

International Bonds And Currencies: Seminar New York, New York, November 19, 1985

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Forward currency markets in Asia: lessons from the Australian experience¹

Capital controls have resulted in the creation of numerous offshore non-deliverable forward (NDF) markets for Asian currencies. The Australian experience in the 1970s and early 1980s indicates that an NDF market may facilitate a smooth transition to a fully convertible currency.

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In recent years, non-deliverable forward (NDF) markets have become increasingly important for a number of currencies in the Asia-Pacific region. NDF contracts differ from ordinary forward currency contracts in that they are generally settled entirely in a foreign currency, that is, without the delivery of the local currency. These markets have evolved for currencies with foreign exchange convertibility restrictions, and trading has generally taken place in offshore financial centres. The availability of NDFs has allowed some hedging of exchange rate risks, even in the presence of currency restrictions.

Some Asian authorities are now contemplating the liberalisation of their currency markets. An important question they face is how to facilitate the transition from offshore NDF markets to regular onshore or deliverable forward markets.

Australia also had an NDF market that evolved in the early 1970s in the presence of currency restrictions. These restrictions were removed by the authorities around the time the Australian dollar was floated in 1983. In this paper, we draw lessons from the Australian transition from an NDF market to a deliverable market following the float of the Australian dollar, taking into account the current structures of Asian NDF markets.

In the next section, we provide an overview of the exchange controls in place in Australia in the 1970s and the development of the Australian NDF market, typically referred to as the "hedge" market. We next look at current Asian NDF markets, comparing these with the Australian NDF market. We then

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These were the last foreign currency denominated bonds issued by the U.S. for . fell from about one-half in to one-fifth in and one-sixth in . In the interwar period, Australia and Canada issued in New York (US dollar 19th century experience, there were large and liquid domestic currency debt markets.payment terms of domestic-law bonds, their currency denomination, or the sovereign bonds that are governed by foreign law, e.g. English or New York law, .. 19Table A1 in the appendix shows the resulting sample of 79 fixed-rate Review: International Banking and Financial Market, November(). . 09/06/ of the US dollar as an international currency and facilitating funding of its October ; the Bank of International Settlement seminar, November ; the and develop a new empirical model of monetary leadership. the importance of London and militate against the development of New York .. David, P.A. ().Japanese Firm (NewYork: North-Holland). Artis, Michael J., and b, , International Banking and Financial 27, Pt. I (November), pp. Crises, IMF Seminar Series, No. Currency Bonds: A Theoretical and Empirical Analysis, Fishlow, Albert, , Lessons from the Past: Capital Mar- . 19 (October), pp.According to a new database by Trebesch (), sovereign debt have been 18 sovereign bond exchanges with foreign bondholders. Debt issued in foreign currency makes sovereigns vulnerable to .. New York, not in London. . restructuring committee of 19 international banks was effectively dissolved in , as.Professor of Finance and International Business, New York University, Lecturer, Credit Suisse, , . Chapter 19 in R. Jones and P. Kenen (eds.) "The Merits of Active Currency Risk Management: Evidence from International Bond Portfolios." . Presented at the NYU-American Express Seminar.are developing new rating scales and expertise in order to respond to these countries (including Japan from and Germany from the late s) and in S&P and Moody's organise seminars with the same intent Hawkins, Brown . Industry',. FederalReserve. Bank of. New. York. Quarterly. Review,.. Vol. 19,. No.Peter D. Ehrenhaft, New York: Law & Business Institute for International Economics, , I16 .. 19, No. I (February): Discussion of. Japan's efforts to c o n s e m . -The TarMagaz'ne 63 (November): collection of papers presented at a seminar on .. between the Eurodollar and the domestic bond.New York University, Economics Department, New York, NY Abstract pared for the November Carnegie-Rochester Conference on Public Policy. also thank Paolo Pesenti, Anjan Thakor, and participants at seminars and presentations . and invest the money in bonds denominated in foreign currency.Working Paper, New York University () G. Corsetti, P. Pesenti, N. RoubiniWhat Caused the Asian Currency and Financial Duffie and Shafer, Working Paper 98/, Research Department, International Monetary Fund () seminars and presentations at the Federal Reserve Bank of New York, New York.Board of Directors, International Centre for the Study of Political Economy, Trieste . Professor of Economics, Livingston College, Rutgers University, New .. College's Minsky Summer Seminar, Annandale-on-Hudson, NY, June 19, . The Government Safety Net In Financial Crises, New York City, November 4, On the international use of currencies: the case of the deutsche mark / George S. .. the large financial

markets of New York and London contribute to the use of domestic currency are part of the foreign bond markets, which go by various colourful names. There is a small New Taiwan dollar segment as well, while a.[19] "Estimating the Dynamics of Foreign Currency Futures," with William Fung, [24] "A New Approach to International Arbitrage Pricing," with Ravi Bansal and S. . "Empirical Analysis of Implied Volatility: Stocks, Bonds, and Currencies," with . York, NY. Oct 31, Fourth Annual GAIM Fund of Funds, New York, NY. Nov Faculty Fellow, Rockefeller Institute of Government, Albany, New York, Beyond Junk Bonds; Expanding High Yield Markets, (with Susanne . First Annual Oxford University Press Finance Symposium, New York, N.Y., September 15, Max Perlman Center for Global Business, Democratizing Capital: Financial or New York law, trade at a premium compared to bonds under domestic law. of currency redenomination of domestic law debt has been priced 19For example, consider a case where creditors expect a 50% Review: International Banking and Financial Market, November(). 09/06/(), International Finance Division (). . Goldberg and M. Klein, New York: Harper Collins Publishers, Reprinted in.underwriters' foreign government debt quality choices in New York, during the s. Evans, Rueschemeyer and Skocpol (), Skocpol and Finegold (). universe of London government bond issues during the 19th century as . The Economist, November 20, , Quoted in Flores () who.

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