2. **Official Reserve Assets and Other Foreign Currency Assets**  
(Assignable Market Value)

58. This chapter provides guidelines to assist countries in reporting data on the authorities' foreign currency resources (comprising reserve assets and other foreign currency assets) in Section I of the template. Items I.A.(1) through I.A.(5) are used to report information on reserve assets and item I.B., on other foreign currency assets. All items in Section I refer to outstanding assets (stock) on the reference date. As noted in para. 42, to facilitate liquidity analysis, it is recommended that information on special features of the reporting country's reserves management policy and major sources of funds for reserve assets and other foreign currency assets be described in country notes accompanying the template data. To enhance data transparency, it is also important to indicate in country notes specific changes in the reporting country's exchange rate arrangements (for example, the implementation of dollarization) and their impact on the level of the country's reserve assets.

**Disclosing Reserve Assets and Other Foreign Currency Assets**

59. "Reserve assets" are those held by the monetary authorities for meeting balance of payments financing needs, for intervention in exchange markets, and for other purposes. "Other foreign currency assets" refer to foreign currency assets of the monetary authorities that are not included in reserve assets, as well as such assets held by the central government (excluding social security funds). For practical purposes, with respect to foreign currency assets of the central government (excluding social security funds), only assets that are materially significant (that is, of substantial positions) need to be included in item I.B. of the template.

60. The fifth edition of the IMF Balance of Payments Manual (BPM5) provides the international guidelines for the compilation of reserve assets; the BPM5 defines reserve assets as the monetary authorities' claims on nonresidents. Reviews of data reported by selected member countries to the IMF indicate, however, that the coverage of countries' data on international reserves varies because (1) not all countries interpret the BPM5 guidelines similarly; (2) some countries do not fully disclose their international reserves; and (3) countries may define reserve assets differently for operational purposes, for example, maintaining part of their reserve assets as deposits in resident financial institutions or as investment in securities issued by resident institutions and including such claims on residents in their reserve assets.

61. As a tool for liquidity management, the template aims to enhance the transparency of existing dissemination practices of countries on reserve assets and facilitates the compilation of such data to meet reserve management and balance of payments reporting needs. To facilitate reporting countries' disclosure of the operational coverage of reserve assets, while maintaining the underlying concept of reserve assets as set forth in the BPM5 for balance of payments reporting purposes, the template calls for the identification of the monetary authorities' foreign currency deposits in resident financial institutions and their holdings of foreign currency securities issued by the foreign branches and subsidiaries of institutions that have their headquarters in the reporting country. (See later in this chapter, "Identifying Institutions Headquartered in the Reporting Country and Institutions Headquartered Outside the Reporting Country.")

62. The BPM5 does not allow the inclusion of the monetary authorities' foreign currency deposits in

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17 Countries' data on reserve assets are reported to the IMF for publication in the IMF's monthly *International Financial Statistics* and the annual *Balance of Payments Statistics Yearbook*.

18 These resident institutions include ones "headquartered and located in the reporting country" or ones "headquartered abroad but located in the reporting country." See Section D of this chapter for further detail.
resident entities in reserve assets except under certain restrictive conditions. Under the BPM5, foreign currency securities issued by entities “headquartered in the reporting country but located abroad” are external assets. They can be considered reserve assets if other criteria for reserve assets are met. Foreign currency securities issued by entities “headquartered and located in the reporting country” are not external assets and should not be included in official reserves. Foreign currency deposits and foreign currency securities that are reserve assets should be reported in Section I.A of the template. Those that do not meet the criteria for reserve assets but are liquid should be included in Section I.B. (See later discussion on reporting “other foreign currency assets.”) In certain cases, for prudential reasons and because of creditworthiness considerations, the monetary authorities place foreign currency deposits with institutions located in the reporting country or hold foreign currency securities issued by institutions located in the reporting country, as part of their reserves management policy. Such assets should be reported in Section I.B. of the template under “other foreign currency assets.” Nevertheless, if such deposits and securities are reported among official reserve assets in Section I.A., such inclusion should be clearly stated in country notes accompanying the data in the template, with their values disclosed. Such disclosure is essential to enhance data transparency and facilitate reconciliation of the template data with those reported under the BPM5 framework. (See also “Reconciling Template Data and the BPM5 Concept of Reserves.”)

63. The rest of this chapter:
• examines key considerations in reporting reserve assets as set forth in the BPM5, clarifies certain BPM5 concepts, and notes the need to promote comparable data reporting among countries on international reserves;
• considers the treatment of the different types of financial instruments in reserve assets;
• elaborates on the treatment of reserve assets held in resident financial institutions;
• discusses the concordance between the template data on reserves and the major components of reserve assets as set forth in the BPM5, with a view to facilitating the use of the template data for purposes both of balance of payments reporting and reserves management;
• identifies information that can be reported under the data category “other foreign currency assets”; and
• provides guidelines for the derivation of approximate market values for reserve assets and other foreign currency assets.

Defining Reserve Assets

64. Chapter 1 provided the definition of reserve assets as set forth in the BPM5. For easy reference, it is repeated here. Reserve assets are “external assets that are readily available 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.) Countries have interpreted “readily available” and “controlled by” in varying ways when applying the concept in practice. Some guidelines for implementing the concept in reporting data on reserve assets in the template are provided below.

Guidelines for Implementing the BPM5 Concept on Reserves

65. Underlying the BPM5 concept of reserves are the notions of “effective control” by the monetary authorities of the assets and the “usability” of the assets to the monetary authorities. Accordingly, reserve assets are, first and foremost, liquid or marketable assets readily available to the monetary authorities.10

66. If the authorities are to use the assets for the financing of payments imbalances and to support the exchange rate, the reserve assets must be foreign currency assets.

67. Furthermore, to be liquid such foreign currency assets must be in convertible foreign currencies, that is, freely usable for settlements of international transactions. A corollary is that assets redeemable only in nonconvertible foreign currencies cannot be reserve assets.

68. In general, only external claims actually owned by the monetary authorities are regarded as reserve assets. Nonetheless, ownership is not the only condition that confers control. In cases where institutional units (other than the monetary authorities) in the reporting economy hold legal title to external foreign currency assets and are permitted to do so only on terms specified by the monetary authorities or only with their express approval, such assets can be considered

10Marketable assets refer to those that can be bought, sold, and liquated with minimum cost and time and for which there are ready and willing sellers and buyers. "Readily available" assets are assets that are available with few constraints.
reserve assets. This is because such assets are under the direct and effective control of the monetary authorities. To be counted in reserves, such assets are to meet other criteria as set forth above, including availability to meet balance of payments needs.

69. In addition, in accordance with the residency concept in the BPM5, “external” assets refer to claims of the monetary authorities on nonresidents. Conversely, the authorities’ claims on residents are not reserve assets.20 (See also para. 62.) As will be clarified later, foreign currency claims of the monetary authorities on residents are “other foreign currency assets” of the monetary authorities and should be reported as such on section I.B. of the template.

70. Loans to the IMF, which are readily repayable, are reserve assets (see below under “reserve position in the IMF”), but other long-term loans provided by the monetary authorities to nonresidents, which would not be readily available for use in times of need, are not reserve assets. Short-term loans to nonresidents, however, qualify as reserve assets if available upon demand by the authorities.

71. Transfers of foreign currency claims to the monetary authorities by other institutional units in the reporting economy just prior to certain accounting or reporting dates with accompanying reversals of such transfers soon after those dates (commonly known as “window dressing”) should not be counted as reserve assets. If such transfers are included in reserves, they should be disclosed in country notes accompanying the data.

72. Assets pledged are typically not readily available. If clearly not readily available, pledged assets should be excluded from reserves. An example of pledged assets that clearly would not be readily available are assets that are blocked when used as collateral for third-party loans and third-party payments. Other examples of pledged assets that are to be excluded from international reserves include assets pledged by the monetary authorities to investors as a condition for the investors to invest in securities issued by domestic entities (such as central government agencies). Also to be excluded from reserve assets are assets lent by the monetary authorities to a third party, which are not available until maturity, and prior to maturity, are not marketable. If pledged assets are included in reserves, their value should be reported in Section IV under “pledged assets.” Pledged assets are to be differentiated from reserve assets that are encumbered under securities lending arrangements and repurchase agreements (repos). The reporting of repos and related transactions is discussed in paras. 85-88. (Pledged assets are separately identified from securities lent or reposed and gold swapped in Section IV—memo items—of the template. See Chapter 5 for detail.)

73. Reserve assets must actually exist. Lines of credit that could be drawn on and foreign exchange resources that could be obtained under swap agreements are not reserve assets because they do not constitute existing claims. (Such lines of credit are, however, to be reported in Section III of the template and are discussed under contingent foreign exchange resources in Chapter 4.)

74. Real estate owned by the monetary authorities is not to be included in reserve assets because real estate is not considered a liquid asset.

**Reporting Financial Instruments in Reserve Assets**

75. Reserve assets include only certain financial instruments. The BPM5 lists among reserve assets these instruments: foreign exchange, monetary gold, special drawing rights (SDRs), reserve position in the Fund, and other claims. In the data template, foreign exchange, monetary gold, and other claims correspond closely to “foreign currency reserves,” “gold, including gold on loan,” and “other reserve assets.”

76. Monetary gold, SDRs, and reserve positions in the Fund are considered reserve assets because they are owned assets readily available to the monetary authorities in unconditional form. Foreign exchange and other claims in many instances are equally available and therefore qualify as reserve assets. Below are guidelines for reporting data in the template on these instruments.

**Foreign Currency Reserves—Item I.A.(1) of the Template**

77. While the BPM5 defines foreign exchange to consist of holdings of securities, currency and deposits,
and financial derivatives, the template only explicitly lists securities and deposits under foreign currency reserves. Currency is not identified as a separate component of the template. The rationale for this treatment is that currency often is not a major component of countries' reserve assets; in reporting data in the template, currency should be included in deposits with central banks in item I.A.(1)(b)(i). However, for financial derivatives, the template calls for the separate reporting of their net, marked-to-market values under items I.A.(5), I.B., and IV.(1)(e), as appropriate. (See later discussion in this chapter and Appendix III.)

78. A reconciliation of these presentational differences between the BPM5 and the data template is discussed later in this chapter.

Securities—Item I.A.(1)(a) of the Template

79. Securities should include highly liquid, marketable equity and debt securities; liquid, marketable, long-term securities (such as 30-year U.S. Treasury bonds) are included. Nonissued securities (that is, securities not listed for public trading) are excluded; such securities are deemed not to be liquid enough to qualify as reserve assets.

80. Only foreign currency securities issued by nonresident entities should be included in this item of the template. It therefore follows that the category "of which issuer headquartered in reporting country" should be used to report only foreign currency securities that are issued by institutions "headquartered in the reporting country but located abroad." As mentioned earlier, foreign currency securities issued by institutions "headquartered and located in the reporting country" are excluded; they are to be reported in Section I.B. of the template if they are liquid assets. (See the discussion on "other foreign currency assets" later in the chapter.) (See also para. 62.)

81. When securities reported in the template include both securities held directly and securities held under repurchase agreements (repos) and security lending agreements, this should be indicated in country

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“lent or repoed but not included in Section I.” (See sample form in Appendix II.)

(ii) For a reverse repo, the funds provided to the counterparty should be reflected as decreases in deposits among reserve assets, and the securities acquired shown under item IV.(1)(d) under “borrowed or acquired but not included in Section I.” (See sample form in Appendix II.) In addition, if the claim (i.e., a repo asset) arising from the funds provided is liquid and available upon demand to the monetary authorities, the decline in deposits should be counterbalanced by the recording of such a repo asset in reserves under item I.A.(5) “other reserve assets.” (For recording such claims that are not liquid, see (iv) below.)

(iii) Where countries leave securities repoed in reserve assets and at the same time record the cash received among deposits under item I.A.(1)(b) of the template (i.e., using the collateralized loan approach), a future predetermined foreign currency outflow associated with the return of the cash (plus interest payments) should be reported in item II.3 of the template. The securities repoed should also be shown in item IV.(1)(d) under securities “lent or repoed and included in Section I.” (See also Chapter 3 on the reporting of foreign currency inflows and outflows related to repo activities.)

(iv) For a reverse repo, where the securities received are not included in reserve assets and the decrease in foreign currency is reflected in total deposits in item I.A.(1)(b), and the repo asset so acquired is not liquid and not available on demand to the monetary authorities, a future predetermined cash inflow associated with the return of the securities borrowed should be recorded in item II.3. The securities acquired under the reverse repo should be recorded in item IV.(1)(d) of the template under securities “borrowed or acquired but not included in Section I.” (See also Chapter 5 and Appendix III.)

86. Where the monetary authorities undertake a reverse repo and subsequently repo out the securities (obtained in the reverse repo) for cash, this should be reported in the following way: a reverse repo transaction is first reported, as illustrated in para. 85(ii) or (iv) above; this is followed by the recording of a repo transaction, as discussed in para. 85(i) or (iii) above; and the values of the securities involved are disclosed separately under reverse repos and repos in item IV(1)(d) of the template. (See also Appendix III.)

87. Where the monetary authorities undertake a reverse repo and subsequently sell the securities received, this should be reported as follows: a reverse repo transaction is first reported, as illustrated in para.85(ii) or (iv) above; this is followed by the recording of a transaction in securities in which the market value of the securities sold should be deducted from I.A.(1)(a) and funds received from the sale of securities should be added to total deposits.

88. The same treatments described above should be applied to securities lent/borrowed in exchange for cash. Where securities are lent/borrowed with other securities used as collateral and no cash is exchanged, the transaction should not be reported in Section I of the template but recorded in item IV(1)(d) under securities lent or on repos, with accompanying country notes indicating that securities are acquired as collateral in security lending activities. (See Appendix III, item (9).) The rationale for this approach is that collateral generally is not recognized on the balance sheet. In cases where securities are lent/borrowed with other securities used as collateral and such activity is accomplished through methods synonymous with first undertaking a repo and subsequently undertaking a reverse repo, such a transaction can be recorded in Section I.A. to show a decrease in “securities” counterbalanced by an increase in repo assets to be shown in item I.A.(5) under “other reserve assets,” provided that the repo assets so acquired are liquid and that they meet the criteria of reserve assets. The recording of such securities lending activities in Section I.A. of the template is to be clearly stated in country notes accompanying the data.

89. The BPM5 does not address the quality of reserve assets per se. In practice, however, in order to be readily available to the authorities to meet balance of payments financing and other needs under adverse circumstances, reserve assets generally should be of high quality (investment grade and above). If reserve assets include securities below investment grade, this must be indicated in country notes accompanying the data.

90. For the recording of securities issued by entities headquartered in the reporting country, see the next section “Identifying Institutions Headquartered in the Reporting Country and Institutions Headquartered Outside the Reporting Country.”

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25Information available from rating agencies can be supplemented by other criteria (including the creditworthiness of the counterparty) to determine the quality of the securities.
2 OFFICIAL RESERVE ASSETS AND OTHER FOREIGN CURRENCY ASSETS

Total Deposits—Item I.A.(1)(b) of the Template

91. Deposits refer to those available on demand; consistent with the liquidity concept, these generally refer to demand deposits. Term deposits that are redeemable upon demand can also be included.

92. Deposits included in reserve assets are those held in foreign central banks, the Bank for International Settlements (BIS), and other banks. The term "banks" generally refers to financial depository institutions and encompasses such institutions as "commercial banks, savings banks, savings and loan associations, credit unions or cooperatives, building societies, and post office savings banks or other government-controlled savings banks (if such banks are institutional units separate from government)" (1993 SNA).

93. Because short-term loans provided by the monetary authorities to other central banks, the BIS, the IMF (such as the ESAF Trust Loan Account), and depository institutions are much like deposits, it is difficult in practice to distinguish the two. For this reason, the reporting of deposits in reserve assets should include short-term foreign currency loans, that are redeemable upon demand, made by the monetary authorities to these nonresident banking entities. Short-term foreign currency loans, that are available upon demand, made by the monetary authorities to nonresident nonbank entities can be disclosed in "other reserve assets" under I.A.(5) in the template.

94. As discussed earlier, currency holdings are to be reported in total deposits under item I.A.(1)(b)(i). Currency consists of foreign currency notes and coins in circulation and commonly used to make payments. (Commemorative coins and uncirculated banknotes are excluded.)

95. For the recording of deposits with institutions headquartered in the reporting country, see the next section, "Identifying Institutions Headquartered in the Reporting Country and Institutions Headquartered Outside the Reporting Country."

IMF Reserve Position—Item I.A.(2) of the Template

96. Reserve position in the IMF is the sum of (1) SDR and foreign currency amounts that a member country may draw from the IMF at short notice and without conditions from its "reserve tranche," and (2) indebtedness of the IMF (under a loan agreement) readily available to the member country including the reporting country’s lending to the IMF under the General Arrangements to Borrow (GAB) and the New Arrangements to Borrow (NAB).

Special Drawing Rights (SDRs)—Item I.A.(3) of the Template

97. SDRs are international reserve assets the IMF created to supplement the reserves of IMF member countries. SDRs are allocated in proportion to the countries’ respective quotas.

Gold (Including Gold on Loan)—Item I.A.(4) of the Template

98. Gold in the template refers to gold the authorities own. Gold held by monetary authorities as a reserve asset (i.e., monetary gold) is shown in this item. All other gold held by the authorities (e.g., gold held for trading in financial markets) is not monetary gold and should be included under "other foreign currency assets" in Section I.B. of the template. In addition, holdings of silver bullion, diamonds, and other precious metals and stones are not reserve assets and should not be recorded in the template. The term "gold on loan" used in the template refers to gold deposits (and gold swapped, if the swap is treated as a collateralized loan; see below).

99. Gold deposits are to be included in gold and not in total deposits. In reserves management, it is common for monetary authorities to have their bullion physically deposited with a bullion bank, which may use the gold for trading purposes in world gold markets. The ownership of the gold effectively remains with the monetary authorities, which earn interest on

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26The BPM5 (para. 516) defines banks as the "other (than the central bank) depository corporations" and, in the 1993 System of National Accounts (1993 SNA), banks are defined as the "other (than the central bank) depository institutions" in the financial corporate sector. Included are institutional units engaging in financial intermediation as a principal activity and having liabilities in the form of deposits or financial instruments (such as short-term certificates of deposits) that are close substitutes for deposits. Deposits include those payable on demand and transferable by check or otherwise usable for making payments and those that, while not readily transferable, may be viewed as substitutes for transferable deposits.

27Reserve-tranche positions in the IMF are liquid claims of members on the IMF that arise not only from the reserve asset payments for quota subscriptions but also, for members in strong external positions, from the sale by the IMF of their currencies to meet the demand for use of IMF resources by other members in need of balance of payments support.

28Such gold is treated as a financial instrument because of its historical role in the international monetary system.

29These precious metals and stones are considered goods and not financial assets.
Identifying Institutions Headquartered Both Within and Outside the Reporting Country

the deposits, and the gold is returned to the monetary authorities on maturity of the deposits. The term maturity of the gold deposit is often short, up to six months. To qualify as reserve assets, gold deposits must be available upon demand to the monetary authorities. To minimize risks of default, monetary authorities can require adequate collateral (such as securities) from the bullion bank. It is important that compilers not include such securities collateral in reserve assets, thereby preventing double counting.\textsuperscript{30}

100. In reserves management, monetary authorities also may undertake gold swaps.\textsuperscript{31} In gold swaps, gold is exchanged for cash and a firm commitment is made by the monetary authorities to repurchase the quantity of gold exchanged at a future date. Accounting practices for gold swaps vary among countries. Some countries record gold swaps as transactions in gold, in which both the gold and the cash exchanged are reflected as offsetting asset entries on the balance sheet. Others treat gold swaps as collateralized loans, leaving the gold claim on the balance sheet\textsuperscript{32} and recording the cash exchanged as two offsetting asset and liability entries on the balance sheet.\textsuperscript{33}

101. For the purpose of the template, it is recommended that gold swaps the monetary authorities

\textsuperscript{30}If the securities received as collateral are repoed out for cash, a repo transaction should be reported, as discussed earlier under “securities.”

\textsuperscript{31}Such gold swaps generally are undertaken between monetary authorities and with financial institutions.

\textsuperscript{32}This treatment is consistent with BPMs (para. 434) to the extent that the swap is between monetary authorities. The rationale is that in a gold swap the “economic ownership” of the gold remains with the monetary authorities, even though the authorities temporarily have handed over the “legal ownership.” The commitment to repurchase the quantity of gold exchanged is firm (the repurchase price is fixed in advance), and any movement in gold prices after the swap affects the wealth of the monetary authorities. Under this treatment, the gold swapped remains as a reserve asset and the cash received is a repo deposit. Gold swaps commonly permit central banks’ gold reserves to earn interest. Usually, the central banks receive cash for the gold. The counterparty generally sells the gold on the market but typically makes no delivery of the gold. The counterparty often is a bank that wants to take short positions in gold and bets that the price of gold will fall or is one that takes advantage of arbitrage possibilities offered by combining a gold swap with a gold sale and a purchase of a gold future. Gold producers sell gold futures and forwards to hedge their future gold production. Treating gold swaps as collateralized loans instead of sales also obviates the need to show frequent changes in the volume of gold in monetary authorities’ reserve assets, which, in turn, would affect world holdings of monetary gold as well as the net lending of central banks.

undertake be treated in the same ways as repos and reverse repos. (See para. 85 and Appendix III.)

Other Reserve Assets—Item I.A.(5) of the Template

102. “Other reserve assets” include assets that are liquid and readily available to the monetary authorities but not included in the other categories of reserve assets. These assets include the following:

- the net, marked-to-market value of financial derivatives positions (including, for instance, forwards, futures, swaps, and options) with nonresidents, if the derivative products pertain to the management of reserve assets, are integral to the valuation of such assets, and are under the effective control of the monetary authorities. Such assets must be highly liquid and denominated and settled in foreign currency. Forwards and options on gold are to be included in this item. “Net” refers to asset positions offset by liability positions.\textsuperscript{34}

- short-term foreign currency loans redeemable upon demand provided by the monetary authorities to nonbank nonresidents.

- repo assets that are liquid and available upon demand to the monetary authorities. (See also para. 85(ii).)

Identifying Institutions Headquartered in the Reporting Country and Institutions Headquartered Outside the Reporting Country

103. To enhance the comparability of data across countries and provide additional insights into factors that may affect the liquidity of reserve assets, the template distinguishes between institutions headquartered and not headquartered in the reporting country. In the template, “institutions headquartered in the reporting country” refer to domestically-controlled institutions, as opposed to foreign-controlled institutions. The latter are referred to as “institutions headquartered outside the reporting country.” One rationale for this distinction is that assets held in institutions headquartered in the reporting country may not be liquid or available to the authorities in times of a financial crisis. Another is that in crisis situations the monetary authorities could be constrained by concerns about the impact of their foreign exchange operations on the liquidity situation of

\textsuperscript{34}See also Chapter 5 for a discussion on reporting of marked-to-market values of financial derivatives in the template, including “netting by novation.”
domestically-controlled institutions. Yet another reason is that the authorities conceivably could influence the disposition of assets held in institutions headquartered in the reporting country.

104. The term “headquartered in the reporting country” refers to institutional units that consist of a headquarters unit in the reporting country together with its branches and subsidiaries in the reporting country and abroad. The term “headquartered in the reporting country but located abroad” refers to the foreign branches and subsidiaries of the headquarters unit.

105. The term “headquartered outside the reporting country” refers to institutional units that consist of a headquarters unit outside the reporting country together with its branches and subsidiaries outside the reporting country and in the reporting country. The term “headquartered abroad but located in the reporting country” refers to resident branches and subsidiaries of such headquarters unit.

Guidelines for Compiling Items I.A.(1)(a), I.A.(b)(ii), and I.A.(b)(iii) of the Template

106. The headquartering distinction applies to reserve assets in the form of deposits in banks and, to a lesser extent, securities. For the sake of simplicity, such detail is not required for the data category on “other reserve assets” unless sizable assets are held in institutions headquartered in the reporting country, in which case they are to be reported in separate lines.

107. Deposits in banks are to be separately reported under the headquartering distinction. Under the residency concept set forth in the BPM5, monetary authorities’ deposits held in resident banks (including banks “headquartered and located in the reporting country” and banks “headquartered abroad but located in the reporting country”) do not constitute external claims on nonresidents and are not considered reserve assets. Nonetheless, the BPM5 permits the authorities’ foreign currency deposits held in resident banks (banks located in the reporting country, whether they are domestically-controlled or foreign-controlled) to be included in reserves under certain restrictive circumstances. In particular, this may be permitted when the banks located in the reporting country have counterpart foreign currency claims upon nonresident entities and the counterpart claims are under the effective control of the monetary authorities and readily available to them to meet balance of payments financing and other needs.

108. Some countries include monetary authorities’ foreign currency deposits in resident banks as reserve assets, whether or not the above-mentioned condition of counterparty claims is met. (As noted in para. 62, under such circumstances, the inclusion of such deposits among official reserve assets should be clearly stated in country notes accompanying the template, with their values disclosed.) Others do not include any deposits in resident banks when calculating reserve assets. In view of the varying country practices, line I.A.(b) (ii), “banks headquartered in the reporting country,” should be used to report the monetary authorities’ deposits in domestically-controlled banks; the line “of which located abroad,” should be used to report the monetary authorities’ deposits in foreign branches and subsidiaries of domestically-controlled banks. Line I.A.(b)(iii), “banks headquartered outside the reporting country” should be used to disclose deposits in foreign-controlled banks; the line “of which located in the reporting country” should be used to report deposits in foreign-controlled banks’ branches and subsidiaries located in the reporting country. In cases where the monetary authorities have ownership stakes in institutions headquartered and located outside the reporting country, the monetary authorities’ deposits in such nonresident institutions should not be included in reserve assets. If they are included, the amounts should be clearly stated in country notes accompanying the data.

109. Under the BPM5, holdings of foreign currency securities issued by entities “headquartered and located in the reporting country” represent the authorities’ claims on residents; such assets, therefore, are not considered external assets; where such assets are liquid and readily available, they should be reported under Section I.B. of the template. (See also para. 62.) Holdings of securities issued by entities “headquartered in the reporting country but located abroad” can be included in reserve assets if they meet the relevant criteria; these securities should be reported under item I.A.(1)(a). (As noted in para. 62, in cases where foreign currency securities issued by institutions located in the reporting country are included in official reserve assets, such securities should be clearly stated in country notes accompanying the template, with their values disclosed.)
Reconciling Template Data and the BPM5 Concept of Reserves

110. In principle, official reserve assets specified in Section I.A. of the data template should correspond to the data on international reserves countries compile for balance of payments purposes under the guidelines of the BPM5. Where countries do not now adhere to the BPM5, the operational guidelines provided in this document are intended to promote countries’ adherence to such an international standard and the full disclosure of their operational coverage of reserve assets. (See also para. 62.)

111. Official reserve assets shown in Section I.A. of the template and the BPM5 components of reserve assets can be reconciled through a concordance of the two presentations as discussed below.

112. The BPM5 lists types of reserve assets in this order: monetary gold, special drawing rights (SDRs), reserve position in the Fund, foreign exchange (viz., currency and deposits, securities, and financial derivatives), and other claims. In the data template, reserve assets are identified to include foreign currency reserves (viz., securities and deposits), IMF reserve position, SDRs, gold, and other reserve assets. The reordering of the components as shown in the data template reflects the prominence of foreign exchange in reserves management in today’s global financial environment. As noted earlier, the components of foreign currency reserves and other reserve assets in the data template together correspond closely to the BPM5 coverage under foreign exchange and other claims. (See Table 2.1.)

113. Since countries report currency in total deposits in the template, item I.A.(1)(h) corresponds to currency and deposits under foreign exchange reserve assets listed in the BPM5.

114. In deriving deposits in reserve assets under the BPM5 concept, one generally would include only these items shown in Section I.A. of the template: (1) deposits with other central banks, the BIS, and the IMF; (2) deposits held in foreign branches and subsidiaries of domestically-controlled banks, and (3) deposits in banks “headquartered and located outside the reporting country.” The BPM5 allows deposits in resident banks to be included in reserve assets only under certain restrictive circumstances.

115. With respect to securities, holdings of foreign currency securities issued by nonresident entities to be included in I.A.(1)(a) and net, marked-to-market values of highly liquid financial derivatives positions with nonresidents to be included in I.A.(5) of the

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</table>

* Excludes deposits in banks located in the reporting country unless certain restrictive conditions are met (see text).
** Showing a separate line for financial derivatives is a provisional guideline in BPM5 and subject to review.
*** Only to the extent that working balances abroad of government nonmonetary agencies or assets that are held by banks and subject to the control of the monetary authorities are recorded under “other claims” in BPM5.
template, taken together, broadly correspond to
"securities" and financial derivatives listed in
reserve assets in the BPM5. (See Table 2, footnote.)

116. Given the coverage of items I.A.(1) under "for-

ty currency reserves" and I.A.(5) under "other

ter reserve assets" of the data template, these two items

broadly correspond to "foreign exchange" in reserve
assets shown in the BPM5.

117. Both the BPM5 and the data template prescribe
market valuation of reserve assets. There should be
no difference in the value of reserve assets reported
under the BPM5 and that shown for official reserve
assets under Section I.A. of the data template. Where
countries apply inconsistent valuation methods for
balance of payments reporting purposes and for com-
piling the template data, reconciliations will need to
take account of the different methods used in the val-
uation of international reserves.

Defining Other Foreign Currency Assets

118. The foreign currency liquidity of a country is
assessed by comparing its total foreign currency
resources with its short-term predetermined and con-
tingent drains on such resources. Foreign currency
resources include reserve assets and other foreign
currency assets of the authorities. Based on this li-
quidity concept, "other foreign currency assets," like
reserve assets, must be liquid foreign currency assets
that meet the criteria of being available for use by the
authorities in times of a crisis. Pledged assets that are
clearly not readily available should be excluded.

Other Foreign Currency Assets—Item I.B. of the
Template

119. Like reserve assets, these assets must be in
convertible currencies so that they can be available
on demand to meet foreign currency needs of the
authorities.

120. Like reserve assets, these assets must represent
actual claims; credit lines and swap lines are not to
be included.

121. Like reserve assets, these assets must be settled
in foreign currencies; foreign currency assets settled
in domestic currencies should be disclosed in Section
IV under memo items.

122. Unlike reserve assets, these assets do not need
to be external assets; they can be claims on residents.

123. Liquid foreign currency claims on nonresidents
not included in reserve assets should be included in
"other foreign currency assets."

124. These assets should be reported both for the
monetary authorities and for the central government
(excluding social security funds). As noted earlier, in
view of the difficulties of collecting information from
the central government, only assets of these entities
that are materially significant should be included.

125. Examples of "other foreign currency assets"
include:

- The authorities’ foreign currency deposits in banks
  "headquartered and located in the reporting coun-
ty" not included in reserve assets.
- The authorities’ foreign currency deposits in banks
  "headquartered abroad but located in the reporting
country."
- The authorities’ investment in foreign currency
  securities issued by entities “headquartered and
  located in the reporting country.”
- Gold held by the authorities for trading in financial
  markets.
- Net marked-to-market values of highly liquid
  financial derivatives that represent (1) net claims of
  the monetary authorities on residents, and (2) net
  claims of the central government (excluding social
  security funds) on residents and nonresidents.
- Working balances abroad of government agencies
  available for immediate use. Nonetheless, if these bal-
  ances are not large and reporting would entail a sig-
  nificant administrative burden, they could be omitted.

126. In reporting “other foreign currency assets” in
the template, countries need to specify the major cat-
egories of such assets.

127. If assets are reclassified from reserve assets to
other foreign currency assets, this should be explicitly
stated in country notes accompanying the template.

Applying Approximate Market Values
to Reserve Assets and Other Foreign
Currency Assets

128. In principle, "reserve assets" are to be valued at
market prices. For purposes of the template, "other
foreign currency assets” of the authorities should be valued on a similar basis. In practice, however, accounting systems may not generate actual market values on all reporting dates for all classes of instruments. In these cases, approximate market values may be substituted. In valuing reserve assets and other foreign currency assets, interest earnings, as accrued, on such foreign currency resources should be included.

Guidelines for Applying Market Valuation on Assets

129. The market valuation should be applied to reserve assets and other foreign currency assets outstanding (that is, the stock of the assets) on the reference date (that is, at the end of the appropriate reporting period). If necessary, the stock of assets on the reference date can be approximated by adding the net cumulating flows during the reference period to the stock at the beginning of the reference period.

130. Periodic revaluations of the different types of assets should be undertaken to establish benchmarks on which future approximations can be based. It is recommended that such benchmark revaluations be undertaken at least on a quarterly basis. For each reporting period, at a minimum, the value of foreign currency instruments should be adjusted using the market exchange rates applicable on the reference date to arrive at an approximate market value of the assets.

Securities

131. The stock of equity securities of companies listed on stock exchanges can be revalued based on transaction prices on the revaluation date. If such transaction prices are not available, the midpoint of the quoted buy and sell prices of the shares on their main stock exchange on the reference date should provide a useful approximation.

132. For debt securities, the market price is the traded price on the reference date and includes accrued interest. If that value is not available, other methods of approximation include yield to maturity, discounted present value, face value less (plus) written value of discount (premium), and issue price plus amortization of discount (premium).

Currency and Deposits

133. The market value of currency and deposits generally is reflected in their nominal (face) value.

Financial Derivatives

134. Financial derivatives reported in Section I are to reflect their market values. For futures contracts, this involves marking to market, which usually precedes the daily settlement of gains and losses. The market value of swap and forward contracts is derived from the difference between the initially agreed contract price and the prevailing (or expected prevailing) market price of the underlying item. The market values of options depend on a number of factors including the contract (strike) price, the price and price volatility of the underlying instrument, the time remaining before expiration of the contract, and interest rates. (See also Chapter 5.)

Monetary Gold

135. Monetary gold is valued at the current market price of commodity gold. The basis of valuation (such as the volume and the price used in the computation) is to be disclosed. (The sample form in Appendix II provides the specific reporting of the volume of gold, with the expectation that the price could be deduced from the reported data.)

SDRs

136. SDRs are valued at an administrative rate determined by the IMF. The IMF determines the value of SDRs daily in U.S. dollars by summing the values, which are based on market exchange rates, of a weighted basket of currencies. The basket and weights are subject to revision from time to time.

Reserve Position in the IMF

137. The reserve position in the IMF is valued at a rate reflecting current exchange rates (of the SDR against the currency used to report the template data for the reserve tranche position, and of the currency in which loans are denominated in the case of outstanding loans to the IMF by the reporting country).

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36 Usually, these are the quoted sales price at the close of trading on the revaluation date.