Statistical Treatment of SDR Allocation: Frequently Asked Questions

1. How should countries treat Special Drawing Rights (SDRs) in their macroeconomic statistics?

As noted in the <u>Guidance Note on the Treatment and Use of SDR Allocations</u> (SDR GN), the Articles of Agreement do not prescribe the institutional arrangements for holding SDRs by members, including specific accounting treatment for SDR allocations. Members are thus not obliged under the Articles to hold SDRs under specific institutional arrangements nor to follow a specific accounting framework or methodology, and institutional arrangements differ widely.

Under the latest statistical guidelines, both gross international reserves and long-term debt liabilities increase with the new SDR allocation. Following the <u>Balance of Payments and International Investment Position Manual—Sixth Edition (BPM6)</u>, new allocations of SDRs are to be recorded as increases in gross international reserves (holdings of SDRs), with an equal increase in the members' long-term debt liabilities to the participants of the IMF's SDR Department (allocations of SDRs). The SDR holdings and allocations should be reported in gross terms, rather than netted against each other.

Domestic arrangements for holding SDRs and the accounting treatment may differ across Fund members according to differences in legal and institutional frameworks. In the majority of member countries, where the SDR positions are recorded as assets and liabilities in the central bank's balance sheet, the SDR holdings would directly increase central bank gross international reserves. There may be cases where SDRs are recorded on the balance sheet of a government agency rather than the central bank. In these cases, SDR holdings and allocations would be recorded as financial assets and liabilities of the government agency. Regardless of where SDRs are recorded, gross international reserves increase with the allocation.

Additional guidance on the treatment of SDRs in external sector statistics, monetary and financial statistics, and government finance statistics are provided in Annex I of the <u>SDR GN</u>.

2. What is the impact of the new SDR allocation on Net International Reserves (NIR)?

As noted in the <u>SDR GN</u>, NIR would be expected to increase with the new SDR allocation, provided that long-term foreign exchange debt liabilities are not subtracted from gross international reserves.

3. What is the impact of the new SDR allocation on the calculation of Net Foreign Assets (NFA) of the Central Bank?

As noted in the <u>SDR GN</u>, new allocations of SDR have no impact on net foreign assets (NFA) of the central bank because both foreign assets and liabilities increase. Specifically, for countries where the SDR allocation and SDR holding are recorded on the central bank's balance sheet, the SDR holding would appear under "Holdings of SDR" on the asset side and SDR allocation would appear under "SDR Allocations" on the liabilities side (see Table 1). As a result, both "Claims on nonresidents" and "Liabilities to nonresidents" of the central bank survey would increase by the same amount.

Table 1: Net Foreign Assets of the Central Bank: Recording of SDR Allocations and Holdings

Net foreign assets

Claims on nonresidents

Monetary gold and SDRs
Holdings of SDRs

Reserve Position in the Fund

Foreign currency

Deposits

Debt securities

Loans

Equity and investment fund shares

Financial derivatives

Other

less: Liabilities to nonresidents

Deposits

Debt securities

Loans

Financial derivatives and employee stock options

Use of Fund credit

SDR allocations

Other

4. Should countries that record the SDR allocation on the balance sheet of the central government compile a monetary authorities account in addition to the central bank survey?

As noted above, whether the SDR allocation and SDR holding of the member country are recorded on the balance sheet of the central bank or the central government is a matter determined by the member's own domestic legal and institutional arrangements and accounting rules. The <u>Monetary and Financial Statistics Manual and Compilation Guide (MFSMCG)</u> recommends that when central banking functions, such as currency issuance, holding of international reserves, conduct of transactions with the IMF, are performed wholly or partly by the central government, consideration be given to compiling a monetary authorities account, in addition to the central bank survey. The monetary authorities account is obtained by adding to the central bank survey line items representing central banking functions performed by the central government.

5. How should the interest and charges related to SDR holdings and allocations be recorded in macroeconomic statistics?

Across all macroeconomic statistics, SDR-related interest and charges should be recorded on a gross basis. Members earn interest on their SDR holdings and pay charges on their cumulative allocation at the

SDR interest rate. If a member's SDR holdings are equal to its allocation, there is no net interest receipt or payment to the SDR Department. In contrast, participants that use their SDRs will pay more in charges than they receive in interest. Conversely, participants that hold more SDRs than cumulative allocations will receive more in interest than the charges paid.

6. What is the recommended statistical treatment of SDR allocations for countries that are members of a centralized currency union?

The treatment of SDR allocation/holdings in the balance of payments of a member of a centralized currency union (e.g., CEMAC, ECCU, WAEMU) is no different than for a country outside a currency union. SDR holdings and allocations are an asset and liability of the country member that participates in the IMF's SDR Department.

As mentioned in Box 1 of the <u>SDR GN</u>, SDRs are obligations and rights of the member country of the IMF and not of the fiscal agent or any other entity of the member country involved in managing the member's SDR position. Regardless of where SDRs are recorded domestically (as a result of pooling/adherence to solidarity principle), SDRs are assets and liabilities of the member and should be recorded in the BOP/IIP of the member, not the currency union central bank.

In the <u>BPM6</u>, the monetary authority functions for member countries in centralized currency unions are deemed to be carried out by a national (resident) agency. Typically, the regional central bank of a centralized currency union maintains national offices in each member country. This institutional unit, called "the national agency," acts as the central bank for that country and must be treated for statistical purposes as an institutional unit that is separate from the headquarters of the regional central bank.

The SDR allocation/holdings should be attributed to the national agency resident in the member country and recorded in the BOP/IIP of the member country of a currency union.¹

•

¹ The *BPM6 (Appendix 3)* guidance on imputed reserves is specific to the foreign exchange reserves component of the official reserves. SDRs and the reserve position in the IMF should be recorded without the imputation in the BOP/IIP of member countries.