

Session 4:

Governance, Risk Management, and Strategic Asset Allocation for Central Banks

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**2026 ASIAN REGIONAL FORUM
ON INVESTMENT MANAGEMENT
OF FOREIGN EXCHANGE RESERVES**

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ROYAL
MONETARY
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OF BHUTAN

Governance, Risk Management, and Strategic Asset Allocation for Central Banks

A Reserve Manager's Perspective

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BHUTAN AT A GLANCE



Small Landlocked country

Over 800,000 people

Hydropower driven economy

BTN pegged one-to-one to
INR

How We keep Governance Independent

Execution and oversight are handled by different teams.

Every placement follows policy set by our Reserve Management Committee.

Reserves aren't just policy - they're constitutional: a full year of essential import cover.

THE STORY



"One banking partner. One negative rating watch."

How We Actually Caught It

It started in the news - a geopolitical risk in the counterparty's home market.

That's what triggered the review - not a scheduled check.

The framework then took over: a monthly credit-rating review, on record.

OUR MONTHLY REVIEW

A-

minimum rating for CC counterparties
(BBB- for INR)

Rated by 2+ agencies

Reviewed monthly by Middle Office

Escalated to Head of Department

Applied to every counterparty, every month.

The Resolution

Flagged. We suspended placements immediately.

We stayed in dialogue as tensions eased.

We resumed - formally, with the rationale on record.

No Single Counterparty Dominates

Every counterparty carries its own exposure limit, set by its credit rating.

Maturity is capped too - most relationships limited to one year.

Limits aren't fixed forever - they can be tightened as conditions change.

Diversification isn't just across currencies - it's across relationships too.

Strategic Asset Allocation

Diversified across currencies and asset classes - with defined bands, not case-by-case calls.

INR: up to 40% of reserves, with a $\pm 5\%$ band before escalation.

Convertible Currency + Gold: at least 60% - including up to 10% gold.

Other currencies: up to 5%, for external debt settlement.

RETURN BENCHMARKS

SOFR - 100 bps

USD Tranche

RBI Repo -1 00 bps

INR Tranche

Written into policy - not case by case.

Small Reserves, Real Constraints

No dedicated reserve management system yet

A young workforce, still building specialized market experience

A modest reserve size that limits how much market exposure we can take

Three Lessons

Structure turns complexity into resilience.

Independent oversight preserves confidence.

Policy-anchored discipline still allows agility.



THANK YOU

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