

Optimization in Central Bank's Foreign Reserve Management

BASIC DATA

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M. Hanuš, (2003), "Management of Central Bank's Foreign Reserves Portfolio – Numerical Experience", *Mathematical Methods in Economics* 2003, Praha.

ABSTRACT

The goal of this thesis is to compare different approaches of risk management of the foreign reserve portfolio of the central bank. The central bank holds its foreign reserve portfolio in order to practise its monetary policy through OTC operations. Market risk of the portfolio can be managed in different ways. The studied approaches are constant structure of the portfolio, risk limit given in duration, risk limit given in VaR and risk limit given in CVaR. The models described in the paper are designed to find optimum values for individual limits and also to evaluate performance.

INDEX

- 1.- Introduction
- 2.- The Central Bank
- 3.- Methods of Risk Management
- 4.- Historical data
- 5.- Mathematical formulation
- 6.- Formulation of risk management methods
- 8.- Benchmark
- 9.- Developed software

- 10.- Analysis of historical data
- 11.- Results
- 12.- Conclusion
- 13.- Appendix A

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