



Unwinding Public Interventions in the Financial Sector

Preconditions and Practical Considerations

IMF High-Level Conference

Thursday, December 3, 2009, Washington D.C.

Venue: IMF HQ Building 2 - Conference Hall 1

Agenda

8:15 a.m.–8:45 a.m.	Registration and Breakfast	
8:45 a.m.–9:00 a.m.	Welcome remarks: John Lipsky, First Deputy Managing Director, IMF	
9:00 a.m.–10:45 a.m.	<p>Session 1: Financial Crisis—Where Are We Now and What are the Prospects For Unwinding Public Interventions?</p> <p>This session sets the stage by exploring the current state of the financial system and capital markets, prospects for a systematic move towards unwinding public sector support in the financial sector, and the existence of required preconditions to balance risks to financial stability during unwinding. Discussion in this session will also highlight how these might affect: (i) the timing and speed of unwinding; (ii) market functioning; and (iii) impact on asset prices.</p> <p>Moderator: José Viñals, Financial Counsellor and Director, Monetary and Capital Markets Department, IMF.</p> <p>Statements by panelists:</p> <p>Christine Cumming, First Vice President, Federal Reserve Bank of New York; Hervé Hannoun, Deputy General Manager, Bank for International Settlements; Malcolm Knight, Vice Chairman, Deutsche Bank; Antonio de Lecea, Principal Advisor, European Commission; Georges Pineau, ECB's Permanent Representative in Washington, D.C.; Manuel Sánchez González, Deputy Governor, Bank of Mexico.</p> <p>Discussion with the panelists and conference delegates.</p> <table border="1" data-bbox="475 1780 1463 1871"> <tr> <td data-bbox="475 1780 1463 1871"> <p>Key Issues</p> <p>1. What preconditions are there for ensuring a safe and durable disengagement by</p> </td> </tr> </table>	<p>Key Issues</p> <p>1. What preconditions are there for ensuring a safe and durable disengagement by</p>
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	<p>the public sector? What are the factors that should determine the scale, timing, and speed of unwinding?</p> <p>2. What are the essential elements in an unwinding strategy? How can the unwinding process promote the right incentives for building a resilient financial system, sustainable and balanced growth, and price stability?</p> <p>3. What are the important interdependencies among various intervention measures that might make unwinding a complex matter? Which intervention measures have the greatest potential for cross-sectoral and cross-border spillovers?</p> <p>4. In what areas could international coordination of unwinding lead to improved outcomes for all countries, and which modalities of coordination are the most appropriate?</p> <p>5. How should the appropriate time for withdrawing support from the financial sector be determined, and which indicators should be used (e.g., macroeconomic and financial market). Should government or central bank support be withdrawn first?</p>
10:45 a.m.–11:15 a.m.	Coffee break
11:15 a.m.–12:30 p.m.	<p>Session 2: Managing Fiscal Risks—Public Finance Aspects of Unwinding</p> <p>This session examines unwinding from the need to maintain sustainable, orderly, and transparent public finances. It will address issues such as: (i) how to balance responsibilities to taxpayers with adequate support for the financial sector and the real economy; (ii) the implications of the unwinding for fiscal policy and public financial management; and (iii) the delineation of roles between budgetary government and other public sector players (such as the central bank).</p> <p>Moderator: Carlo Cottarelli, Director, Fiscal Affairs Department, IMF.</p> <p>Statements by panelists:</p> <p>Mitsuhiro Furusawa, Senior Deputy Director General, Ministry of Finance Japan; Simon Johnson, Professor, MIT and Peterson Institute; Christian Kastrop, Deputy Director General, German Federal Ministry of Finance; Nigel Ray, Executive Director, Fiscal Group, Australian Treasury.</p> <p>Discussion with the panelists and conference delegates.</p> <div data-bbox="474 1562 1472 1896" style="border: 1px solid black; padding: 5px;"> <p>Key Issues</p> <p>1. What are the key considerations to be taken into account in protecting the sustainability of the public finances as support for the financial sector is unwound? How should the future tax burden of bailout and other measures be weighed against the goals of maintaining financial sector stability and ensuring a return to growth?</p> <p>2. The crisis demonstrated the ability of governments to use balance-sheet and off-balance sheet transactions (rather than traditional government spending) to</p> </div>

	<p>pursue fiscal policy goals. What do these changes in fiscal policy instrumentation imply for the management and analysis of fiscal policy as the unwinding proceeds?</p> <p>3. Quasi-fiscal activities were a prominent feature of the response to the crisis (e.g., central bank subsidization of sectoral lending). How important is it to reverse these?—i.e., return to the principle of reflecting all subsidies and taxation transparently in the budget and subject them to the prioritization of the budgetary process.</p> <p>4. Guarantees and governments’ assumption of other contingent liabilities appeared to be costless, in many cases. What should governments be doing to manage guarantees appropriately and frame decisions about them correctly? To what extent is it legitimate for governments to maintain guarantees?</p> <p>5. Are there elements in the unwinding of fiscal support that suggest the need for international coordination?</p>
12:30 p.m.–1:00 p.m.	<p>Special Remarks by Sir Andrew Crockett, President, JPMorgan Chase International</p>
1:00 p.m.–2:00 p.m.	<p>Lunch for the delegates, Conference Hall 2.</p>
2:15 p.m.–3:45 p.m.	<p>Session 3: Financial Sector Interventions—Identifying Preconditions and Practical Considerations for Unwinding Liquidity Support and Guarantees</p> <p>This session will consider market factors key for a successful unwinding process. It will explore: (i) the role of market indicators that could guide an active process of unwinding; (ii) technical aspects relating to the unwinding of liquidity provisions, and guarantees; and (iii) those aspects that could impact across markets and where close intra-agency and cross-border coordination of actions is needed. The session will also discuss interdependencies among various intervention measures.</p> <p>Moderator: Olivier Blanchard, Economic Counsellor and Director, Research Department, IMF.</p> <p>Statement by panelists:</p> <p>Charles Bean, Deputy Governor, Bank of England; Matt Carter, Managing Director, Head of Sovereigns and Agencies, RBS Global Banking & Markets; Dino Kos, Managing Director, Portales Partners, LLC; Haruyuki Toyama, Director General, Bank of Japan; Edwin M. Truman, Senior Fellow, Peterson Institute.</p>

	<p>Discussion with the panelists and conference delegates.</p> <p>Key Issues</p> <ol style="list-style-type: none"> 1. What macroeconomic and financial market indicators can help guide the unwinding process? Are recent economic and market conditions supportive of current timetables and plans for unwinding or do they suggest different timetables? 2. What considerations should guide the timing, sequence, and preconditions of withdrawing government liability guarantees and liquidity support programs? How are these considerations affected by monetary and fiscal policy conditions? 3. What are good ways to unwind financial sector interventions in areas such as debt guarantees and deposit insurance? How can market incentives be best included into the unwinding process to help ensure an orderly, market based exit? 4. Will the process of withdrawing public support in the financial sector be influenced by the ongoing regulatory and supervisory reform in major countries? 5. Which types of crisis policy unwinding will have the greatest impacts across sectors and borders and should, therefore, require the most inter-agency and cross-border coordination? 6. Which crisis policies, when unwound in an uncoordinated manner, bear the greatest downside risk of distorting capital flows and financial intermediation, or of regulatory arbitrage?
3:45 p.m.–4:15 p.m.	Coffee break
4:15 p.m.–5:30 p.m.	<p>Session 4: Crisis Related Assets—Practical Considerations for Restoring Private Control</p> <p>This session will explore some of the key technical complications and sequencing issues that might arise from unwinding intervention measures in the form of (i) capital injections; and (ii) purchase of assets and assumption of liabilities by the state. It will also briefly discuss arrangements, going forward, for a public-private partnership to share the burden associated with public interventions to repair the financial system.</p> <p>Moderator: Reza Moghadam, Director, Strategy Policy and Review Department, IMF.</p> <p>Statement by panelists:</p> <p>Aerdt Houben, Director, De Nederlandse Bank; Nigel Jenkinson, Adviser, Financial Stability Board; Simon Linnett, Executive Vice Chair, Rothschild; Thomas Stoddard, Senior Managing Director, Blackstone.</p>

	<p>Discussion with the panelists and conference delegates.</p> <div style="border: 1px solid black; padding: 5px;"> <p>Key Issues</p> <ol style="list-style-type: none"> 1. What are some of the main complications that might arise from unwinding public interventions in the form of capital injections, asset purchases and the assumption of liabilities by the state? What are the early lessons from exit that has already taken place (e.g., repayment of public funds by U.S. banks and others)? 2. What is an appropriate sequencing to be considered? Can we identify which measures are the most distortionary, and should these be removed first? 3. How important is the aspect of competition in the financial sector for the design of exit policies? How should exit policies be communicated? 4. How can we ensure that private capital used to replace public capital is of at least the same quality as the public capital? What could be some key arrangements for sharing the burden associated with public interventions to repair the financial system and recovering taxpayer outlays? 5. How much will the unwinding be influenced by the probable financial regulatory structure at the time of the unwinding? That is, are there technical complications related to the exit to a new type of setting? </div>
5:30 p.m.–6:00 p.m.	<p>Key takeaways: José Viñals, Financial Counsellor and Director, Monetary and Capital Markets Department, IMF.</p> <p>Closing remarks and next steps: John Lipsky, First Deputy Managing Director.</p>