

**IMF COMMITTEE ON BALANCE OF PAYMENTS STATISTICS**  
**RESERVE ASSETS TECHNICAL EXPERT GROUP (RESTEG)**

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**OUTCOME PAPER (RESTEG) # 2**

**CLARIFICATION OF FOREIGN CURRENCY**

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(1) **Topic:** Clarification of Foreign Currency

(2) **Issues:** See RESTEG Issues Paper #2

(3) **Outcome of the Discussions:**

(i) RESTEG members supported the principle of including only assets in convertible currencies in reserve assets and that the term “convertible” be further clarified by “freely usable for the settlements of international transactions.” “Freely usable” was preferred to “widely traded” as the latter might rule out currencies that are convertible but not widely traded. “Freely used” was not being used in a restrictive manner to include only the SDR basket currencies.

(ii) The discussion of currencies of neighboring countries was inconclusive. On the one hand, there was a firm view among RESTEG members that exceptions should not be made and that if a currency was not convertible, assets in that currency should be excluded from reserve assets. On the other hand, neighboring currencies may play a significant role in the balance of payments, and particularly trade, of reporting countries. Therefore, it could make sense from a risk management viewpoint to hold some assets in such currencies as reserves. RESTEG agreed that the secretariat would come up with some wording suggestions to deal with this issue, taking account of the ideas discussed, including that of a continuum that, at one end, might allow such assets to be classified as reserves, with, at the other end, narrowly defined convertible currencies, i.e., SDR basket currencies.

(iii) Some members emphasized the importance of information on the currency composition of holdings of foreign exchange currencies to indicate the extent to which assets that are not held in SDR basket currencies are included in reserve assets. RESTEG considered that there was a good case for the inclusion as a memorandum item to the IIP of the presentation of the currency composition as set out in the item IV.2(a) of the Data Template. This was already required of SDDS subscribers and would thus be extended to all IIP reporters if included.

(4) **Rejected Alternatives:**

None

(5) **Actions:**

*RESTEG outcomes to be incorporated in the draft Manual for IMF Committee on Balance of Payments Statistics (BOPCOM) review. Memorandum item to be considered by BOPCOM.*