



# Balance of Payments Statistics

A NEWSLETTER FROM THE BALANCE OF PAYMENTS AND EXTERNAL DEBT DIVISIONS • STATISTICS DEPARTMENT • IMF

## The SDDS and the New Architecture for the International Monetary System<sup>1</sup>

**T**here is widespread agreement that the adoption of internationally accepted standards, or codes of good practice, can make an important contribution to the better working of markets and a strengthening of the architecture of the international monetary system.<sup>2</sup> Allowing market participants to compare information on potential borrowers against agreed benchmarks is seen to lead to better informed lending and investment decisions. To the extent that the goals and instruments of policy are known publicly and that country authorities are credible in their commitments, standards should increase the accountability of policymakers and contribute to improved economic performance.

The Report of the G-22 Working Group on Transparency and Accountability (October 1998) noted that, while no one organization has the requisite expertise and resources to assess the observance of all relevant standards, the IMF, as part of its mandate to conduct surveillance over its members' economic policies, should prepare a transparency report "that summarizes the degree to which an economy meets internationally recognized disclosure standards." This view was endorsed subsequently by G-7 Finance Ministers and Central Bank Governors on October 30, 1998.<sup>3</sup>

By highlighting actual practices and identifying those in need of improvement, transparency reports could reduce the likelihood that market participants are uninformed or misled and enhance the credibility of those national authorities following sound practices. In doing so, such reports may contribute to better economic performance while also reducing the frequency and severity of future crises. In considering what role the IMF might play in monitoring international standards, the Fund's membership decided that the institution should concentrate mainly on its core areas. These include both areas in which it plays a lead role in developing the standard—data dissemination, fiscal transparency, and monetary and financial policy transparency—and areas where other institutions have taken the lead in developing standards but which are key elements of the IMF's work, such as banking supervision. In the area of data dissemination, the IMF has developed the Special Data Dissemination Standard (SDDS) as a "best practice" standard for countries active in or seeking access to international capital markets. (The SDDS can be accessed from the IMF website at <http://www.IMF.org>.) In the other core areas, the codes of good practice and banking supervision standards apply more broadly across the membership. (See page 4 for the IMF website for these codes.)



Volume VII, Number 1  
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*Continued on page 3*

# Contents

The SDDS and the New Architecture for the International Monetary System	1
Data Template to Help Strengthen the International Financial Architecture	5
IMF Consultation Paper Regarding Proposed SDDS Specification for External Debt Statistics	16

**IMF Balance of Payments Statistics Newsletter • Volume VII, Number 1 • Midyear 1999**  
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in this newsletter do not necessarily reflect the official views of the IMF. Draft submissions are welcome and should be addressed to Anne Y. Kester, Editor, IMF Balance of Payments Statistics Newsletter, Balance of Payments and External Debt Division II, Statistics Department, Room IS5-300, International Monetary Fund, Washington, D.C. 20431, U.S.A. Telephone: (202) 623-7922 • Fax: (202) 623-8017.

Continued from page 1

What does the preparation of transparency reports mean in practical terms? Since they have never been done before, the IMF is experimenting with different approaches. Country studies to explore practical issues involved in monitoring and reporting on the observance of internationally recognized standards already have been prepared for Argentina, Australia, and the United Kingdom, and reports for an additional four to six more countries should be completed before September 1999.<sup>3</sup> The first three reports were prepared with close cooperation between IMF staff and the country authorities, but in each case a somewhat different approach was used. The Australian report was a self-assessment prepared by the authorities with input from IMF staff. The Argentine and United Kingdom reports were prepared by IMF staff, based on information provided by the authorities.

The choice of countries included in the first round of reports was dictated by pragmatic considerations, and all three are SDDS subscribers. The second round of reports is likely to cover countries where the implementation of standards is not as advanced, including some that are not generally considered to be among the countries to which the SDDS was targeted. These latter countries thus raise the issue of how a standard is to be applied.

The need for countries to adhere to internationally recognized standards in a broad range of economic and financial areas is a central theme of the new architecture initiative. This theme, and the other elements of the new architecture, come together in the Fund's newly approved financing arrangement, the Contingent Credit Line (CCL). The CCL is intended to provide countries that have a strong economic policy record with a precautionary line of defense in the event that their economies are hit by international financial contagion. As one might expect, the criteria for qualification for the CCL are demanding and include the requirement that the country "would have subscribed to the SDDS and be judged to be making satisfactory progress towards meeting its requirements."

Thus, through the transparency reports and the CCL, the new architecture aims to strengthen the incentives for the adoption of international standards—including the SDDS. Observance of these standards can make an important contribution to strengthening the international financial system.

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<sup>1</sup>This paper was presented by Carol S. Carson, Director of Statistics Department, IMF, at the forty-seventh plenary session of the Conference of European Statisticians, organized by the Statistical Commission and Economic Commission for Europe, 14–16 June 1999 in Neuchâtel, Switzerland. Claire Liuksila and Bob Di Calogero of the IMF's Statistics Department contributed to this paper.

<sup>2</sup>See for example, the Summary of Reports on the International Financial Architecture prepared by the G-22 (October 1998), the Declaration of G-7 Finance Ministers and Central Bank Governors (October 30, 1998), the APEC Leaders' Declaration (November 18, 1998), and the Communiqué of the Interim Committee of the Board of Governors of the International Monetary Fund (April 27, 1999).

<sup>3</sup>For more information about transparency reports, see Experimental Case Studies in Transparency Practices (April 1999) on the IMF's web site: [www.imf.org/pubs/ft/series/02/index.htm](http://www.imf.org/pubs/ft/series/02/index.htm).

*The new  
architecture  
requires greater  
disclosure*

*... and the IMF  
will promote it  
through the SDDS  
and other  
standards*

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## **Codes on Fiscal and Monetary and Financial Transparency**

Information on the codes for fiscal and monetary and financial transparency is available on the IMF website at [www.imf.org/external/standards/index.htm](http://www.imf.org/external/standards/index.htm).

The IMF's fiscal transparency site provides access to the *Code of Good Practices on Fiscal Transparency -- Declaration on Principles*, which the Interim Committee of the Board of Governors of the IMF adopted in April 1998; the *Manual on Fiscal Transparency*, which provides guidance on the implementation of the Code; a questionnaire to help assess how a country's fiscal management practices compare with the standard set out in the Code; and an outline of a self-evaluation report on fiscal transparency.

The monetary and financial transparency site provides the *Code of Good Practices on Transparency in Monetary and Financial Policies*. At a later date, a supporting document to the Code will also be posted on the site. The document will provide a full description of each transparency practice, its rationale in the context of transparency, where and how it is practiced (including alternative ways to achieve the objective), and some of the practical considerations in implementation.

## Reserves Template to Help Strengthen the International Financial Architecture

**T**he International Monetary Fund (IMF) and a working group of the Bank for International Settlements (BIS) Committee on the Global Financial System (CGFS) of the Group of Ten central banks have jointly developed a new data template for the use of countries in reporting on their international reserves and related information. The template is based on an innovative framework that integrates data on balance sheet and off-balance sheet activities, together with supplementary information. Its aim is to provide a comprehensive account of countries' foreign currency assets and demands on such resources arising from various foreign currency liabilities and commitments of the authorities. The public disclosure of such information by countries on a timely and accurate basis will promote informed decision making in the public and private sectors, indirectly improving the functioning of global financial markets.<sup>1</sup>

The template is a prescribed component of the Fund's Special Data Dissemination Standard (SDDS), which the Fund established in 1996 and to which countries may subscribe on a voluntary basis. (See also the previous article on The SDDS and the New Architecture for the International Monetary System.) The SDDS provides a standard for good practices in the dissemination of economic and financial data.

In consultation with its member countries, the CGFS, and the European Central Bank (ECB), the IMF currently is developing operational guidelines for the data template. The guidelines will assist countries in using the data template by clarifying data concepts, definitions, classifications, and the accounting treatments of certain complex financial instruments. The IMF will disseminate the guidelines, which also are intended to promote data comparability across countries, toward the end of this year.

This article highlights aspects of the template of interest to policymakers, national statistical compilers, market participants, and other users. It notes the underlying concepts of the data template, its structure, and key features.

### Purpose of the Template

Recent international financial crises have underscored the importance of disseminating additional information on countries' international reserves positions and foreign currency liquidity on a more timely basis. Deficiencies in such information have made it difficult to forestall and resolve crises by obscuring financial weaknesses and imbalances. (See page 6.) Moreover, both the complexity and the importance of such information have increased as a result of the ongoing globalization of financial markets and financial innovations that transcend traditional cross-border transactions and balance-sheet activities. International financial activities

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## Data Deficiencies as Revealed by Recent Financial Crises

Recent financial crises have revealed a number of data deficiencies, including:

### *Incomplete information on reserves*

- Pledged assets (for example, assets used as collateral for third party's loans) frequently are not identified and assets of a similar nature, such as securities lent and repurchase agreements, often are included in reserve assets without separate identification, distorting information on the liquidity positions of the authorities.
- Deposits held in financially weak domestic banks and their foreign affiliates, which are not available for use in a crisis, often are included in reserve assets, leading to overestimation of reserves.
- Valuation practices can depart significantly from market values, complicating assessments of the realizable value of reserve assets.
- Coverage of international reserve assets varies among countries, impeding cross-country comparisons.

### *Lack of publicly available information on reserves-related liabilities*

- Public information is lacking in many countries on off-balance-sheet activities of the authorities that can affect foreign currency resources. An absence of data on forward commitments of foreign exchange under financial derivative contracts, for example, can result in understatement of unencumbered reserve assets.
- Lack of information on the authorities' financial derivative activities (for example, in foreign currency futures and forwards) can obscure the risk exposure of government entities that could lead to sudden sharp drains on foreign currency resources. Significant drains can occur, for example, when futures contracts are marked to market on a daily basis, with possible settlements calling for substantial margin payments in the event, for example, of changes in exchange rates or interest rates. Similarly, unavailability of information on options written and bought by the authorities can hinder assessment of potential inflows and outflows of foreign currency when the options are exercised.
- Inadequate information on actual and potential foreign liabilities of the monetary authorities and central government can hamper the monitoring of demands on foreign currency resources. Such inadequacies include incomplete information on principal and interest payments on loans and bonds falling due in the short term, on the authorities' foreign exchange guarantees, and on contractual provisions in debt instruments that allow creditors to demand early payment in the face of changing economic conditions.
- Publicly available information generally fails to take account of unused unconditional lines of credit, which could represent either a complementary source of foreign exchange in times of need or a further potential drain on resources.

undertaken by countries' central banks and government entities can now occur in myriad forms, involve various domestic and foreign entities, and span numerous locations around the globe.

Timely disclosure of such information is intended to serve a number of purposes. It is meant to strengthen the accountability of the authorities, by better apprising the public of the authorities' policy actions and risk exposure in foreign currency. It can spur a more timely correction of unsustainable policies and possibly limit the adverse effects of contagion in cases of financial turbulence. It would also allow market participants to form a more accurate view of the condition of individual countries, of the vulnerability of regions, and of possible international consequences, thereby limiting uncertainty and the associated volatility in financial markets. Enhanced data transparency could also assist multilateral organizations to better anticipate emerging needs of countries.

The template, which is shown on pp. 13–15 of this article, was devised in consultation with country authorities, statistical compilers, market participants, and other data providers and users. It reflects the efforts of all concerned to balance the anticipated benefits of increased data transparency and potential costs of adding to the authorities' reporting burden.

The template is comprehensive and innovative in that it captures a number of dimensions of a country's international reserves and related foreign currency activities. It covers considerably more than traditional balance-sheet information on external assets and external liabilities of the authorities. It also takes account of their off-balance-sheet activities<sup>2</sup> (such as in forwards, futures and other financial derivatives, undrawn credit lines, and loan guarantees). It notes predetermined future and potential inflows and outflows of foreign exchange emanating from balance-sheet and off-balance-sheet positions. It includes information intended to illustrate how liquid a country's international reserves are (such as the identification of assets pledged and otherwise encumbered) and on a country's risk exposure to exchange rate fluctuations (including that relating to options contracts).

The template is forward looking, unlike the static snapshot of the balance-sheet framework. The template covers not only foreign currency resources on a reference date but also actual and potential inflows and outflows of foreign exchange over a future one-year period. The period is that about which the authorities and others typically need to be most concerned in cases of potential financial vulnerability. When signs of strains emerge, the authorities normally will be able to adjust their economic policies and take necessary ameliorative measures, such as ensuring continued access to sources of external finance, if they have adequate forewarning.

*Template data  
shed light on  
country's foreign  
currency liquidity*

## Concepts of International Reserves and Foreign Currency Liquidity

The template calls for the disclosure of data on international reserves and foreign currency liquidity. These two related concepts are integral to the structure and coverage of the template. In view of the globalization of financial markets and financial innovations, information on foreign currency liquidity is needed to supplement data on international reserves, especially for assessing countries' foreign currency exposure and facilitating risk management.

### International reserve assets

The fifth edition of the *IMF Balance of Payments Manual (BPM5)* sets forth the underlying concept of international reserves. A country's international reserves refer to "those external assets that are readily available to and controlled by monetary authorities for direct financing of payments imbalances, for indirectly regulating the magnitudes of such imbalances through intervention in exchange markets to affect the currency exchange rate, and/or for other purposes." (*BPM5*, para. 424.) As defined, the concept of international reserves is based on the balance-sheet framework, with "reserve assets" being a gross concept. It does not include external liabilities of the monetary authorities that can be netted against holdings of such assets.

Types of reserve assets are foreign exchange assets (consisting of foreign currencies and deposits and securities), gold, special drawing rights (SDRs), reserve position in the IMF, and other claims.

Underlying the concept of international reserve assets is the distinction between residents and nonresidents, with reserve assets representing the monetary authorities' claims on nonresidents.

### Foreign currency liquidity

Foreign currency liquidity is a broader concept than that of international reserves. In the data template, foreign currency liquidity has two dimensions. It refers to (1) the foreign currency **resources** (including both reserve assets and other foreign currency assets) at the disposal of the monetary authorities that easily can be mobilized to meet demand for foreign exchange and (2) **demands**, both actual and potential, on foreign currency resources resulting from the short-term foreign currency liabilities and other off-balance-sheet activities of the monetary authorities and other relevant government entities. (The demands are referred to hereafter as "drains.") That is, the authorities' foreign currency liquidity position consists of the amount of foreign exchange resources that is readily available, taking into account both actual and potential drains on such resources. Underlying this concept is the notion that

*Two concepts  
integral to  
template:*

*reserve assets*

*... and  
foreign  
currency  
liquidity*



prudent management of this position requires managing foreign currency assets along with liabilities to minimize the vulnerability to external shocks.

Reserve assets can be distinguished from foreign currency liquidity in two respects. Although reserve assets represent foreign currency claims on nonresidents, foreign currency liquidity concerns all foreign currency claims of the monetary authorities on residents and nonresidents, as well as the drains on such foreign currency resources, regardless of whether these arise from residents or nonresidents. In addition, while the concept of reserve assets is based on the balance-sheet framework, the concept of liquidity encompasses inflows and outflows of foreign currency that result from both on- and off-balance sheet activities of the authorities.

To enhance the transparency of data on countries' international reserves and their foreign currency liquidity, **the template calls for comprehensive disclosure of the authorities' (1) reserve assets, (2) other foreign currency assets, (3) predetermined drains on foreign exchange resources, (4) contingent drains, and (5) other related information.**

## **Key Features of the Data Template**

### **Institutions covered**

The template is intended to apply to all public sector entities responsible for, or involved in, responding to currency crises. In practice, this coverage includes the monetary authorities, who hold the international reserves, and the rest of the central government (excluding social security funds), which, together with the monetary authorities, accounts for most of the official foreign currency liabilities. Demands on the authorities' foreign currency resources also could arise from elsewhere in the public sector. Nonetheless, these other public entities are not covered in the template largely for the practical reason of permitting statistical compilers to collect, process, and disseminate the pertinent data on a timely basis. A single template is to be produced for each country covering foreign currency activities of both the monetary authorities and the rest of the central government (excluding social security funds).

### **Financial activities covered**

The template takes account of all relevant on- and off-balance-sheet positions of the authorities involving liquid foreign currency resources and short-term inflows and outflows of foreign exchange emanating from them, with positions vis-a-vis residents and nonresidents separately identified, where applicable. Relevant off-balance sheet positions are those that affect the size of international reserves and potential demands on them. Thus, only off-balance sheet positions in foreign currency instru-

*Guidelines specify activities covered and treatment*

*... to reveal short-term risk exposure*

ments vis-a-vis the domestic currency are to be disclosed. Contingent items, representing possible additions to or subtractions from reserve assets (such as unused unconditional lines of credit) and potential drains on them (such as contingent liabilities of the authorities), are to be reported in the template. Complementary information on foreign currency resources and demands on them, such as reserve assets pledged and the currency composition of reserves, also is to be included.

### **Treatment of financial derivatives**

The template covers various aspects of financial derivative activities, including (1) predetermined foreign currency flows pertaining to the authorities' forwards, futures, and swap contracts; (2) potential flows arising from their options positions; and (3) the net, marked-to-market value of outstanding financial derivative contracts. The extensive coverage of financial derivatives in the template is based on the fact that measures of risk associated with such activities must be assessed on an overall portfolio basis, taking into account notional (and nominal) values, cash market positions, and offsets between them.

Because inflows and outflows of foreign currency related to the authorities' financial derivative activities may involve different counterparties, risks, and maturities, the template calls for reporting not only the net derivatives position, but also for separate information on the underlying short and long positions. Long positions correspond to inflows that augment the foreign currency resources of the authorities; short positions represent outflows that diminish such resources.

The template incorporates "stress testing" to assess the authorities' risk exposure to fluctuations in exchange rates. Stress testing involves examining the effect of large movements in key financial variables on a portfolio. It is different from historical simulation in that it may cover situations absent from the historical data. Rigorous stress testing can give the authorities signals of the risk exposure they face. In the template, stress testing is applied to the authorities' options positions.

The template calls for "stress testing" of "in-the-money" options under several exchange rate scenarios. "In-the-money" options refer to option contracts that would be exercised on the basis of the assumptions specified in the scenario—i.e., options which, when exercised, could entail foreign currency flows.<sup>3</sup>

### **Valuation principles**

In the template, valuations are based on the concept of liquidity. That implies that the value of foreign currency resources are to reflect what could be obtained for them in the market when liquidated, corresponding to their market price. In cases where determining actual market values on a frequent basis is impractical, approximate market values can be substituted during the intervening periods.

Drains on foreign exchange resources, including predetermined and contingent drains, are to be valued in nominal (actual) terms; that is, the cash-flow value when the currency flows actually take place.

The template includes information both on the maximum potential exposure arising from financial derivatives positions, and on their current market value. Inflows and outflows of foreign currency related to forwards and futures are to be reported in nominal terms. For options, however, the notional value is the maximum risk exposure in the event of extreme market movements, while the market value is based on more normal market conditions and is typically much smaller. The template requires disclosure of the notional value of options contracts. The notional value of an option contract is the amount of foreign exchange that can be purchased or sold by the exercise of the option. Market values of outstanding financial derivative contracts are to be disclosed on a net, marked-to-market basis.

### **Time horizon**

The horizon covered in the template is short-term. For practical purposes, "short-term" is defined as "up to one year," which is consistent with the *BPM5*. Finer breakdowns of time horizon of "up to one month," "more than one month and up to three months," and "more than three months and up to one year" are included to enable policymakers and market participants to assess the authorities' liquidity positions within the one-year time frame. Short-term obligations include all short-term instruments with original maturities of up to one year, instruments with longer original maturities whose remaining maturity of up to one year, and principal and interest payments falling due within one year on instruments with original maturities of more than one year.

### **Structure of the Data Template**

The template has four sections. Section I covers information on the authorities' foreign currency resources, including reserve assets and other foreign currency assets. Sections II and III consider data required to reveal the net drains<sup>4</sup> on such foreign currency resources in the short term. Section IV specifies the memo items on which complementary information is needed.

Section I of the template deals with the composition and magnitude of a country's foreign currency resources, including the authorities' holdings of the various types of financial instruments. Reserve assets are distinguished from other foreign currency assets, facilitating reconciliation between existing data disseminated by countries on international reserves and those disclosed in the template.

Sections II and III, respectively, address predetermined and contingent demands on foreign currency resources in the short term, in view of their different nature. Examples of predetermined (or fixed) demands on foreign currency re-

*Sections of the template cover data on reserves and other foreign currency assets, predetermined and potential demands on such resources, and related information*

sources include those relating to debt service payments and commitments in forwards and futures contracts. Examples of contingent drains on reserves are those associated with government guarantees, options, and other contingent liabilities. The separate reporting of predetermined and contingent demands on foreign currency resources also is intended to avoid a mingling of the authorities' actual and potential short-term liabilities.

Section IV provides information on (1) positions not disclosed in Sections I through III but deemed relevant for assessing the authorities' reserves and foreign currency liquidity positions and risk exposure in foreign exchange (for example, domestic currency debt indexed to foreign currency); (2) additional details on positions disclosed in Sections I through III (for example, currency composition of reserves and pledged assets included in reserves); and (3) positions considered in terms of a breakdown or of valuation criteria different from those used in Sections I through III (for example, net marked-to-market values of financial derivatives).

Financial derivatives are covered in three different sections of the template: the disclosure of inflows and outflows of foreign currency associated with forwards and futures in nominal values is addressed in Section II; notional values of options positions are covered in Section III; and net, marked-to-market values of financial derivatives are to be disclosed in Section IV.

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<sup>1</sup> Work to develop disclosure standards on the trading and investment activities of private market participants is now underway at the BIS, the Financial Stability Forum, the IMF, and other international bodies.

<sup>2</sup> Off-balance-sheet foreign currency activities refer to financial transactions and positions in foreign currency not recorded on the balance sheet.

<sup>3</sup> Generally, a call option is "in-the-money" if the strike price is less than the market price of the underlying security. A put option is "in-the-money" if the strike price is greater than the market price of the underlying security.

<sup>4</sup> Net drains on foreign currency resources reflect the difference between inflows and outflows of foreign currency.

### **Countries' Data Dissemination on Reserves Template**

At least five countries have begun to disseminate the template data—Canada, France, Germany, Switzerland, and the United Kingdom. These countries have posted their data either on the website of their central bank or of their ministry of finance; viz.,

[www.fin.gc.ca](http://www.fin.gc.ca) (for Canada); [www.tresor.finances.fr](http://www.tresor.finances.fr) (for France); [www.bundesbank.de](http://www.bundesbank.de) (for Germany); [www.snb.ch](http://www.snb.ch) (for Switzerland); and [www.bankofengland.co.uk](http://www.bankofengland.co.uk) (for the United Kingdom).

The United States has indicated its intention to publish the data in the near future. Other countries may disseminate their data later in the year.

A transitional period, ending March 31, 2000, has been provided for SDDS subscribers to implement the reserves template.

# Data Template on International Reserves/Foreign Currency Liquidity

*(Information to be disclosed by the monetary authorities and  
other central government, excluding social security) <sup>1 2 3</sup>*

## I. Official reserve assets and other foreign currency assets (approximate market value)<sup>4</sup>

### (A) Official reserve assets

#### (1) Foreign currency reserves (in convertible foreign currencies)

##### (a) Securities

*of which:*

issuer headquartered in reporting country

##### (b) Total deposits with:

(i) other central banks and BIS

(ii) banks headquartered in the reporting country

*of which:*

located abroad

(iii) banks headquartered outside the reporting country

*of which:*

located in the reporting country

(2) IMF reserve position

(3) SDRs

(4) Gold (including gold on loan)<sup>5</sup>

(5) Other reserve assets (specify)

### (B) Other foreign currency assets (specify)

## II. Predetermined short-term net drains on foreign currency assets (nominal value)

	Total	Maturity breakdown (residual maturity)		
		Up to 1 month	More than 1 month & up to 3 months	More than 3 months & up to 1 year
(1) Foreign currency loans, securities <sup>6</sup>				
(2) Aggregate short and long positions in forwards and futures in foreign currencies vis-a-vis the domestic currency (including the forward leg of currency swaps) <sup>7</sup>				
(a) Short positions				
(b) Long positions				
(3) Other (specify)				

### III. Contingent short-term net drains on foreign currency assets (nominal value)

	Total	Maturity breakdown (residual maturity, where applicable)		
		Up to 1 month	More than 1 month & up to 3 months	More than 3 months & up to 1 year
1. Contingent liabilities in foreign currency				
(a) Collateral guarantees on debt falling due within 1 year				
(b) Other contingent liabilities				
2. Foreign currency securities issued with embedded options (puttable bonds) <sup>8</sup>				
3. Undrawn, unconditional credit lines <sup>9</sup>				
(a) with other central banks				
(b) with banks and other financial institutions headquartered in the reporting country				
(c) with banks and other financial institutions headquartered outside the reporting country				
4. Aggregate short and long positions of <b>options</b> in foreign currencies vis a-vis the domestic currency <sup>10</sup>				
(a) Short positions				
(i) Bought puts				
(ii) Written calls				
(b) Long positions				
(i) Bought calls				
(ii) Written puts				
PRO MEMORIA: In-the-money options <sup>11</sup>				
(1) At current exchange rates				
(a) Short position				
(b) Long position				
(2) + 5 % (appreciation of 5%)				
(a) Short position				
(b) Long position				
(3) - 5 % (depreciation of 5%)				
(a) Short position				
(b) Long position				
(4) +10 %				
(a) Short position				
(b) Long position				
(5) - 10 %				
(a) Short position				
(b) Long position				
(6) Other (specify)				

## IV. Memo Items

(1) To be reported with standard periodicity and timeliness:<sup>12</sup>

- (a) short-term domestic currency debt indexed to the exchange rate
- (b) financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)<sup>13</sup>
- (c) pledged assets<sup>14</sup>
- (d) securities lent and on repo<sup>15</sup>
- (e) financial derivative assets (net, marked to market)<sup>16</sup>
- (f) derivatives (forward, futures, or options contracts) that have a residual maturity greater than one year, which are subject to margin calls.

(2) To be disclosed less frequently (e.g., once a year):

- (a) currency composition of reserves (by groups of currencies)

<sup>1</sup> In principle, only instruments denominated and settled in foreign currency (or those whose valuation is directly dependent on the exchange rate and that are settled in foreign currency) are to be included in categories I, II, and III of the template. Financial instruments denominated in foreign currency and settled in other ways (e.g., in domestic currency or commodities) are included as memo items under Section IV.

<sup>2</sup> Netting of positions is allowed only if they have the same maturity, are against the same counterparty, and a master netting agreement is in place. Positions on organized exchanges could also be netted.

<sup>3</sup> Monetary authorities defined according to the IMF Balance of Payments Manual, Fifth Edition.

<sup>4</sup> In cases of large positions vis-a-vis institutions headquartered in the reporting country, in instruments other than deposits or securities, they should be reported as separate items.

<sup>5</sup> The valuation basis for gold assets should be disclosed; ideally this would be done by showing the volume and price.

<sup>6</sup> Including interest payments due within the corresponding time horizons. Foreign currency deposits held by nonresidents with central banks should also be included here. Securities referred to are those issued by the monetary authorities and the central government (excluding social security).

<sup>7</sup> In the event that there are forward or futures positions with a residual maturity greater than one year, which could be subject to margin calls, these should be reported separately under Section IV.

<sup>8</sup> Only bonds with a residual maturity greater than one year should be reported under this item, as those with shorter maturities will already be included in Section II, above.

<sup>9</sup> Reporters should distinguish potential inflows and potential outflows resulting from contingent lines of credit and report them separately, in the specified format.

<sup>10</sup> In the event that there are options positions with a residual maturity greater than one year, which could be subject to margin calls, these should be reported separately under Section IV.

<sup>11</sup> These "stress-tests" are an encouraged, rather than a prescribed, category of information in the IMF's Special Data Dissemination Standard (SDDS). Could be disclosed in the form of a graph. As a rule, notional value should be reported. However, in the case of cash-settled options, the estimated future inflow/outflow should be disclosed. Positions are "in the money" or would be, under the assumed values.

<sup>12</sup> Distinguish between assets and liabilities where applicable.

<sup>13</sup> Identify types of instrument; the valuation principles should be the same as in Sections I-III. Where applicable, the notional value of nondeliverable forward positions should be shown in the same format as for the nominal value of deliverable forwards/futures in Section II.

<sup>14</sup> Only assets included in Section I that are pledged should be reported here.

<sup>15</sup> Assets that are lent or repoed should be reported here, whether or not they have been included in Section I of the template, along with any associated liabilities (in Section II). However, these should be reported in two separate categories, depending on whether or not they have been included in Section I. Similarly, securities that are borrowed or acquired under repo agreements should be reported as a separate item and treated symmetrically. Market values should be reported and the accounting treatment disclosed.

<sup>16</sup> Identify types of instrument. The main characteristics of internal models used to calculate the market value should be disclosed.

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## **IMF Consultation Paper Regarding Proposed SDDS Specification for External Debt Statistics**

The Executive Board of the International Monetary Fund met in December 1998 to conduct its Second Review of the Special Data Dissemination Standard (SDDS) and to consider proposals for refining the SDDS, principally in the area of international reserves, the international investment position (IIP), and external debt. A number of important developments are currently underway to strengthen the SDDS in these three important areas. First, in a follow-up meeting in March 1999, the Board agreed to introduce a revised data template for SDDS-subscribing countries to disseminate information on the international reserves and foreign liquidity of the monetary authorities and other central government. The reserves data template, spelling out the information to be disclosed, is reviewed in an accompanying article on pages 5-15 of this Newsletter. Second, the SDDS was modified to specify a three-year transition period for SDDS-subscribing countries to disseminate annual IIP data with a six-month lag. The transition period for observance of the new standard on IIP statistics runs through June 30, 2002. Third, the Board decided to introduce a separate SDDS data category for external debt statistics.

The proposed external debt data category, which will encompass the external debt elements of the IIP, will cover data for three main components—general government, monetary authorities and banks, and other sectors—and with further breakdowns, including by maturity. The external debt statistics are to be disseminated with a one-quarter lag. The Board requested the Fund staff to return with precise proposals for the transition period for implementation of these proposals on external debt statistics in the SDDS after further consultation with countries, data users, and other international organizations.

To initiate this consultation, the Fund staff prepared a consultation paper, in which compilers' views are being sought on a range of compilation and dissemination practices with respect to external debt statistics (or the non-equity components of the IIP). The consultation paper, which includes a 14 page questionnaire, was transmitted at the end of last month to the 47 countries that have subscribed to the SDDS. Countries are asked to respond by July 23, 1999, if possible. In addition to sectoral data, dissemination of data on external debt on a quarterly basis and on debt maturities are other central elements in the consultation. The results of the questionnaire will form the basis for the staff's recommendations to the Board later in the year on transition periods for developing these data.