

# **Hedging of exchange rates and interest rates in international reserves of the Central Bank of Bolivia**

**Cecilia A. Terán Morales**

## **Abstract**

As part of the diversification process, the International Reserves of the Central Bank are invested at different currencies and at different tranches; with the objective of reducing the market risk generated because of the new economic context, we have reviewed derivative instruments that can help us to limit that risk to which Bank reserves are exposed. In that sense this document will review the hedges of currency and interest rate risks for a possible application in the investment portfolios.

**Keywords:** *International reserves, Central Bank, derivative instruments, currency risk, interest rate risk*