Introduction

Is the recently announced Rs. 20 lakh crore stimulus big enough? Is this policy action the right way to go? How exactly are we going to pay for it? Who will be the chief beneficiaries? Will it affect the value of the Rupee? How will foreign investors react? What is the geopolitical implication of large government spending? Will the pandemic trigger a change in the global financial landscape?

Some of us may be curious to obtain an answer to some of these questions. The logical framework adopted to arrive at the above answers may be equally important to some others.

In the following article series I will answer these questions. Arriving at an answer to these questions is akin to judging a case on merit. It is useful to identify the facts in issue as a preliminary step. To fully appreciate the fact in issue we may need to understand the basic plumbing of the financial system. In the following sections, we will discuss the very basic constructs of our financial system and answer the above questions in terms of those constructs.

Banks

The ability to accept deposits repayable on demand is the characteristic test for the banking business. But banking is a special type of business that is endowed with the authority to create money(really?). Money is a valid and widely used consideration under common law contracts. Contract law forms the bedrock for most modern business activity

Let me set the context by narrating a recent episode that caused some anxiety within the local banking community.

The Yes Bank Episode

In August 2018, the RBI rejected the re-appointment of Rana Kapoor's as CEO of Yes Bank for a three-year tenure. By January 2019, a new CEO had been instituted.

The new CEO, Ravneet Gill failed to raise equity despite several attempts. Each such attempt exposed more ugly truths about the balance sheet emerged, pushing share prices further down.

In the third quarter of 2019, the Tirupati temple trust withdrew its deposits from Yes Bank worth Rs 1,300 crore.

The run of deposits out of Yes Bank was so dire that it asked for a postponement of its third quarter results (for FY20) up to 14 March 2020. The RBI knew that if these results came out, Yes Bank would look so bad withdrawals would only go up.

On March 5, 2020 RBI took over Yes Bank Board and withdrawal limit set to Rs. 50,000. *Was the RBI action legal?*

Under a subsequent rescue plan for Yes Bank, the State Bank of India (SBI) bought a 49 per cent stake in the crisis-hit bank at Rs. 10 per share, for a Rs 2 par value share, an investment of ₹7,250 crores. This essentially makes Yes Bank a private bank supported by a government bank.

The final reconstruction scheme for Yes Bank notified by the government on 13 March has locked in existing shareholders for a period of three years up to 75% of their shareholding. Also the AT1 bond are market to zero. *Is this action limited to Yes Bank or transmits to other industry participants as well?*

Some minority shareholders viewed this as a one-sided treatment and threatened litigation. *Is this a valid view?*

The Regulators

It is important to understand the role of the regulator because of the difference in their objectives. For example, RBI, as a banking regulator, aims to safe guard the interest of the depositors while MCA, an administrator of Company Law, aim to protect the interests of the shareholders.

RBI

The Banking business is regulated by the RBI and legislation such as the Banking Regulation Act 1949 that empowers the RBI to oversee the banking. **The main objective of banking regulation is to safeguard the interest of depositors**.

In August 2018, the RBI exercised its powers under Section 35 –AA of the Banking Regulation Act rejecting he re-appointment of Rana Kapoor's as CEO of Yes Bank for a three-year tenure

The RBI actually had the option to take the bank into its fold under the prompt corrective action framework but it hasn't exercised that option. The PCA framework involves monitoring the bank, put restriction on risky lending and nurse it back to health. Clearly, the government and the RBI don't want any bank to fail as there would be a chain reaction. Any failure of a bank generally leads to loss of trust in the banking system. In fact, it can impact the entire private sector banks which now have over 30 per cent market share in deposits and advances.

Several other powers are endowed by the act on the RBI in the interest of public, the depositor and the stability of the banking system.

On March 5, 2020 RBI exercised its powers under Section 45 of the Banking Regulation Act that empowers it to take over a bank and change its management. This was used for Yes Bank to remove the management and fix the share price. *How did this help fix the share price?*

MCA

The main purpose of Company Act 2013 is to protect the interest of shareholders.

Ministry of Corporate Affair is primarily concerned with administration of the Companies Act 2013, the Companies Act 1956, the Limited Liability Partnership Act, 2008 & other allied Acts and rules & regulations framed there-under mainly for regulating the functioning of the corporate sector in accordance with law.

An Investment banking firm, for example, that provides Corporate Advisory services may be established as a corporation.

SEBI

SEBI was established in 1992 under the provisions of the SEBI Act with the main purpose of maintaining stable and efficient markets in the country by creating and enforcing regulations in the marketplace.

By its very nature SEBI needs to be responsive to 3 groups which constitute the marketplace:

- the issuers of securities
- the investors
- the market intermediaries

SEBI acts as a watchdog for all the capital market participants and its main purpose is to provide such an environment for the financial market enthusiasts that facilitate efficient and smooth working of the securities market. To make this happen, it ensures that the three main participants of the financial market are taken care of, i.e. issuers of securities, investor, and financial intermediaries.

Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations of 2011 applies to direct and indirect acquisition of shares or voting rights in, or control over target company. This regulation requires a listed company to make an open offer to secure the interests of the minority shareholders. Yes Bank was a listed company and was subject to this regulation.

The share price would have been an amount that was an average of the last six months or so. That would have made it unaffordable for anyone to buy it and also amounted to unjust enrichment if the purchase was funded using public money.

On March 5, 2020 RBI exercised its powers under Section 45 of the Banking Regulation Act 1949 to take over the bank and render the SEBI rules redundant.

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY

IRDA is empowered by the Insurance Act, 1938 to regulate the insurance industry. The insurance industry is mandated to keep 50% of its investment portfolio in G-Sec and government approved securities. It is also one of the largest equity investor in several listed companies. Insurance companies employ Asset Liability Management techniques to match investment returns with actuarial liabilities.

Capital Markets

Consider a bank that needs to raise equity in India in the public markets. This would imply that the bank would have shareholders and hence need to be regulated by the ministry of corporate affairs. In addition, SEBI would oversee the activity of issuance of securities to investors. Hence a bank such as Yes Bank is regulated by the RBI in its capacity as a banking business, SEBI in its capacity as an issuer of securities and MCA in its capacity as a corporate entity.

Capital markets and banking both facilitate borrowing. Capital markets facilitate issuance of securities and banking facilitates issuance of loans.

Capital market borrowing is considered a privilege and a preferred mode of borrowing by some because most corporate debt has a call feature that allows borrowers to refinance at more favorable rates if interest rates fall. Additionally, a capital market lender is typically not empowered to take the borrower into default if an interest payment is missed. The credit of the borrower is however reflected in the bond price.

Capital markets lending is larger than bank lending in India. The following table provides approx. numbers:

Size	Capital markets			Banking
in	Corp	Govt	Equities	
lakh crores Rs.	Bonds	Bonds	Listed	
	31	60	160	166
Total	251			166

Capital Markets are much larger relative to the banking system in the US. In Europe and China traditional banking still occupies the bulk of lending activity.

Money

It is a common myth that only central banks can print money. While central banks are typically exclusively authorized to issue currency notes, currency notes form a very small fraction of the total money supply.   Most money is held in bank accounts. Every time a bank issues a loan it is effectively printing money.

Banks are typically setup as corporations with a profit motive to maximize shareholder value. That works for corporations but banks are really a special type of business, a business that is endowed with the power to print money. Can't the shareholders just print money to generate profits for themselves? This is where regulators come in. And regulators established and enforced Capital Adequacy Directives that require banks to provide a capital buffer in form of shareholder equity against their loan book. The Reserve Bank of India, the chief banking regulator in India, has adopted Basel III framework to regulate the Indian banking system.

Basel III

The Basel Framework is the full set of standards of the Basel Committee on Banking Supervision (BCBS), which is the primary global standard setter for the prudential regulation of banks. The membership of the BCBS, which includes the RBI, has agreed to fully implement these standards and apply them to the internationally active banks in their jurisdictions.

As per Basel III guidelines:

- CET1 or Common equity Tier 1 covers Share capital, Retained earnings and Share premium reserves.

- Additional Tier 1 capital is comprised of instruments that are not common equity. AT1 capital is a contingent convertible or hybrid security, which has a perpetual term and can be converted into equity when a trigger event occurs.
- Tier 1 capital is calculated as CET1 capital plus additional Tier 1 capital (AT1).
- Tier 1 Capital as a percentage of risk weighted assets forms the capital adequacy ratio (Also known as CRAR).

RBI has prescribed that banks are required to maintain a minimum total capital (MTC) of 9% of total risk weighted assets (RWAs) i.e. capital to risk weighted assets (CRAR). The framework issued by RBI prescribes maintenance of a minimum Tier-1 CRAR of 7% with a minimum CET 1 of 5.5%. Total Capital (Tier 1 Capital plus Tier 2 Capital) must be at least 9% of RWAs on an ongoing basis.

As per Basel III guidelines, in addition to the minimum Common Equity Tier 1 capital of 5.5%of RWAs, banks are also required to maintain a capital conservation buffer (CCB) of 2.5% of RWAs in the form of Common Equity Tier 1 capital.

Capital Conservation Buffer is designed to ensure that banks build up capital buffers during normal times (i.e. outside periods of stress) which can be drawn down as losses are incurred during a stressed period. The bank is under stress and hence, was not able to maintain the CCB in total CRAR of the Bank as stipulated by RBI.

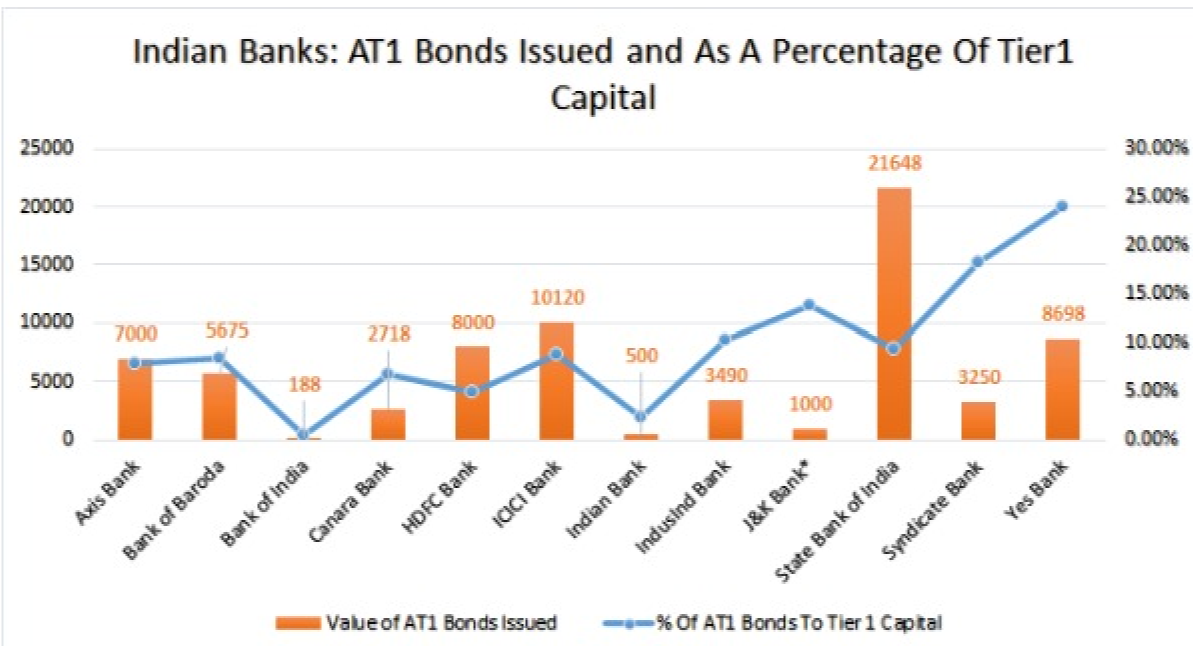
However, RBI in Oct 2019 deferred the implementation of the last tranche of 0.625%. Hence currently banks should maintain CCB of 1.875%.

AT1 capital

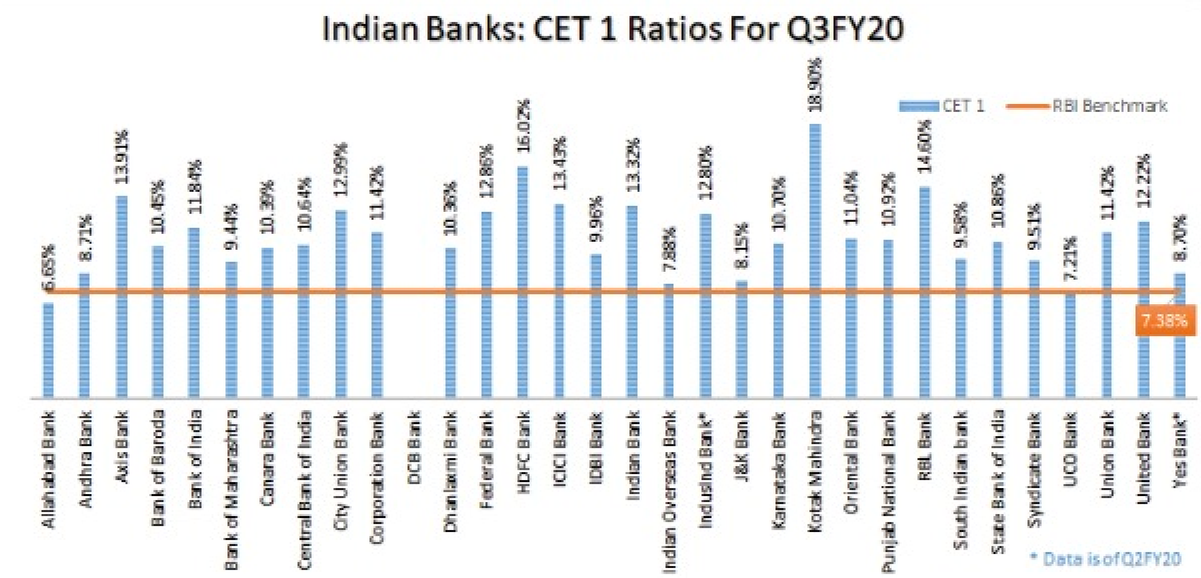
AT1 bonds were issued to shore up the capital to comply with Capital Adequacy Ratio guidelines of RBI. This is done primarily to avoid dilution that results from issuing common stock.

According to ICRA, a rating agency, Indian banks between them have issued Rs940bn ($12.7bn) in AT1 bonds with the share split between state and private banks. While most of the banks in India have not issued any AT1 bonds, but there are always some outliers.

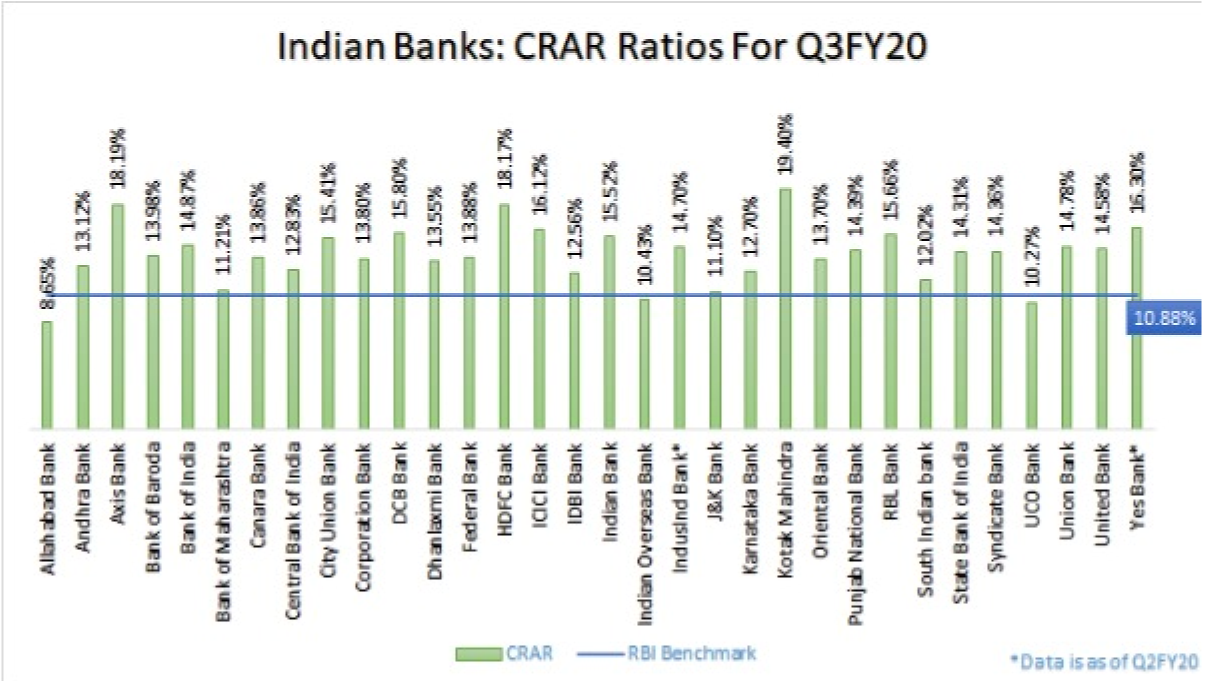
The banks with a high percentage (say above 15%) have depended heavily on Tier 1 bonds to maintain their capital adequacy.



RBI has mandated that around 7% of the risk weighted assets should be CET 1 capital. Below is the list of the banks with their respective CET 1 ratios.



Allahabad Bank and UCO Bank are below the benchmark line. The RBI also has mandated CRAR ratio for Indian Banks at 10.88% (including CCB). Below is the list of all banks with their respective CRARs:



The above data is from the Dec 2019 Basel III disclosures of the respective banks.

The banks below the RBI mandated CRAR of 10.88% need to raise more funds.

Allahabad Bank, Indian Overseas Bank and UCO Bank are the only three banks below the benchmark. Allahabad Bank is getting merged with Indian Bank (15.52%), so should be fine. Indian Overseas Bank and UCO bank either need to fresh infusion of equity or need to raise funds via issuing AT1 bonds. Considering trust deficit in AT1 bonds currently, the optimal way to go about it is via raising equity.

Collateral Damage

Private lender YES additional tier 1 (AT1) bonds worth Rs 8,415 crore have been written down to zero. The company informed stock exchanges on March 15, 2020:

“The perpetual subordinated Basel-III compliant additional tier 1 bonds issued by the bank for Rs. 3,000 crore on December 23, 2016 and perpetual subordinated Basel-III compliant additional tier 1 bonds worth Rs. 5,415 crore on October 18, 2017 have been fully written down and stand extinguished with immediate effect,”

This led to uncertainty in the bond market. The Basel III norms clearly states that in case a bank is under distress and requires financial restructuring then the supervisor (in this case RBI) can take a call to cancel off the Additional Tier 1 (AT1) Perpetual Debt Instruments (PDI).

The move by the RBI has therefore come as a shock to asset managers such as the Indian arms of Franklin Templeton and Japan’s Nippon, which in recent years stuffed mutual funds full of these higher-risk bonds, luring customers with the prospect of better returns.

On April 23, Franklin Templeton announced the closure of its schemes. The combined size of these six schemes was Rs 25,856 crore as on April 22.

We saw the Additional Tier 1 Bonds in Yes Bank written to zero (proposed) and

I the near future, banks will not be able to raise money by issuing AT1 Bonds. Even if they tried to do so, then the yields must be substantially higher considering the riskiness of the bonds. And if the yield is too high, you might as well issue shares instead.

Funding the stimulus package

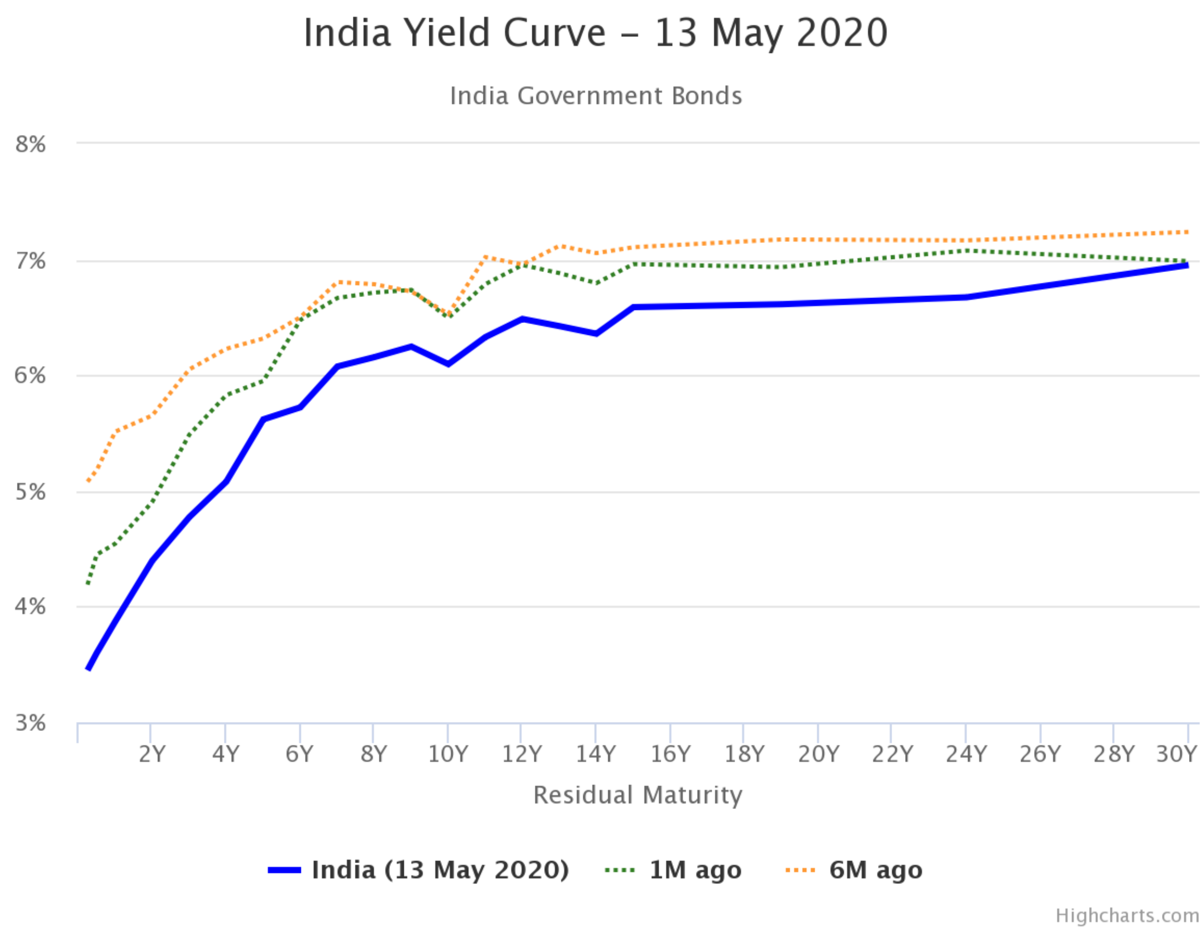
It’s worth exploring how the Fiscal Stimulus may be funded. The forthcoming supply of government bond may find demand from:

- Scheduled banks: To soak this supply of G-Secs the scheduled banks may have to expand their balance sheets. The good news is that most Scheduled banks are well within their *CRAR* ratios and seem to have the capacity to do so.

- Insurance Companies and Provident Funds: are a large source of demand for G-Secs but they are yield sensitive since they need to match their investment income to their insurance liabilities. LIC has net assets of more than Rs 31 Lakh crores and bought 2.81L in the last 10 months alone

- RBI: can bridge the gap if need be, in a classic western Quantitative easing model

A 20 lakh crore stimulus announcement has not moved the yield curve (see figure below):



Statutory Liquidity Ratio (SLR)

As per the Statutory Liquidity Ratio (SLR) norms, all SCBs (Scheduled Commercial Banks) shall maintain a uniform SLR on their total net demand and time liabilities (NDTL) in accordance with the method of valuation specified by the Reserve Bank of India from time to time. The SLR should be in the form of:

a)in cash, or
b) in gold valued at a price not exceeding the current market price, or

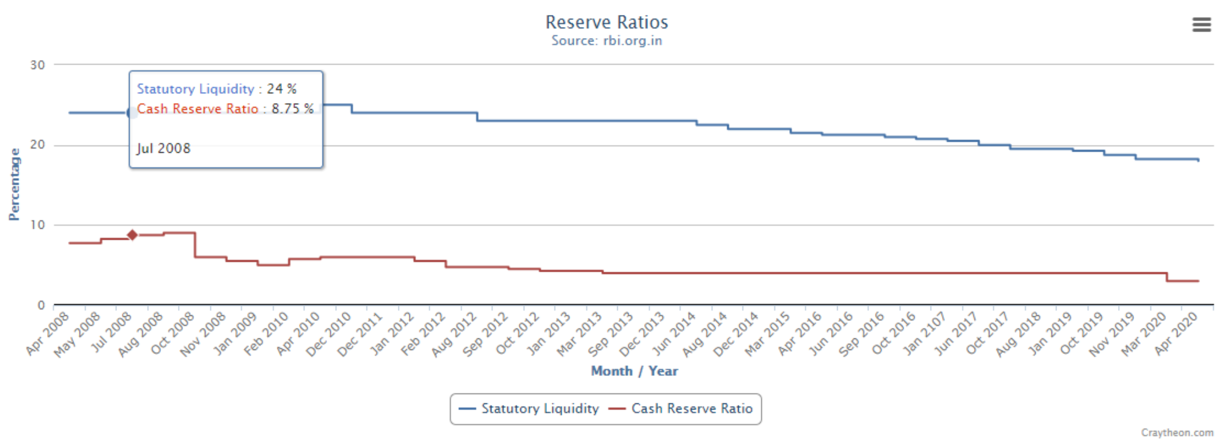
c) in unencumbered investment in the following instruments which will be referred to as “statutory liquidity ratio (SLR) securities”:

i. Dated securities of the Government of India
ii. Treasury Bills of the Government of India;
iii. Dated securities of the Government of India issued from time to time under the market borrowing programme and the Market Stabilisation Scheme;
iv. State Development Loans (SDLs) of the State Governments issued from time to time under their market borrowing programme; and
v. Any other instrument as may be notified by the Reserve Bank of India.

In most cases, the commercial banks are holding SLR in the form of government securities as the government securities will earn them a return in the form of interest payments.

Scheduled commercial banks hold approx. Rs. 39 lakh Crore worth of government debt out of approx. 60 lakh crore outstanding. The SLR and the CRR ratios have been declining since 2008. See figure below:

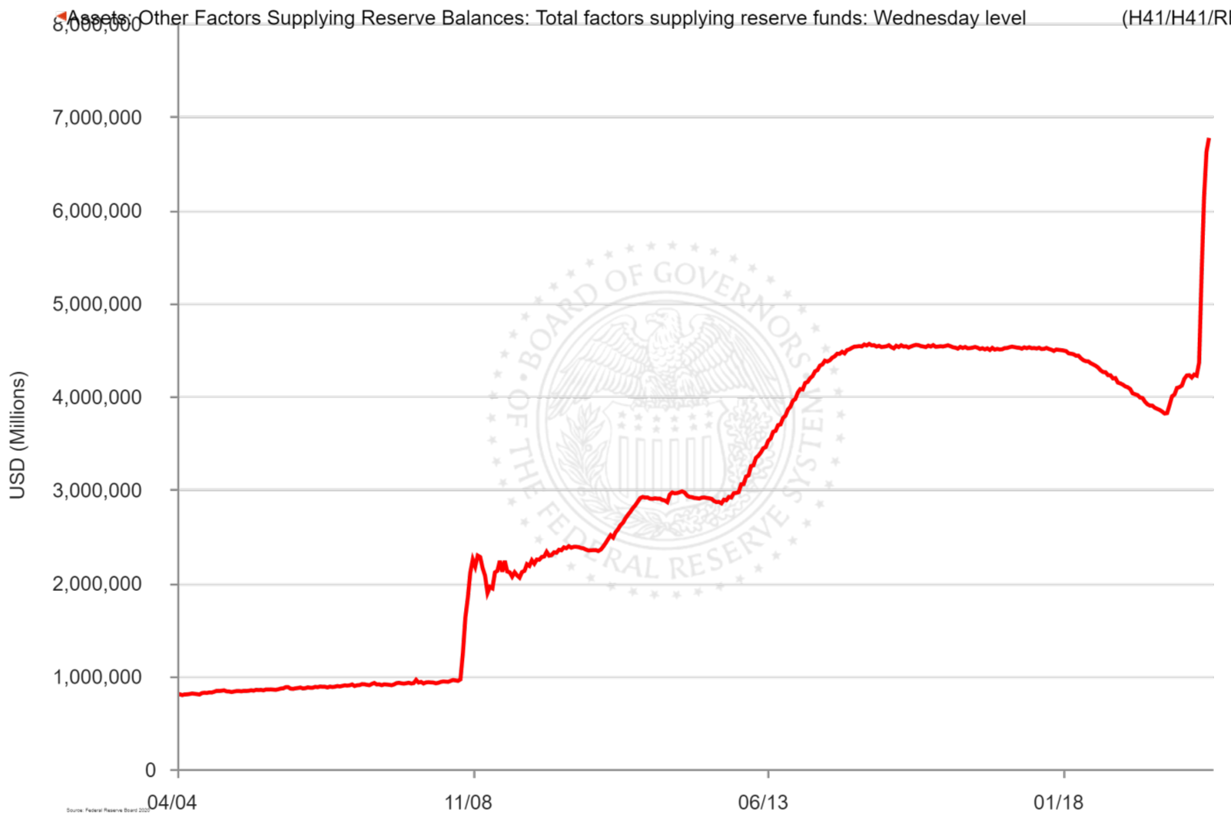
SLR Rate, CRR Chart



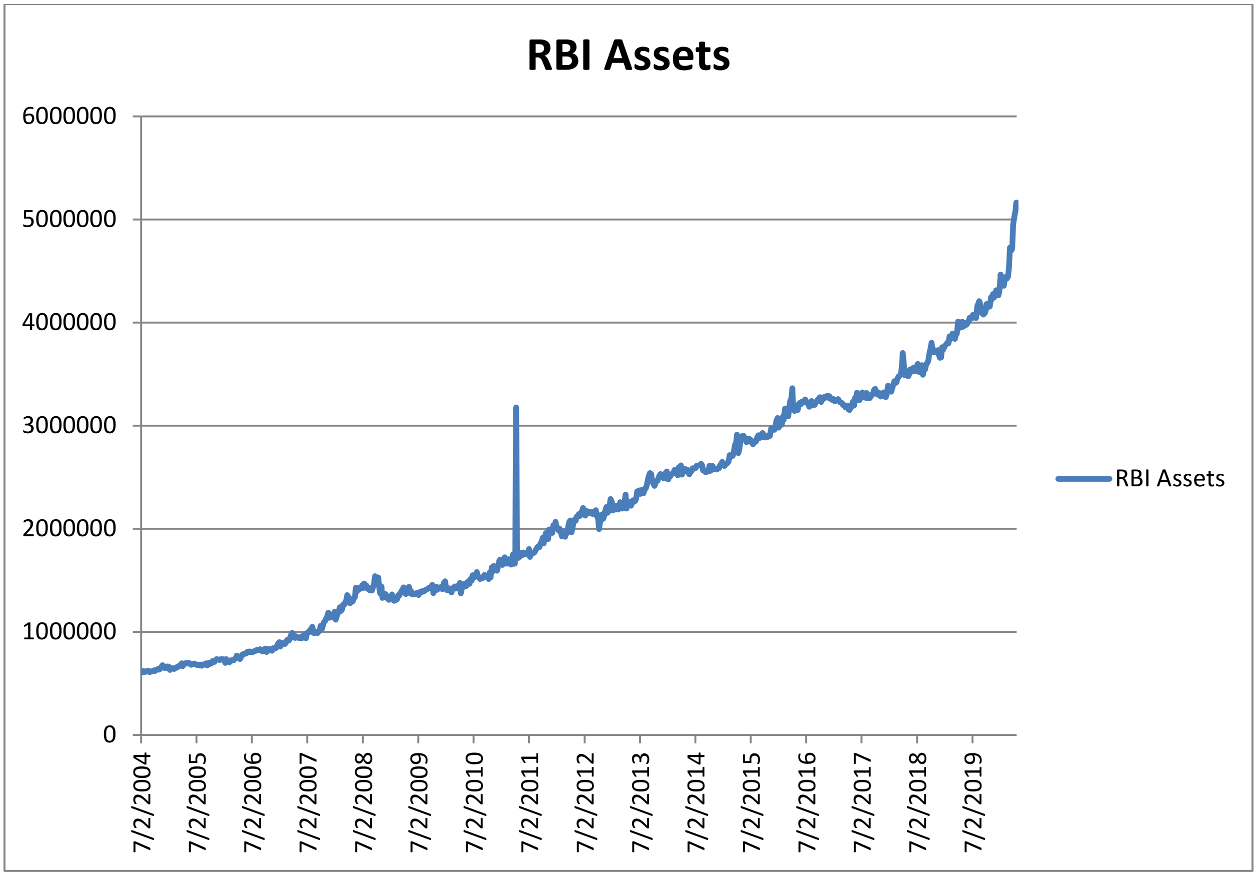
This indicates that the banks are largely well capitalized to fund the fiscal deficit.

Here it may be worth mentioning that central banks in the US have had to step in to fill the gap between the supply of government debt required to fund the fiscal deficit and private demand. The key difference, of course, is that US Commercial banks are not mandated to hold government bonds unlike Indian banks(*SLR*).

Fed balance sheet has ballooned in 2008 and now recently:



RBI Balance sheet is relatively stable:



The increase in the balance sheet is reflective of "emergency liquidity" measures that the central bank has to provide. The US experience teaches us that it is often impossible to roll back these "temporary liquidity" measures. Critics of the debt monetization approach argue that such measure entail a moral hazard and are, in fact, solvency measures designed to prop up zombie companies.

Foreign Portfolio Investors

FPIs have traditionally not been a big buyer of G-secs in the past. One of the reasons may be that most FPIs are USD based and like to hedge their Rupee exposure. Most hedging of INR is currently done in the offshore markets through instruments termed NDFs *(Non Deliverable Forwards)*.

In this regard the current environment may offer an opportunity for India to make G-Secs palatable to Foreign Portfolio Investors. Global interest rates are near zero in the developed economies of US, Europe and Japan and there is plenty thirst for yield. If India can provide an efficient channel to hedge INR exposure to FPIs, G-Secs may find an alternative source for demand.

Also this may be an important source of foreign exchange and help India's *International Investment Position*.

Non Deliverable Forwards

Trading volumes in emerging-markets currencies rose 60 per cent in the three years to April 2019, hitting nearly $1.6tn a day, according to the Bank for International Settlements. But most of that growth took place in derivatives contracts such as non-deliverable forwards, or NDFs — instruments heavily traded in major financial centres such as London that lock in exchange rates and pay out their value in dollars at a later date.

According to the BIS, an average of $35bn-worth of rupees is traded in India each day, while London handles $47bn a day — a good chunk of the $79bn a day across international centres. With the majority of trading happening outside of the RBI's watch, monitoring markets — and intervening if necessary — becomes difficult. Already, the RBI has sought to respond by allowing domestic banks to facilitate onshore rupee trades 24 hours a day and outside local market hours.

The Task Force interacted with representatives of various banks, financial institutions, large corporates in India and abroad, foreign portfolio investors, asset managers, industry bodies, experts and practitioners. The key recommendations of the Task Force are:

(a) To extend onshore market hours to improve access of overseas users;

(b) To permit Indian banks to freely offer prices to global clients around the clock;

(c) To enable Rupee derivatives (settled in foreign currency), to be traded in the International Financial Services Centers (IFSC) in India, to begin with on exchanges in the IFSC.

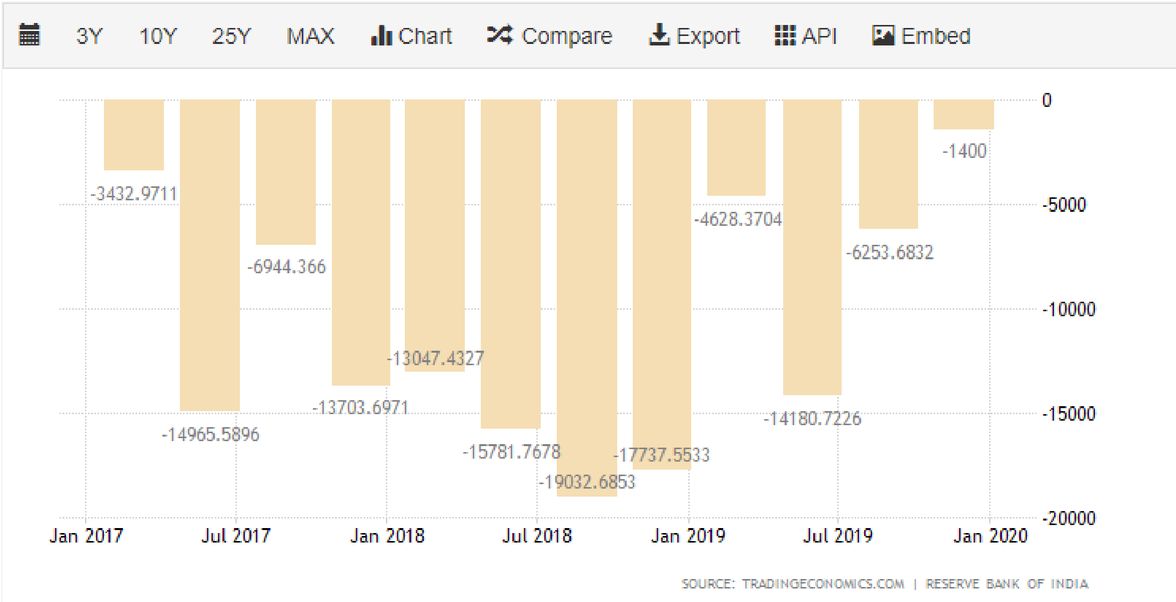
(d) To allow users to undertake forex transactions up to USD 100 million in OTC currency derivative market without the need to establish underlying exposure.

(e) To facilitate non-residents to hedge their foreign exchange exposure onshore by establishing a central clearing and settlement mechanism for non-resident transactions in the onshore market.

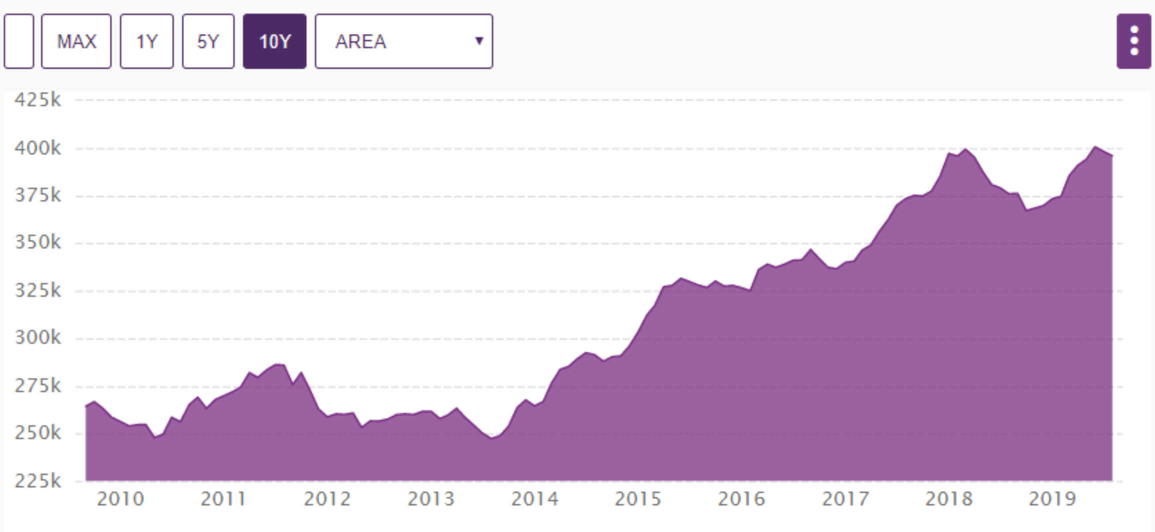
External Investment Position

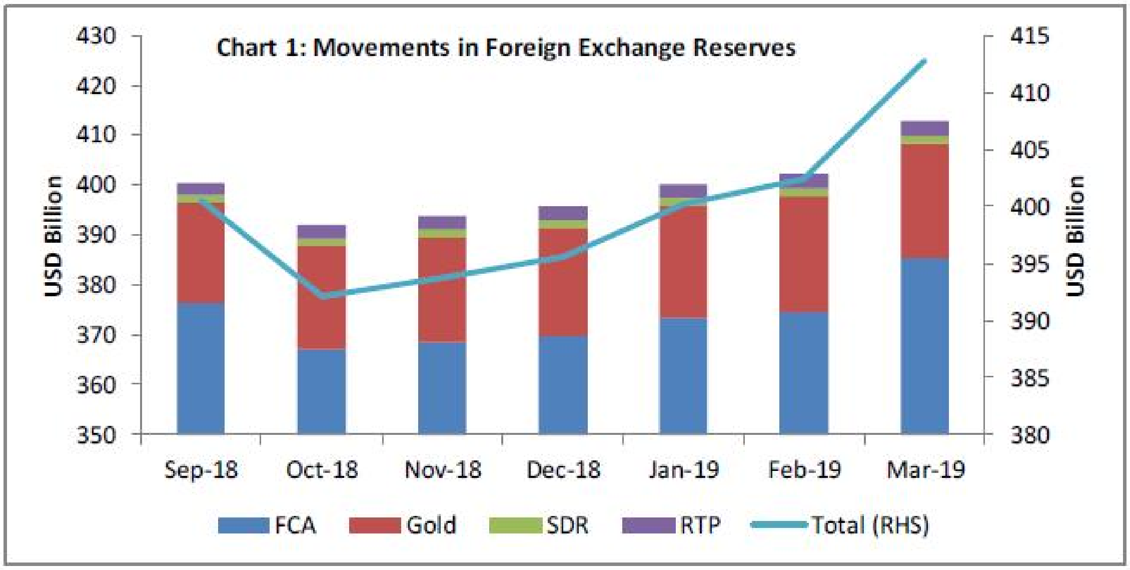
According to the RBI balance sheet India holds about Rupee 10 lakh crore in balances held abroad and 33 lakh crores in foreign securities (446.3 USD bn in Feb 2020) in balances abroad.

India runs a current account deficit that is funded by a combination of capital account surplus and FX reserves.



View India's Foreign Exchange Reserves from Apr 1989 to Feb 2020 in the chart:





The following table suggests that India funds its current account deficit through a net capital account inflow/surplus comprising of Direct Investments, Portfolio Flows and other investments

Table 3: International Investment Position of India *

(USD Billion)

Item		End-December 2017 (R)	End-December 2018 (P)
A. Total External Assets		613.5	603.8
1.	Direct Investment	155.2	166.2
2.	Portfolio Investment	2.9	2.7
3.	Other Investment	46.3	39.3
4.	Foreign Exchange Reserves	409.1	395.6
B. Total External Liabilities		1034.9	1035.5
1.	Direct Investment	377.3	386.4
2.	Portfolio Investment	267.4	245.8
3.	Other Investment	390.2	403.4
C.	Net IIP (A-B)@	(-) 421.4	(-) 431.7

P: Provisional, R: Revised;

@ Difference, if any, is due to rounding off.

*: Updated figures available only up to December 2018.

Other investments include remittances greater than $80B.

Adequacy of Reserves

At the end of December 2018, the foreign exchange reserves cover of imports stood at 9.1 months compared to 9.5 months at end-September 2018. The ratio of short-term debt (original maturity) to reserves, which was 26.1 per cent at end-September 2018, increased to 26.4 per cent at end-December 2018. The ratio of volatile capital flows (include cumulative portfolio inflows and outstanding short-term debt) to reserves increased from 88.4 per cent at end-September 2018 to 88.7 per cent at end-December 2018.

Gold Reserves

As at end-March, 2019, the Reserve Bank held 612.56 tonnes of gold, with 320.26 tonnes being held overseas in safe custody with the Bank of England and the Bank for International Settlements, while the remaining gold is held domestically. In value terms (USD), the share of gold in the total foreign exchange reserves increased marginally from about 5.08 per cent as at end-September, 2018 to about 5.59 per cent as at end March, 2019.

Credit Rating of India

S&P rates India at BBB-, which is the lowest investment-grade rating. Moody's Investors Service downgraded India's outlook to negative from stable in November though it rates the country a notch higher than S&P.

Sovereign credit risks transmit to financial institutions primarily through 4 channels: an asset holdings channel, a liquidity channel, a guarantee channel and a rating channel.

First, the asset holdings channel refers to the potential losses in a bank's balance sheet assets resulting from a deterioration in sovereign credit risk. Banks that have high sovereign debt exposures suffer more contagion from sovereign credit risk.

Governments put pressure on local banks to buy newly issued government debt at below market rates. As a result, the corporate lending of banks gets crowded out and the composition of the banks' assets changes dramatically with an increasing weight in sovereign debt holdings.

Second, the liquidity channel implies that sovereign financial distress reduces the value of the collateral to obtain short-term financing from the central bank and the interbank market. Positive sovereign rating announcement helps banks to access capital from the international interbank market at lower costs. Funding costs of banks in emerging markets are inversely related to the sovereign credit rating of the home country.

The third transmission channel of sovereign credit risk to financial institutions is the guarantee channel. The value of government guarantees depends crucially on the government's fiscal position. Banks traditionally benefited from an implicit (in some cases even an explicit) government guarantee which lowered the banks' funding cost. However, if the fiscal position of a sovereign deteriorates, so does the value of its government guarantees, which then increases the cost of funding

The fourth transmission channel of sovereign to financial institutions' default risk is identified as a rating channel, which implies that sovereign credit ratings have a strong spillover effect on the home country's bank ratings.

Williams et al. (2013) study the impact of sovereign rating actions on bank ratings in emerging markets and find that bank ratings in emerging countries closely follow the ratings of their home country, irrespective of the ownership structure of the bank (state-owned, foreign-owned, or local privately-owned). In a follow-up study, Williams et al. (2015) show that sovereign credit rating actions have a significant effect on emerging market bank valuations, especially when the rating action considers new rating information. The sovereign rating actions of S&P are found to have the biggest effect on bank valuation.

Demonetization

Under the lockdown during a recent trip to my local vegetable vendor informed me that he preferred cashless transactions and I was glad to avoid dealing with currency notes to settle my grocery purchases. Here are a few reflections from the demonetizations days.

It was on November 8, 2016 that the government announced the radical economic decision of demonetisation that invalidated designated bank notes (DBNs) of denomination Rs 500 and Rs 1,000.

The RBI, set the CRR limit to 100% on incremental deposits made at banks between September 16 and November 11. in a bid to tackle the "excess liquidity in the system" arising from the return of the demonetised Rs 500 and Rs 1,000 notes.

Later the RBI announced that around 99 per cent of demonetised currency came back into the banking system. The value of the demonetised currency on November 8, 2016 stood at Rs 15.44 lakh crore and notes worth Rs 15.28 lakh crore worth of demonetised notes were deposited into banks.

So is demonetization an unprecedented in the financial world? The answer is no. I describe recent incidents of demonetization in Switzerland and UK.

One of the world's most coveted currency notes, the Swiss franc, includes a feature that runs at odds with its reputation as a safe store of value: It has an expiration date--and for some notes, that is fast approaching.

Up to one billion francs's worth of 1970s-era bank notes are nearing their cutoff date, when they will unceremoniously make the switch from reserve currency to antique wallpaper as their value is wiped out unless the Swiss government intervenes.

So starting May 2020, people won't be able to exchange the roughly one billion francs's worth of 70s-era notes that are still out there. They will become worthless relics, the same thing that happened to bills going back to 1907.

It is tough to pinpoint exactly where the one billion in old francs is. Some notes likely vanished naturally, accidentally discarded or lost. Some could be with tourists or workers who left Switzerland with cash and never returned. In recent years, around 30 million to 40 million francs's worth of notes have been exchanged annually. There were still 1.1 billion francs of the 1970s-series notes in 2016.

The central bank doesn't get to pocket the unclaimed money and the Swiss have found an innovative use for it. Under a century-old law, the SNB transfers the equivalent amount worth of obsolete bank notes to a Swiss fund that insures against natural disasters like avalanches. It recently made money available to farmers and wine growers hit by an April freeze.

On March 1, 2018 Old paper 10-pound notes, featuring British naturalist Charles Darwin, went out of circulation across the UK as they were replaced by the new polymer version featuring British author Jane Austen introduced last year.
Anyone with the old banknote needed to deposit it at a bank as shops would refuse to accept them as they cease to be legal tender from midnight April 30, 2018. An estimated 211 million of the old notes remained in circulation on March 1, 2018, though most have been gradually replaced by the new, sturdier variety. The new notes, had been in circulation since September 2017,

BIS reports that there has been an 80% reduction in Indian money in Swiss banks under Modi government:

BIS, Comparison of Liabilities between 2017 - 2013 from India to Switzerland using Locational Banking Statistics (in millions of US dollars)

Year	Non-Banks (Loans and Deposits)
2017	**524**
2016	**800**
2015	**1,447**
2014	**2,234**
2013	**2,648**
% change (2013 to 2017)	**-80.2%**

Currency Wars

In 2022 winter Olympics China will allow foreign visitors to use eRMB to make payments and clear through their own settlement system in an attempt to replace SWIFT.

SWIFT (Society for Worldwide Interbank Financial Telecommunications system) is cooperative society owned by its members and headquartered in La Hulpe, Belgium. SWIFT is a vast messaging network used by banks and other financial institutions to quickly, accurately, and securely send and receive information, such as money transfer instructions.

The SWIFT system is a key logistical component of the global USD reserve currency.

RMB and Mercantilist versus Imperialistic approach to reserve currency

No nation has friends only interests -- Charles de Gaulle.

Much more on this in the next series.