

**Twenty-first Meeting of the  
IMF Committee on Balance of Payments Statistics  
Washington, D.C., November 4–7, 2008**

**Report on Reserves Assets**

**Prepared by the Statistics Department  
International Monetary Fund**

## I. INTRODUCTION

1. For the meeting of the IMF Committee on Balance of Payments Statistics (Committee) in Washington, D.C. in October 2007, the Reserves Assets Technical Expert Group (RESTEG) prepared a report that focused on the remaining reserves issues to be addressed by the Committee for the *Balance of Payments and International Investment Position Manual (BPM6)* and also discussed the way forward with updating the *Guidelines* for the Reserves Template.
2. With the work on *BPM6* coming to a conclusion, this short note only for information focuses on the update of the *Guidelines*.

## II. OVERVIEW OF THE WORK TO DATE

3. Last year the Committee was informed that the review of the *Guidelines* would start soon after the meeting, with the aim for posting them on the Fund's external website around the mid-2008 for a first review by RESTEG members. However in the event, progress has not been made as envisaged, primarily because of the intensive work on Sovereign Wealth Fund (SWF) issues, which involves the same staff as are involved in updating the *Guidelines*, and on finalizing *BPM6*.
4. In addition, IMF staff saw a need to look again at the Reserves Template itself, particularly with regard to activity in the futures markets, which has been identified as a gap in coverage. Some minor, but important, tidying up revisions to the Reserves Template are being proposed to the IMF's Executive Board in the context of the Seventh Review of the Fund's Data Standards Initiatives (Seventh Review). The Executive Board has to approve any changes to the Reserves Template.
5. Fund staff is now aiming to make progress on the revision of the *Guidelines* in early 2009, after the Executive Board has had an opportunity to comment on the proposed changes.

## III. CHANGES TO THE DATA TEMPLATE ON INTERNATIONAL RESERVES AND FOREIGN CURRENCY LIQUIDITY

6. As background, in early May 2008 the Executive Board considered the staff paper Review of Data Provision to the Fund for Surveillance Purposes, which is available at (<http://www.imf.org/external/np/sec/pn/2008/pn0860.htm>). The Directors agreed to change the treatment of reserve liabilities for the purposes of Article VIII, Section (5) of the IMF's Articles of Agreement to capture exchange-traded futures, including those settled in domestic currency. In the staff paper, Fund staff also indicated to the Board that they planned to revisit the treatment in the Reserves Template of these same instruments during the Seventh Review.

7. Although the terms of reference of RESTEG<sup>1</sup> indicated that there was no intention to change the Reserves Template, given the discussion and consequent amendment to Article VIII Section (5), it is proposed to close the gap in the Reserves Template for exchange-traded futures, settled in domestic currency, by making a small revision to the descriptor for Section IV.1 (b)<sup>2</sup> from “nondeliverable forwards” to “derivatives (forwards, futures, or options contracts).” RESTEG members were consulted on the proposed change and no objections were received.

8. The advantages of this approach can be summarized as follows: (i) the reporting of both exchange-traded futures and options settled in domestic currency would be clarified; (ii) the approach is the same as in Section II.2 where foreign exchange settled forwards and futures are covered, and as in Section IV.1.f, where derivatives with a residual maturity of over one year are covered; and (iii) there is full consistency with the revised wording agreed by Directors in the Review of Data Provision to the Fund for Surveillance Purposes.

9. The drawback to this change is that the information specific to nondeliverable forwards (NDFs) would not be separately identifiable. However, similar to the approach in paragraph 176 of the *Guidelines*, it is proposed that an identification of the type of derivative be requested in the country notes if data are reported in this item.<sup>3</sup> In the revised *Guidelines*, the issue of futures settled in a foreign currency will be addressed by expanding paragraph 175 to request that additional data be provided in the country notes (the same as for NDFs in paragraph 176).<sup>4</sup>

10. Given the decision to approach the Executive Board on this matter, IMF staff looked closely at the Reserves Template, and saw a good opportunity to propose some other “tying-up” changes:

- Within Section III. 3. there are two main items: a) undrawn unconditional credit lines provided *by*; and b) undrawn unconditional credit lines provided *to*. It is proposed to make a clear distinction between these two items by labeling the second item as Section III.4, and to add additional rows under both items for the reporting of data on “other international organizations.”

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<sup>1</sup> BOPCOM, Reserves Assets Technical Expert Group (RESTEG), Terms of Reference, Prepared by the IMF Statistics Department, October 2005.

<sup>2</sup> Section IV (1) (b) intends to cover exposures in derivatives settled in domestic currency only. “Ordinary” forwards and swaps should not be covered in Section IV (1) (b) because there is always a forex leg to these transactions, and so are covered by Section 2 of the Reserves Template.

<sup>3</sup> Footnote 13 of the Data Template already allows for this, asking for identification by type of instrument for item IV. 1 (b), but this idea could be further specified in the *Guidelines*.

<sup>4</sup> The approach would be to request that the notional value of contracts related to foreign currency futures, by short and long positions, be reported in the country notes accompanying the data in Section II.2.

- Within Section IV(1)(f), it is proposed that the words “which are subject to margin” be deleted from the descriptor as the *Guidelines* call for all derivatives with a residual maturity of over one year to be reported regardless of whether they are subject to margin or not (paragraph 244); and
- Section IV(2) indicates that data on the currency composition of reserves are “to be disclosed less frequently.” It is proposed that the frequency be specified by indicating that the reporting should be done at least once a year, as presently reported by all subscribers to the Special Data Dissemination Standard, and as indicated in the *Guidelines* (Box 1.2, page 12).

11. There are no plans by IMF staff to propose any other changes to the Reserves Template.

#### **IV. WORK AHEAD**

12. The Executive Board is expected to meet to discuss the Seventh Review in December. Thereafter, Fund staff plan to update (not redraft) the *Guidelines* to take account of *BPM6* and of staff experience accumulated in monitoring SDDS subscribers’ observance of the Reserves Template. As agreed last year, this work is to be conducted through the RESTEG.

13. A report on progress will be provided to BOPCOM members at the next meeting of the Committee.