

Abstract

Foreign exchange reserve management in the central banking environment gathered pace in the last decade due to increasing reserve accumulations in countries outside the traditional providers of capital. In this environment the reserve managers were frequently challenged with the issues of excess reserves than what is sufficient for monetary policy purposes and optimization of risk return profile. Creation of sovereign wealth funds considered remedying this situation at least to a certain extent. However the sovereign wealth management now faces new challenges in several different areas requiring a fresh approach in a broader framework involving asset allocation, mutual responsibility, skills matching, and transparency. Amid these developments South Asian region being still new to these concepts challenged with rapid reserve accumulation requiring a concerted efforts to deal with these challenges plus the unfamiliarity and low preparedness.

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