

**Twenty-Third Meeting of the
IMF Committee on Balance of Payments Statistics
Washington, D.C.
October 25–27, 2010**

Update of the Reserve Assets Template Guidelines

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

I. INTRODUCTION

1. The IMF Committee on Balance of Payments Statistics (Committee) was informed at its November 2009 meeting that the review of the *International Reserves and Foreign Currency Liquidity: Guidelines for a Data Template (Guidelines)* would gain momentum in the middle of 2010. A consultative process is underway now. As noted during the 2009 Committee meeting, an important element of the consultative process involves reconvening the Reserve Assets Technical Expert Group (RESTEG),¹ and this was completed in September 2010. A draft schedule (Appendix I) for updating the *Guidelines* has been developed. The schedule calls for preparing a pre-publication draft of the *Guidelines*, for posting on the IMF website by December 2011.

II. BACKGROUND

2. During the period since the *Guidelines* were released (2001), the IMF has identified several places where the text might be improved or augmented. Although the Data Template itself was modified in December 2008 as a consequence of amendments to Article VIII section (5) of the IMF Articles of Agreement, the *Guidelines* have not been revised since 2001. In addition to the changes necessary to ensure consistency with the Data Template itself, some clarifications to the *Guidelines* are needed. Such clarifications are necessary to be consistent with the text of the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)*, and to “tidy up” the language in the *Guidelines* in a few instances where the text may be unclear. (The need for tidying-up revisions was brought to the attention of, and approved by, the IMF Executive Board during the Seventh Review of the Fund’s Data Standards Initiatives in December 2008.)

3. In regard to the revisions to the Data Template itself, in December 2008, the IMF Executive Board saw the need for closing the gap in the Reserves Template for exchange-traded futures settled in national currency. (It should be noted that the Terms of Reference of RESTEG² notes that there were no intentions to change the Reserves Template, and so RESTEG members were consulted on the proposed changes to the Data Template. No objections were received.) The changes in the Reserves Template became effective in August 2009 (as detailed in BOPCOM-08/25).

4. During the discussion of Data Template issues, the Board agreed with the IMF staff’s proposal to update (not to completely redraft) the *Guidelines* to take account of *BPM6*, of

¹ See Summary of Discussion, BOPCOM-09/28, paragraph 128.

² BOPCOM, Reserves Assets Technical Expert Group (RESTEG), Terms of Reference, prepared by the IMF Statistics Department, October 2005.

staff experience in monitoring submission of the Data Template by SDDS subscribers, and of new developments in the areas of reserve assets and international liquidity.

III. OVERVIEW OF THE WORK TO DATE AND CURRENT ACTIVITIES

5. During the consultative process for updating the *Guidelines*, RESTEG will play an important role supporting the IMF's work. The recently reconstituted RESTEG comprises about 25 members representing monetary authorities involved in the compilation of balance of payments statistics and international reserves, as well as participants from other international agencies, and from other departments of the IMF, involved in the analysis of international reserves. (Appendix II lists the agencies represented in the newly reconstituted RESTEG.) The review process will also include consultations with other interested parties world-wide.
6. The RESTEG Secretariat does not anticipate holding physical meetings during the consultative process; comments will be collected primarily through electronic means. The main working document will be the electronic version of the *Guidelines* text that includes edits clarifying and expanding key issues in relevant paragraphs. The intention is to maintain the current numbering of paragraphs in each chapter, but additions and text redrafts will be the core of the update. In addition, one or more annexes, appendices, or boxes may be added. For example, an appendix may be introduced that would incorporate a set of FAQs that help clarify the definition of reserve assets.
7. There may be cases in which reserve asset issues that are not currently considered in the *Guidelines* would need to be mentioned and guidance provided. For some of these cases, new sections may need to be developed (although, as noted above, the intention is to maintain the numbering and sequence of paragraphs in the text). Also as noted above, it is envisaged that expanded guidance for some specific issues could be provided by introducing selected boxes.
8. Some changes will arise from the clarifications in *BPM6* pertaining to reserve assets as well as from other sources. (For example, several issues pertaining to the *Guidelines* were brought to the Committee's attention in BOPCOM-05/70, but these issues have not been addressed with revised text.) A list of issues is set out in Appendix III of this document. Proposed text that addresses these issues will be included in the draft updated *Guidelines* that is scheduled to be provided to RESTEG members in December 2010.
9. The first draft of the updated *Guidelines* for world-wide comments will be prepared around January 2011, with the expectation that a second draft will be available to RESTEG in June of the same year. After a second round of comments and with the agreement of RESTEG, a pre-publication draft will be available on the Fund's website at the end of 2011.

IV. WORK AHEAD

10. The work schedule of RESTEG, as set out in the current timetable, is intense but on track (see Appendix I). Since many of the proposed additions/modifications to the paragraphs of the *Guidelines* have been already identified, we hope to maintain this somewhat ambitious schedule. As noted, under the schedule, RESTEG will receive the first draft of the updated *Guidelines* in December 2010 (updates to the current text plus new boxes/appendices).
11. A report on progress will be provided to Committee members at its meeting in 2011.

Timetable for Updating the Reserve Template Guidelines (*Guidelines*)

Actions	Timetable
Reconstitute RESTEG: Contact current RESTEG members and based on feedback, fill vacancies as needed	September 2010
Report to BOPCOM on plans for updating the <i>Guidelines</i>	October 2010
Prepare the first draft of updated <i>Guidelines</i> (updates to the current text plus new boxes/appendices) and share it with RESTEG members ³	December 2010
Prepare the first draft of updated <i>Guidelines</i> for world-wide comments	January 2011
Comments received on first draft	March 2011
Prepare second draft and share it with RESTEG members	June 2011
Prepare second draft for world-wide comments	July 2011
Comments received on second draft	September 2011
Prepare pre-publication draft in the form of a PDF file posted on the IMF website (w/o index; nonsubstantive editing required)	December 2011
Inform the Board of the update and availability of pre-publication draft	December 2011
Prepare hardcopy (including index) in all Fund languages	Based on EXR and TGS schedules

³ An electronic discussion forum is envisioned and not a physical meeting.

**Reserve Assets Technical Expert Group—List of Agencies Represented as of October
2010**

Organization

IMF

Central Bank of Bahrain

Banco Central do Brasil

Bank for International Settlements

European Central Bank

Deutsche Bundesbank

Hong Kong Monetary Authority

Magyar Nemzeti Bank

Bank of Japan

Japan Ministry of Finance

Bank of Korea

Banco de México

Central Bank of the Russian Federation

Monetary Authority of Singapore

South African Reserve Bank

Bank of England

Board of Governors of the Federal Reserve System

Appendix III

Issues to consider in updating the *Guidelines*

This appendix identifies selected issues pertaining to the update of the *Guidelines*. They are largely drawn from the feedback and questions STA has received on the Data Template.

1. Section 1

- 1) It should be elaborated in the *Guidelines* that foreign currency claims of the monetary authorities on itself or on the central government should be excluded from Section I. B. For example, central bank holdings of central government bonds should be excluded. The treatment of claims on other parts of the public sector should be clarified.
- 2) Paragraph 75 says that “reserve assets include only certain financial instruments”, but there is no class of financial instrument excluded from reserves. The text can be made consistent with *BPM6* (paragraph 6.76).
- 3) Paragraphs 84–85 – the discussion of repos can be reviewed, emphasizing the treatment of the cash provider and the securities lender, as this is a complex topic on which various issues have been raised.
- 4) Paragraph 109, last sentence – The reference to foreign currency securities issued by institutions located in the reporting country being included in official reserve assets should be reviewed in the light of the residence concept in *BPM6*. Paragraph 62 of the *Guidelines* is similarly to be reviewed.
- 5) Paragraph 125, 4th bullet – should be further analyzed to avoid confusion. In particular, “intent” should not be a factor in determining whether an asset meets our definition of reserves. More precisely, whether the intent is to trade or retain pure gold as an investment, the gold would qualify as a reserve asset if it is pure and readily available at the time of a balance of payments need.
- 6) The concept of working balances abroad of government agencies in Section I.B. (paragraph 125), should be made consistent with *BPM6* (paragraph 6.112).

2. Sections II and III

- 1) The sentence in paragraph 140 that “in addition only inflows that are expected to be received should be reported” and the sentence in paragraph 166 that “inflows the authorities do not expect to receive should not be included” has led to the *Guidelines* being misinterpreted on the question of predetermined inflows, and a number of countries have

incorrectly included the potential future disbursement of funds in Section II. So these texts should be reviewed and clarified as to what predetermined means.

- 2) Timing (paragraph 39), valuation (paragraphs 32-34), and conversion issues should be clarified with the inclusion of practical examples. Drains should be recorded on a due for payments basis, not on an accrual basis. The distinction between predetermined and contingent (sections II and III) could be clarified—for example, the treatment of deposits held under reserve requirements (paragraphs 161 and 197) should be clarified.
- 3) The accounting for guarantees, with and without collateral, should be clarified, particularly to avoid confusion with cases of encumbered assets (paragraphs 193-195).
- 4) Paragraph 212 – Review the guidance on reciprocal currency arrangements in the light of events in the recent global financial crisis. (More specifically, in some cases of reciprocal credit lines, each central bank may need to report the credit line as “provided by” the other central bank, and neither central bank may need to report it as “provided to” the other, because they are lending their own currency and not foreign exchange to one another.)
- 5) Paragraph 215 – Review the wording of lending to the Fund’s trust accounts within the context of creation of new trusts and new lending arrangements.
- 6) Paragraph 227 – It is incorrect to say that the notional amount is the maximum exposure under an option contract (for some contracts, the exposure is unlimited). For example, if the writer of a put option must deliver an underlying security that it does not possess, it must acquire that security at current market prices, which could be higher than the notional amount of the option (which is based on its strike price per unit and number of units).
- 7) A description of the relationship between reserve liabilities and Section II (predetermined net drains) and Section III (contingent net drains) could be considered (possibly to be included in an appendix).
- 8) Clarify the treatment of foreign currency swaps by central banks with residents in Section IB., within Chapter 2, and the links with Sections II and IV.
- 9) Be clear that maturity depends upon when the contract falls due irrespective of whether the expectation is that it will be rolled over (paragraph 139).
- 10) Further clarification could be added on why non deliverable forwards should be clearly identified in the country notes and recorded at notional value (paragraph 176).
- 11) A further explanation could be added in Section III on the treatment of unconditional credit facilities arising from membership by countries in regional pooling arrangements (paragraph 216).

12) Is further clarification needed on the reporting of repos in Section II and explanation on the use of the signs (+/-) (paragraph 151)?

3. Section IV

- 1) The relationship between reporting of derivatives in Sections I, II, III, and IV could be elaborated as the relationship among sections can be used as a cross-check.
- 2) The recommended treatment in paragraph 85 (ii) of the *Guidelines* for reverse repo and a repo asset results in recording one transaction in both “I.A.5 Other Reserve Assets” and “IV. (1). (d) (securities) borrowed or acquired but not included in Section I.” when the relevant repo asset is liquid and available upon demand to the authorities. This description is not contradictory but could be further clarified.
- 3) Should gold swaps be separately identified as a footnote to Section IV (1)? The *Guidelines* mention the recording of gold swaps in the Data Template in paragraphs 98, 100-101, 178, 258; however, detailed information on swapped gold is not required.
- 4) Should country risk be addressed in more detail beyond paragraph 246 through encouraging the provision of more detailed information on reserve composition through country notes?

4. Other issues

(1) *Currency unions*

Definition and allocation of reserve assets and reserve related liabilities in a currency union are discussed in *BPM6* paragraphs A3.29–A3.30. Should these be elaborated in the *Guidelines*?

(2) *Dollarization*

Should the *Guidelines* discuss recording issues for countries for which the dollar (or another foreign currency) is legal tender drawing on *BPM6*? Should reserve related liabilities in dollarized economies be separately elaborated also drawing on *BPM6*?

(3) *Alternative treatments*

For some issues, the reserves template accepts alternate treatments and requires descriptions on specific treatments in country notes. This may impair comparability of the data. In addition, since country notes are often insufficient or

not provided, the transparency of the data could be impaired. Should this be addressed in some fashion?

(4) Introduction of “dual template”

If data of monetary authorities and central governments are reporting separately, such issues as the consolidation vs. aggregation of drains, and positions between monetary authorities and central government could be addressed.

(5) Boxes

- i. Box 4.1– Last sentence (“Bought calls and written puts reflect potential inflows, hence, long positions.”) is incorrect in some cases. For example, a nonreserve currency (such as the domestic currency) could be underlying these options, in which case exercise would not lead to foreign currency inflows.
- ii. Box 4.2 – May need improvements to the definitions of notional value, long and short positions, etc. For example, the definition of notional value pertains only to foreign exchange options, whereas there are other types of options and of derivatives. The definitions of long and short positions make the assumption that a reserve currency underlies these instruments.