China Seeks to Actively Invest Foreign Exchange Reserves

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I. China Investment Corporation to be established

Moves by China to establish a company to invest its foreign exchange reserves have attracted the attention of capital market participants both in and outside of China. Following debate at the Central Financial Work Commission convened by the party's Central Committee and State Council (equivalent to Japan's Cabinet Office) in January 2007, Premier Wen Jiabo, speaking at a press conference for the National People's Congress (equivalent to the Diet) in March 2007, formally announced that a new entity would be established to invest China' foreign exchange reserves.

Around the time of the formal announcement, a group[1] to study the investment of foreign reserves was established and headed by Lou Jiwei, who had just been promoted from Deputy Minister at the Ministry of Finance to Deputy Secretary-General of the State Council. With the aim of establishing a new entity, this study group held its first meeting in March 2007, and then a second meeting in May, to discuss such issues as the new entity's legal and policy status, how it would be capitalized, its corporate governance, investment model, and relationship with Central Huijin Investment Company Ltd. (described later), as well as regulatory issues and problems related to its personnel scheme. As a result of these deliberations, the study group submitted a draft proposal to the State Council for the establishment of a new entity, with the idea that the new entity (1) would be established with capital obtained from foreign exchange reserves via the issuance of special treasury bonds by the central government; (2) would inject capital (in the form of an equity investment) into key state-owned domestic financial institutions, and (3) would also invest directly in overseas financial instruments to open a channel for raising returns over the long term, so as to ensure that the value of state assets would be maintained and increased. The proposal was approved by the State Council in August 2007.

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1 Comprised of 14 ministry-level agencies, including the Ministry of Finance, the People's Bank of China, State Administration of Foreign Exchange (SAFE), China Banking Regulatory Commission (CBRC), China Securities Regulatory Commission (CBRC), China Insurance Regulatory Commission (CIRC), and the Legislative Affairs Office of the State Council.

Although the new entity had not yet been formally established at the time, on 20 May 2007 it was announced that it would invest US$3 billion into Blackstone, a major US-based private equity group.[2] To procure investment funds for the new entity, on 29 June 2007 the 28th session of the Standing Committee of the National People's Congress approved the issuance by the Ministry of Finance of Rmb1.55 trillion in yuan-denominated special treasury bonds, and the initial tranche of Rmb600 billion was issued on 29 August.

Finally, this new entity to invest China's foreign exchange reserves was formally established on 29 September 2007 under the name China Investment Corporation (CIC). Lou Jiwei was named its Chairman of the Board of Directors, Gao Xiqing (formerly vice chairman of the National Social Security Fund) its President, and Hu Huaibang (formerly Commissioner of Discipline Inspection with the China Banking Regulatory Commission) its Chairman of the Board of Supervisors (auditor).

Prior to the formal establishment of the CIC at the end of September 2007, the only information regarding how the new entity would be formed and what activities it would pursue was noted in the issuance announcement for special treasury bonds from the Ministry of Finance (Figure 1)[3]. After the CIC's formal establishment, however, the following information was revealed. First, the CIC is a wholly state-owned company established under the Company Law, capitalized at US$200 billion through the issuance of Rmb1.55 trillion in special treasury bonds. Second, the CIC will pursue a variety of investments, primarily in overseas securities, including equities. Third, it injects capital into domestic financial institutions, fulfills its duties as an investor representing the state, and achieves valuation gains for state-owned financial assets. Fourth, by operating independently from the government and on commercial principles,[4] it will aim to maximize earnings on long-term investments within tolerable risk levels. Even with this explanation, however, it remains difficult to paint an overall picture of the new entity.

In an attempt to paint such a picture, in the chapters that follow we provide a summary, based on Ministry of Finance press releases and local news reports, of the CIC's fund procurement methods, investment policies, and governance, all of which were the subject of considerable debate and disagreement prior to the CIC's establishment. We will also forecast the direction we think the CIC is heading.

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2 Announced by Blackstone on 20 May 2007. The CIC, which was still being readied for establishment by the Chinese government, acquired just under a 10% stake in Blackstone's IPO, and plans to hold it for at least four years. The shares were in the form of non-voting common units. The acquisition price was set at 95.5% of the IPO price. The announcement created quite a stir, both in regards to the CIC's investment policy and because of the timing of the announcement immediately prior to the second US China Strategic Economic Dialogue. After that, on 10 September 2007, Blackstone agreed to pay up to US$600 million to acquire 20% stakes in China's state-owned chemical giant Sinopec Group and its subsidiary, China National BlueStar (Group).

3 There have been three issues thus far, on 29 June, 5 July, and 29 August 2007.

4 Specifically by keeping its administrative and corporate functions separate.

Figure 1: Ministry of Finance press releases regarding the issuance of special treasury bonds

Date	Key points
29 June 2007	* On 29 June 2007, the Standing Committee of the National People's Congress approved legislation proposed by the State Council related to the issuance of special treasury bonds by the Ministry of Finance, the purchase of foreign currencies, and adjustment of the maximum amount of government bonds outstanding at end-2007.
	* The Ministry of Finance issues Rmb1.55 trillion in special government bonds, purchases foreign currency reserves, and establishes the CIC as a source of funding.
	* The significance of the issuance of special treasuries and establishment of the CIC is as follows. (1) To curtail monetary liquidity and alleviate pressures on the PBC to intervene. (2) To coordinate fiscal and monetary policy and increase the effectiveness of macroeconomic controls. (3) To reduce the size of foreign currency reserves and improve investment returns. (4) To provide assistance to Chinese firms expanding overseas and improve the competitiveness of the Chinese economy.
	* Special treasury bonds are issued using market methods. These will be tradable registered government bonds, with a maturity of at least 10 years and the yield at issuance set based on market interest rates.
	* Special treasury bonds shall be issued so as to be neutral relative to the macro economy. Special treasury bonds are to be held by the PBC and effectively used for open market operations.
	* Special treasury bonds satisfy the market's need for investment vehicles. In particular, they will broaden investment options for insurance companies and the NSSF.
	* Unlike regular government bonds, special treasury bonds are not aimed at financing government deficits.
5 July 2007	* The issuance of special treasury bonds is a substitute for the PBC's issuance of commercial bills, and thus whether the entire amount is issued or there is a partial issuance will have no direct impact on the amount of currency supplied to the market.
	* Special treasury bonds are not issued directly to the PBC, but effectively increase the PBC's government bond holdings through certain methods, thereby creating more leeway for open market operations.
	* Foreign exchange reserves purchased with the issuance of special treasuries are primarily invested for the purpose of generating returns.
	* Because purchased foreign exchange reserves are invested in stocks and other equity vehicles, they are no longer considered foreign exchange reserves for which the IMF requires disclosure, and are no longer counted as foreign exchange reserves.
	* The CIC invests in both overseas businesses and portfolio securities in search of returns that are higher than the issuance yields on special treasury bonds, thereby raising the investment returns of foreign exchange reserves.
	* The CIC reports directly to the State Council, and is at a level equivalent to a ministry.
29 August 2007	* On 29 August, the Ministry of Finance issued the first Rmb600 billion tranche of special treasuries, with a maturity of 10 years and a coupon of 4.3%.
	* The significance of the issuance of special treasury bonds and the establishment of the CIC is as follows. (1) To curtail monetary liquidity and alleviate pressures on the PBC to intervene. (2) To coordinate fiscal and monetary policy and increase the effectiveness of macroeconomic controls. (3) To reduce the size of foreign currency reserves and improve investment returns.
	* Special treasury bonds amounting to Rmb1.55 trillion are issued in tranches. One reason is to get a better understanding of the macro economy and financial situation. Another reason, given the market's lack of government bonds with maturities of 10 years and more, is to achieve a more diverse range of government bond types and term structures by issuing bonds with 10-year, 15-year, and longer maturities. China's government bond market is primarily made up of intermediate bonds with maturities of 3-5 years; there is only a small quantity of short-term bonds with 1-year and less maturity as well as of long-term bonds with maturities of 10 years and higher.
	* The 4.3% coupon for the first tranche of special treasuries was determined based on the market yields of 10-year government bonds and on the characteristics of the special treasuries.
	* The Ministry of Finance issued the first tranche to domestic commercial banks and used the yuan collected from that issuance to purchase an equal amount of foreign exchange reserves from the PBC. At the same time, the PBC used the Rmb600 billion collected from selling the foreign exchange reserves to purchase the special treasuries from the domestic commercial banks.

Source: Nomura Institute of Capital Markets Research, based on materials from the Ministry of Finance

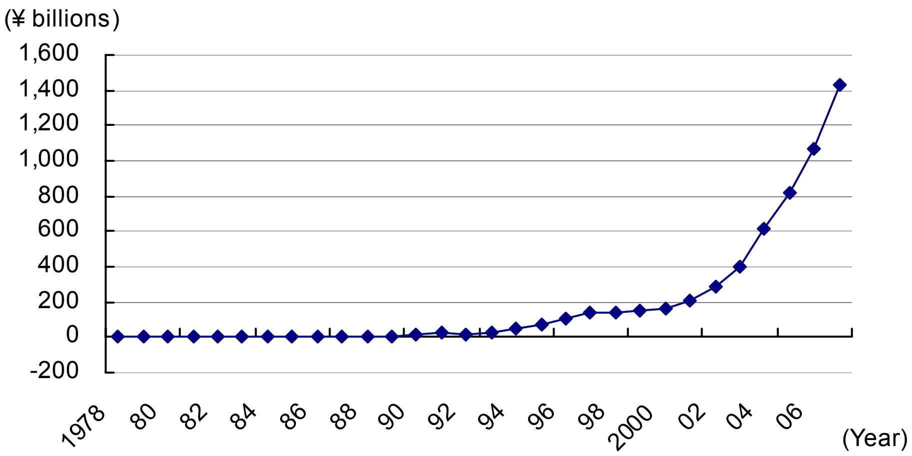
II. Funds procurement through the issuance of special treasury bonds aimed at absorbing excess liquidity

1. Domestic issuance of yuan-denominated bonds

One topic of debate surrounding the CIC's establishment was its method of procuring funds. The CIC was established for the dual purposes of reducing the size of foreign exchange reserves and increasing investment returns, but simply investing China's foreign exchange reserves overseas would be insufficient, as it would not do anything to reduce domestic excess liquidity. Accordingly, yuan-denominated bonds were issued domestically in conjunction with the establishment of the CIC, and foreign exchange reserves equivalent to the excess liquidity absorbed from this issuance were then invested overseas.

Since it joined the World Trade Organization (WTO) in 2001, China's trade surplus and fund inflows from overseas have caused rapid growth in its foreign exchange reserves, which are now the world's highest. The most recent data shows foreign exchange reserves totaling Rmb1.434 trillion at the end of September 2007 (Figure 2). This rapid growth in foreign reserves has also created a surplus of cash (excess liquidity) within China's domestic economy, which in turn creates the risk of inflation and investment overheating. China's central bank, the People's Bank of China (PBC), absorbs yuan-denominated funds from the market by selling its government bond holdings and by issuing central bank bills. The amount of central bank bill issuance, however, has grown (as of the end of July 2007) to account for 72% of the entire interbank market, and the limits on the rate at which the PBC can absorb yuan liquidity from the market are starting to become apparent (Figure 3).[5]

Figure 2: Foreign exchange reserves in recent years



Note: Newest figures in the graph are as of end-September 2007.
Source: Nomura Institute of Capital Markets Research, based on data from SAFE

5 For more on the growth in China's foreign exchange reserves and the mechanisms leading to excess liquidity, see the China Securities Market Handbook 2007 from the Nomura Institute of Capital Markets Research (in Japanese).

Figure 3: Bill issuance by the PBC

(¥ billions)

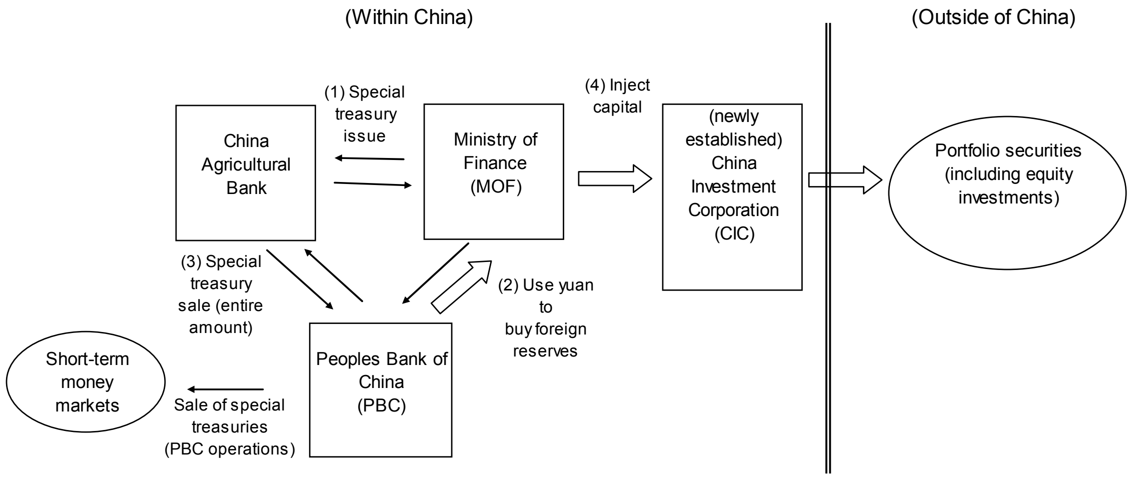
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 Jan-Jul
(a) central bank bills	119	0	0	0	0	1,938	7,227	17,037	27,882	36,574	29,701
(b) total bond issuance	2,085	6,204	4,370	4,416	5,849	9,944	17,647	27,296	41,182	57,096	41,451
(a) / (b)	5.7%	0.0%	0.0%	0.0%	0.0%	19.5%	41.0%	62.4%	67.7%	64.1%	71.7%

Note: Amount of issuance in the interbank bond market
Source: Nomura Institute of Capital Markets Research, based on data from ChinaBond

2. Detailed picture of bond issuance

The amount of special treasury issuance decided on 29 June 2007 was Rmb1.55 trillion, which is equivalent to US$200 billion in foreign exchange reserves.[6] Based on this, the CIC's fund procurement cycle is as follows. (1) The Ministry of Finance issues Rmb1.55 trillion in special treasury bonds, (2) the yuan procured from issuance is then exchanged for (used to purchase) foreign exchange reserves held by the PBC's State Administration of Foreign Exchange (SAFE); and (3) the purchased foreign reserves are then invested overseas. The initial Rmb600 billion issuance on 29 August 2007 was underwritten by the Agricultural Bank of China on the interbank bond market, and on the same day the PBC engaged in a buying operation, purchasing the entire Rmb600 billion in special treasuries from the Agricultural Bank of China (Figure 4).

Figure 4: Initial Rmb600 billion tranche of special treasuries



Note: Issued on 29 August 2007
Source: Nomura Institute of Capital Markets Research, based on materials from the Ministry of Finance and local media

6 The local media has long estimated the amount of foreign exchange reserves earmarked for overseas investment at about US$200-300 billion.

We note two important features regarding this issuance scheme. First, the special treasury bonds were issued in tranches to minimize the impact on domestic financial markets, such as an increase in interest rates. In fact, the Ministry of Finance plans to issue the remaining Rmb950 billion of special treasuries in separate tranches before the end of 2007 (Figure 5). Excluding that portion to be directly underwritten by the Agricultural Bank of China, as was the case for the first and seventh issuances, the special treasury bonds will be offered publicly on the interbank bond market, thereby allowing individuals to purchase them from the banks at retail.

Second, the issuance of special treasuries is being positioned as an open market operation of Rmb1.55 trillion (equivalent to US$200 billion). The initial issuance was made on the interbank market because the PBC is prohibited from directly underwriting government bonds, necessitating a scheme in which the Agricultural Bank of China sold directly to the central bank the entire amount of the special treasury issuance that it received. The special treasuries held by the PBC are meant for later sale to the market as part of the central bank's open market operations. In fact, on 4 September 2007, the PBC used the special treasury bonds for repo (selling) ops (Rmb10 billion, 182 days, 3.2% yield). With the exception of that portion sold to retail investors through the banks, the second and later special treasury tranches will also probably be used in the central bank's open market operations.

Figure 5: Planned and actual issuance of special treasuries

Date	Issuance plan (Rmb bns)	Name	Actual issuance amount (Rmb bns)	Term	Issuance yield (%)	Auction date	Issuance market
August-07	600	First special treasury issue	600	10 years	4.3	8/29/07	Interbank bond market (Agricultural Bank of China)
September-07	30	Second special treasury issue	32	15 years	4.68	9/17/07	Interbank bond market (individuals can also purchase through retail transactions at banks)
	30	Third special treasury issue	35	10 years	4.46	9/21/07	
	32	Fourth special treasury issue	36	15 years	4.55	9/28/07	
November-07	30	Fifth special treasury issue	35	10 years	4.49	11/2/07	Same as above
	30	Sixth special treasury issue	36	15 years	4.69	11/16/07	
December-07	750	Seventh special treasury issue	750	15 years	4.45	12/4/07	Interbank bond market (Agricultural Bank of China)
	26	Eighth special treasury issue	26	10 years	4.41	12/14/07	Interbank bond market (individuals can also purchase through retail transactions at banks)
Total issuance	1,528		1,550				

Note: Date of the first special treasury auction is the actual date of issuance.
Source: Nomura Institute of Capital Markets Research, based on the Ministry of Finance press release dated 10 September 2007 and other sources

III. The CIC's investment policies

1. Diversifying the investment of foreign exchange reserves

The bulk of China's foreign reserves are said to be invested in dollar-denominated assets, primarily US Treasury bonds. This investment of the world's largest foreign reserves in mostly US dollar denominated assets also creates exposure to the risk of asset price declines resulting from dollar depreciation. Another risk to be considered is that if dollar-denominated assets were replaced with assets denominated in other currencies, the act of switching itself, depending on the scale and frequency, would also trigger a decline in the value of the US dollar.

This explains why the Chinese government decided to establish a company specialized in investing foreign reserves, based on the guiding principle of "strengthening the management of foreign reserves while giving ample consideration to different channels and methods for investing those reserves" (from the 2006 Report on China's International Balance of Payments). At the above-noted National People's Congress held in March 2007, Premier Wen Jiabo stated that (1) China is further diversifying the investment of its foreign reserves for safety reasons; (2) China will establish a company to invest its foreign reserves, but this company will have no connection with governmental ministries or agencies, will invest said reserves in accordance with national laws and subject to supervision, and will strive to protect and increase the value of those reserves; and (3) China's establishment of a company to invest its foreign reserves will have no impact on the market for US dollars.

2. Investment policy and benchmarks

Although it appears that the CIC has considered investing in securities (bonds and stocks), businesses (including real estate and equity stakes), and energy (including the purchase of strategic materials), for the time being it will diversify its investments across primarily overseas securities, including equities (Figure 4 again). The Ministry of Finance had initially said that one of the purposes of establishing the CIC was to help Chinese firms expand operations overseas and improve their global competitiveness (Figure 1 again).[7]

Foreign exchange reserves are primarily meant as (1) funds to be used by monetary authorities for intervening in foreign exchange markets and (2) a reserve for use when it becomes difficult to make payments to other countries on foreign currency-denominated loans as a result of a currency crisis or other event.[8] Accordingly, not all of China's foreign exchange reserves will be invested through the CIC. Regarding the reasonable levels of foreign exchange reserve required by China, Xia Bin, Director

7 Assistance to Chinese firms expanding overseas and the enhancement of China's global competitiveness were listed as objectives of the CIC in the press release dated 29 June 2007, but then dropped in the press release dated 29 August 2007. We surmise that the government sensed overseas concerns over the use of foreign exchange reserves to help Chinese firms expand overseas.

8 From the Bank of Japan website.

General of the Research Institute of Finance within the Development Research Center of the State Council, estimated that there was a total need for US$700-740 billion, including (1) US$300 billion for the repayment of foreign debt, (2) US$360 billion to settle import transactions, and (3) US$80 billion for emergency use.[9] The foreign reserves of US$200 billion earmarked to fund the issuance of special treasury bonds back in June 2007 happens to be what is left after subtracting from China's foreign exchange reserves of US$1.0663 trillion at the end of 2006 the US$700-740 billion considered as reasonable reserves by Director General Xia.[10]

Ensuring the profitability of the investments is important, but the decision on which benchmark to use is also of interest. The initial special treasury issuance of US$600 billion on 29 August 2007 had a maturity at 10 years and a coupon yield of 4.3%. Taking this as the CIC's basic cost of procuring funds, and assuming also that the yuan will appreciate at an annual rate of around 3%, the CIC would need to achieve a minimum yield on its overseas investments of over 7.3%.[11] Based on this, we think it can be surmised that the CIC's investment policy, rather than following a simple plan of starting out with safe assets and gradually shifting into riskier assets, is to take returns into consideration at the outset and look for ways to invest in risk assets, as well.[12] In fact, the CIC's investment in Blackstone could probably be characterized as a high-risk, high-return strategy. In addition, investments in emerging markets (particularly in energy) will probably include some element of economic assistance from the Chinese government to the developing country.

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9 Xia Bin and Chen Daofu, Gaikajunbi Kyuuzou e no Taiou (Coping with Rising Foreign Exchange Reserves), Spring 2007 issue of the China Capital Markets Research, Tokyo Club Foundation for Global Studies (in Japanese).

10 As part of the Chiang Mai Initiative, the Chinese government agreed to Bilateral Swap Agreements (BSA) with six different countries amounting to a total of US$15.5 billion. These BSA should be looked at as an additional buffer against any future financial crises in the Asian region. China has bilateral agreements with six countries, two of which are two-way agreements, Japan (US$3 billion) and Korea ($4 billion), with the other four being one-way agreements (with only China being obligated), Indonesia (US$4 billion), Thailand (US$2 billion), Malaysia (US$1.5 billion), and the Philippines (US$1 billion).

11 In addition to this, it is probably also necessary to take into consideration administrative costs and, if making trust investments, trust fees and other costs associated with trusts.

12 According to the 8 June 2007 edition of the China Securities Journal, the CIC is rumored to be looking at following up its Blackstone investment with an investment in BHP Billiton, the world's largest mining company. Premier Wen Jiabo's comment that the establishment of the CIC would have no impact on the market for US dollars could also possibly be interpreted as either (1) indicating that China may be considering reshuffling its existing investment portfolio within each currency group, rather than across currencies, or (2) signifying that it would be additional increases in foreign exchange reserves that would be passed to the CIC for investment.

IV. How will the CIC be organized and governed?

1. Relationship with Central Huijin Investment Company Ltd.

Although the CIC is an organization under the direct jurisdiction of the State Council, just as was the NSSF[13], which had already begun investing overseas in 2006, this was a point of contention when the CIC was established.

In fact, China already has a company that uses foreign exchange reserves as a funding source to inject public funds into state-owned commercial banks. That is Central Huijin Investment Company Ltd. (Central Huijin), which in December 2003 injected US$22.5 billion each (US$45 billion total) into China Construction Bank and the Bank of China using foreign exchange reserves.[14] Subsequently, in April 2005, Central Huijin injected US$15 billion into the Industrial & Commercial Bank of China, and those funds also came from foreign exchange reserves.[15]

Central Huijin is managed by a board of directors and a board of supervisors, and its directors are seconded from the PBC, SAFE, and the Ministry of Finance. Both the Chairman of the Board and the President have a central banking background from either the PBC or SAFE.

2. There were multiple proposals for organizational forms and governance

One of the initial proposals for establishing the CIC called for having separate organizations for domestic and overseas investments, with Central Huijin handling domestic investments and the CIC handling overseas investments. There were apparently two different proposals for the organizational format and governance of the CIC that were considered in parallel. One proposal was to create an intermediate holding company below the State Council and then have Central Huijin and the CIC below that holding company, while the other proposal was to have the State Council manage both Central Huijin and the CIC as two independent companies.[16] Ultimately,

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13 Established in August 2000 to address a future shortfall in China's social security funds. The NSSF is actually being managed by a Council, which has the same status as a Ministry.

14 Banks are prohibited from converting foreign currency-denominated assets into yuan. The banks record the yuan-denominated contributions from Central Huijin as capital, and foreign currency-denominated assets are recorded as assets, but the exchange risk on the bulk of the foreign currency-denominated assets is shifted to Central Huijin through option agreements (which give one party the right to repurchase foreign currency at a predetermined price). (The above is taken from Tsuyuguchi Yousuke, Ugokidasu Chuugoku no Gaikajunbi (China starts to mobilize its foreign reserves), Gaiko Forum, July 2007 (in Japanese).)

15 Capital was also injected into the securities firms China Galaxy, Shenyin Wanguo Securities, and Guotai Junan Securities. It has also been rumored that both the Agricultural Bank of China and the China Development Bank are in line to receive capital injections in the future. In addition, on 28 November 2007, the China Everbright Bank agreed to accept a Rmb20 billion capital injection from the CIC.

16 During the debate over the organizational format and governance of the CIC, there apparently was a power struggle going on behind the scenes that included Central Huijin as well as the Ministry of Finance and the PBC.

Central Huijin was integrated into CIC as a subsidiary, and the CIC has continued to fulfill its duties as investor representing the state with the charge of protecting and raising the value of state-owned financial assets.

The CIC's directors, in addition to the already mentioned Chairman of the Board of Directors Lou Jiwei, President Gao Xiqing, and Chairman of the Board of Supervisors Hu Huaibang, include Zhang Hongli (former Deputy Finance Minister), its Executive Vice President (Figure 6). There are also three Vice Presidents, bringing the total to seven, all of whom were deeply involved in the establishment of CIC, which is also known as the "seven man committee." Local news sources report that a board of directors made up of 11 directors was established as CIC's decision-making body.[17] On 21 November, the CIC published a website aimed at attracting talent from around the globe.[18]

Figure 6: Management team of the China Investment Corporation

Title	Name	Current post
Chairman, Managing Director	Lou Jiwei	Deputy Secretary-General of the State Council (previously Deputy Minister Finance)
President, Managing Director	Gao Xiqing	Vice Chairman of the National Social Security Fund (formerly Vice Chairman of the China Securities Regulatory Commission)
Auditor	Hu Huaibang	Commissioner of Discipline Inspection, China Banking Regulatory Commission
Executive Vice President, Managing Director	Zhang Hongli	Deputy Minister of Finance
Vice president	Wang Jianxi	Vice Chairman, Central Huijin Investment Company
Vice president	Xie Ping	President, Central Huijin Investment Company
Vice president	Yang Qingwei	Head of Fixed Asset Investment, National Development and Reform Commission

Source: Nomura Institute of Capital Markets Research, based on data from the China Securities Journal, dated 8 October 2007

V. Conclusion

China is not the only country with government-affiliated institutional investors that tap foreign exchange reserves to make overseas investments. Years ago, Singapore established Temasek in 1974 and then in 1981 established the Government of Singapore Investment Corporation (GIC). More recently, the Korea Investment Corporation (KIC) was established in 2005. Norway is a well-known example of this is among the industrialized countries. Norway originally established a specialized investment division, Norges Bank Investment Management (NBIM), within its central bank, which has always been highly independent from the government. NBIM conducts overseas investments of not only foreign exchange reserves, but also of the government pension fund and the petroleum reserve fund.

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[17] Of the 11, three are full-time directors, five are part-time directors, one is an employee director, and two are outside directors.

[18] See http://www.cic-recruit.cn/

These government-affiliated funds backed by foreign exchange reserves and oil revenues, which have recently come to be known as sovereign wealth funds (SWF), are expected by some analysts to have a growing influence on global capital markets. Although governance and investment guidelines differ for each sovereign wealth fund, the market's attention is increasingly focused on the investment policies, information disclosures, and transparency of the new investment company set up by China, which has the world's highest foreign exchange reserves. In fact, a statement by the G-7 finance ministers and central bank presidents released on 19 October 2007 made special mention of sovereign wealth funds, noting the need for those funds to establish best practices in regards to organizational structure, risk management, transparency, and accountability, while asking the IMF, the World Bank, and the OECD to address a number of issues pertaining to sovereign wealth funds. It will be interesting to watch the direction taken by both the CIC and the NSSF, which has a longer history investing overseas.