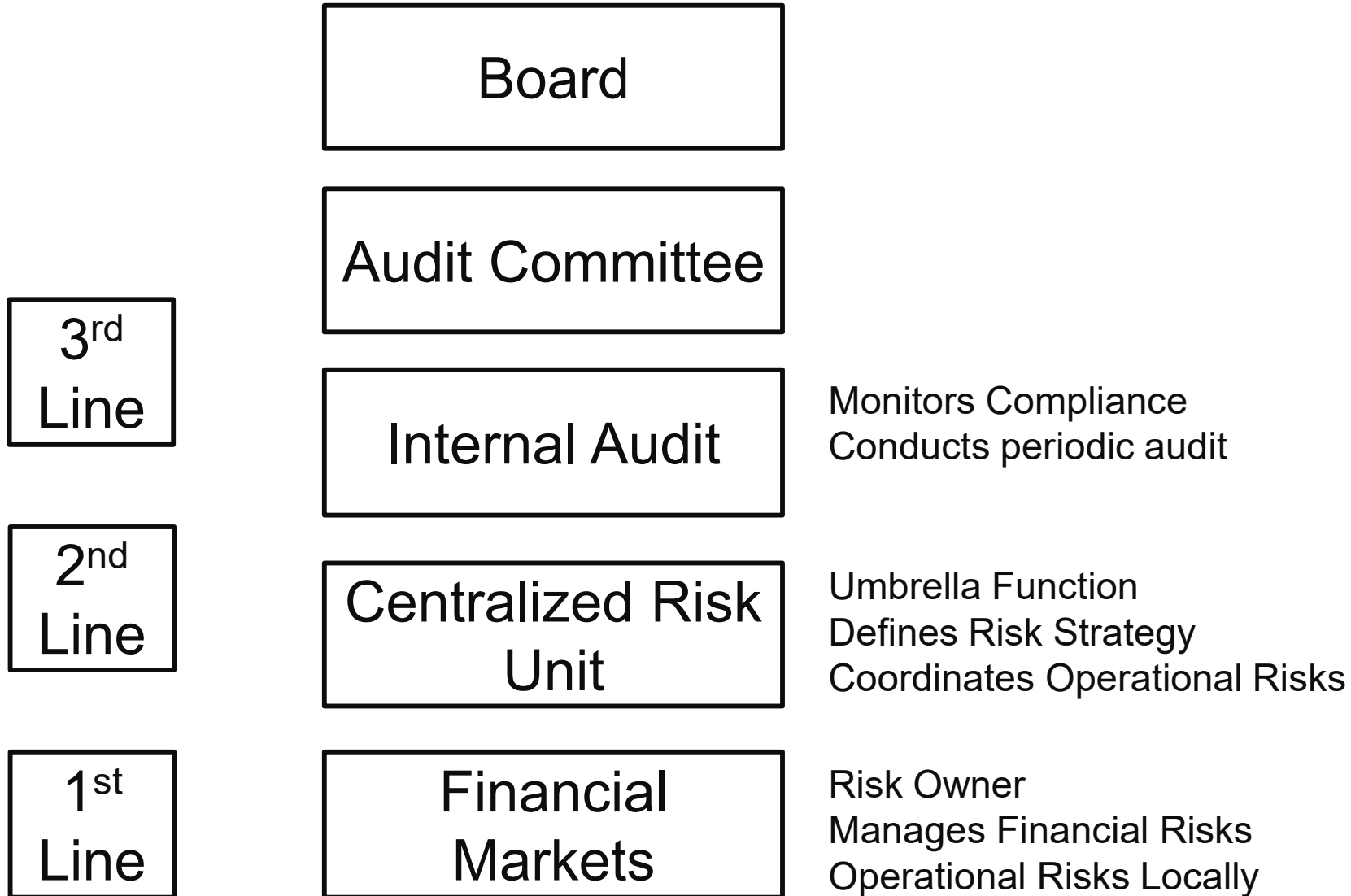


# Safeguarding Stability: Risk Management in Reserves Management

- ④ Identification, assessment, and quantification of various risks associated with official international reserves.
- ④ Risks include market volatility, credit risk, liquidity risk, and geopolitical factors.
- ④ Diligent risk mitigation strategies:
  - Diversification of assets.
  - Currency hedging.
  - Stress testing.



# Risk Management



# Balancing Returns and Safety: Investment Strategies at NBG

- ⑧ Diversification across asset classes to mitigate risks while maximizing returns and ensuring safety and liquidity.
- ⑧ The universal principles of the management:
  - Safety
  - Liquidity
  - Profitability



# Open Communication: Ensuring Transparency in Reserves Management

- ⊗ Regular reporting practices
  - Contents of reports: reserves composition, performance, changes, compliance
- ⊗ Stakeholder engagement: authorities, institutions, public
- ⊗ Transparency in investment decisions



# Global Synergy: Strengthening Reserves Management through Collaboration

- ① Partnerships with international financial institutions (IMF, World Bank, ADB, BIS)
- ① Participation in multilateral agreements for knowledge exchange
- ① Collaboration with central banks of other nations



Thank You!

 Questions?

