

**Twenty-Sixth Meeting of the
IMF Committee on Balance of Payments Statistics
Muscat, Oman
October 28–30, 2013**

Update on Reserves-Related Initiatives: Report by IMF

**Prepared by the Statistics Department
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I. RESERVES-RELATED INITIATIVES

1. There are several initiatives underway in the IMF Statistics Department (STA) in the area of reserve assets. This paper aims at informing the members of the IMF Committee on Balance of Payments Statistics (Committee) of developments in this area since their meeting in January 2013. These developments cover four areas: update on data sharing and confidentiality; project to review data reported on the Reserves Data Template on SDR basket and non-SDR basket currencies; update of STA's efforts to explore the feasibility and desirability of collecting additional data on currency intervention activities; and the publication of the updated *International Reserves and Foreign Currency Liquidity: Guidelines for a Data Template (Guidelines)*.

II. DATA SHARING AND CONFIDENTIALITY

2. Due to the sensitive nature of data reported to STA on its confidential surveys on reserve assets, along with some concerns expressed about some of proposals in this area, progress has been step-by-step since the January 2013 meeting.

3. At the Committee meeting in January 2013, STA presented a paper, "*Data Sharing and Confidentiality*" (BOPCOM—12/16), that contained a number of proposals related to enhanced data accessibility from strictly confidential surveys conducted by STA pertaining to reserve assets, namely data from the Currency Composition of Foreign Exchange Reserves (COFER), the Survey of Securities Held as Foreign Exchange Reserves (SEFER), and the Instrument Composition of Transactions in Foreign Exchange Reserves (INFER). We present below information on developments since then.

A. COFER

4. The paper on "*Data Sharing and Confidentiality*" (BOPCOM—12/16) outlined progress in promoting enhanced data accessibility to COFER data. The COFER initiative led to the publication in June 2013 of COFER data with expanded currency coverage. More specifically, COFER separately identified the Canadian dollar and Australian dollar for the first time in June 2013, with release of quarterly data beginning with the fourth quarter of 2012.

5. Work is also advancing in connection with the release of names of countries/jurisdictions that participate in COFER. The release of names for those jurisdictions that have given their explicit consent will occur after the launch of the SDDS Plus.

B. SEFER

6. In August 2013, STA transmitted to SEFER reporting economies the revised SEFER reporting forms, along with a note ("Update on the Revised Reporting Forms for the Coordinated Portfolio Investment Survey (CPIS) and the Survey of Securities Held as Foreign Exchange Reserves (SEFER)") describing the changes, to guide national compilers as they

plan for the implementation of the CPIS/SEFER enhancements. These changes will be implemented by STA beginning with the collection of end–June 2013 data in January 2014.

7. At its January 2013 meeting, STA made three proposals to enhance the accessibility of data from SEFER. These proposals followed a survey of SEFER reporters. The Committee offered wide support for implementing STA’s proposals, but some concerns were also expressed about the proposals given the highly sensitive nature of the data. Given this, STA has progressed carefully in these areas.

8. In regard to revealing the names of economies participating in SEFER, STA is to take a step-by-step approach, first assessing the implications of both the release of COFER names and the new semi-annual release of the SEFER data. In regard to generating a regular set of sub-aggregate tables, STA has developed draft prototype tables containing broad geographical classifications. However, discussions with internal IMF users have not concluded. After internal discussions have concluded, STA will come back to the Committee in written correspondence, to seek approval to release data on the draft global sub-aggregate tables. In regard to the topic of broader data accessibility, this will be brought back to the Committee no later than the next Committee meeting, although possibly earlier via written correspondence. STA’s current thinking is to expand access only a little above the current number (five).

C. INFER

9. At the January 2013 Committee meeting, STA proposed to revise its confidentiality pledge, starting with the data for end–2012. The existing pledge limited the use of INFER data to the calculation of global aggregates, and the proposal would have allowed the data to also be used to develop sub–aggregates for internal IMF use, while maintaining present confidentiality rules for individually identifiable data.

10. The Committee recognized the need for broad support for the proposal, and agreed with STA’s plan to consult with the national authorities on the pledge in 2013 when it collected INFER data for end–2012. Accordingly, in June 2013, STA sent letters to INFER reporters, to obtain their views on the proposal to develop sub-aggregates for internal IMF use, while maintaining the present strict confidentiality rules for individually identifiable data. Reminder letters were sent in July 2013.

11. As of September 5, 2013, 35 responses were received. Of these, 34 supported the proposal, and one did not. Some countries asked for more detailed information on the proposal, such as on the types of tables that might be produced and their intended use, and whether the proposal would require additional data reporting. STA replied that the current thinking was to produce estimates showing the instrument breakdowns of reserve assets cross-classified by broad geographical regions, while maintaining present confidentiality rules for individually identifiable data. These data would be for internal IMF use only. STA noted that the data on sub-aggregates would allow Fund staff who are involved in economic analysis to obtain a

better understanding of global capital flows and financial interconnectedness. STA also indicated that, under the proposal, additional data would not be requested from any country authorities.

12. STA will continue its step-by-step progress in revising its pledge on using INFER data for the development of global sub-aggregates for internal IMF use, while maintaining present confidentiality rules for individually identifiable data.

III. SDR BASKET AND NON-SDR BASKET CURRENCIES

13. As part of its regular monitoring of the data dissemination standards, STA reviews data reported by subscribers to the Special Data Dissemination Standard (SDDS) on the currency composition of foreign exchange reserves, as reported on the monthly Reserves Data Template. More specifically, STA reviews the reporting of data on the total levels of reserves in SDR basket currencies and in non-SDR basket currencies for each SDDS subscriber. Upon conclusion of the Executive Board discussion of the paper, *Seventh Review of the Fund's Data Standards Initiative* in November 2008, it was clarified that the SDR basket/nonbasket data split had to be disseminated by SDDS subscribers at least once every year. Item IV.(2)(a) of the Reserves Data Template captures this information.

14. Based on this thorough review, STA has identified since 2009 an upward trend in holdings of non-SDR basket currencies. As of March 2013, 19 SDDS subscribing countries had more than 10 percent of their foreign exchange reserves denominated in non-SDR basket currencies. The overwhelming majority (well over 95 percent) of reserve assets reported in the Reserves Data Template by all SDDS subscribers combined are denominated in the currencies included in the SDR basket.

15. STA corresponded with the 63 SDDS subscribers that reported any values in the non-SDR basket of the Reserves Data Template to gain a better understanding of each country's reporting of currencies within this basket. Countries were asked to confirm that they considered the non-SDR basket currencies to be "convertible currencies that are freely usable for settlements of international transactions." The correspondence from STA clearly specified that, to qualify for classification as a reserve asset, the asset must be "...denominated and settled in convertible foreign currencies that are freely usable for settlements of international transactions" (paragraph 6.72 of *BPM6* and paragraph 67 of the *Reserves Template Guidelines*).

16. This exercise provided useful information for identifying countries that were not conforming to SDDS data dissemination requirements. In particular, it highlighted cases where countries were not making the required disclosures at least once each year, and also highlighted cases of possible reporting errors. STA is following up bilaterally with the few subscribers that have not yet responded. Further, STA is undertaking appropriate next steps to assure that SDDS subscribers disseminate information at least once each year on holdings of foreign

exchange in SDR basket and non-SDR basket currencies, and that the data that are disseminated are correct.

IV. INITIATIVE ON CURRENCY INTERVENTION ACTIVITIES

17. At the January 2013 meeting, STA brought to the Committee's attention that, at the IMF Executive Board discussion on Data Provision to the Fund for Surveillance Purposes in November 2012, some Executive Directors asked about the provision to the IMF of additional foreign exchange market intervention data, noting that these data could prove useful for the purpose of IMF surveillance (BOPCOM–12/34, *Data on Currency Intervention Activity*). STA staff agreed to look into the possibilities and report back to the IMF Executive Board.

18. To implement the currency intervention data initiative, STA initiated a consultative process to examine the feasibility of collecting additional information on currency intervention activities. The first step in the consultative process was to write to Central Bank Governors, to inform them of STA's intention to reconvene RESTEG, which was a specialized expert group created by the Committee to inform work on the development and update of the *Reserves Data Template Guidelines* and the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)*.

19. As a second step, STA reconvened RESTEG, which consists of three IMF staff plus 19 other members, consisting of representatives from economies in all regions of the world and in different stages of economic development as well as major international financial institutions. STA then designed and conducted a survey to seek RESTEG member views on the following key questions: how should foreign exchange market intervention be defined; what are the existing economy practices in the collection and dissemination of currency intervention data; and what standard data sets on intervention activities should be publicly disseminated by economies that intervene.¹ The survey was conducted during August–September 2013. All 19 non-IMF RESTEG members responded to the survey through e-mail, and no face-to-face meetings were held.

A. Survey Results

Defining Foreign Exchange Intervention

20. The results of the RESTEG survey confirm that many central banks do not publish information on foreign exchange intervention, and there is no standard definition of what constitutes intervention. As a consequence, systematic, up-to-date, and comparable cross-country information on modalities and levels of intervention does not exist.

¹ The survey was designed by STA and was reviewed by the IMF's Strategy, Policy, and Review Department (SPR) and the Monetary and Capital Markets Department (MCM). Its results are presented in BOPCOM–13/20, *Results of the Survey of Foreign Exchange Market Intervention*.

21. Regarding a standard definition, RESTEG members found areas where there was widespread (though not necessarily universal) agreement, i.e., that the definition should cover actions taken with the *intent* of influencing the exchange rate of the domestic currency; it should cover financial transactions with both residents and nonresidents; it should include both direct and indirect market activities; it should include sterilized and nonsterilized interventions; and the definition should not include activities of public corporations. Also, given the range of policy tools that has the potential for impacting the exchange rate, there was no consensus on which nontraditional forms of intervention to include in the definition (although several RESTEG members noted that, as long as the intent to influence the exchange rate was present, the activity should be considered as intervention).

Measuring and Disseminating Foreign Exchange Intervention Data

22. RESTEG members were asked to identify data sets that are publicly disseminated and that they considered useful in identifying their economies' currency intervention activities. These data sets are broadly as follows:

- Reserve asset positions (users may be able to draw inferences on size of intervention by adjusting loans for interest payments/receipts, and revaluations);
- Outstanding holdings of foreign exchange (FX);
- Spot and forward market FX transactions in both domestic and foreign markets;
- Size of FX intervention operations;
- Factors affecting banking sector liquidity/interbank liquidity;
- Volume of FX swap transactions; and
- Drawings on swap lines and foreign currency loan facilities.

23. In regard to dissemination practices, the survey results indicate that, for economies that disseminate, a reporting lag of one month or less is widespread (with a number of economies releasing data much more quickly). In some cases, the type of intervention activity determines the reporting lag. For economies that do not disseminate data, the prime concern is that the data could be used for speculative purposes, and this could reduce the effectiveness of the intervention activity. Several members recommended that authorities disseminate information on the size, date and form of their intervention activities at least on a monthly basis. Others stated that decisions on what, when, and/or whether to disseminate should be the choice of national authorities based on their own national definitions and circumstances.

24. In the companion paper (BOPCOM–13/20), the Committee is asked for its views on the way forward with this work. IMF Staff will keep the IMF Executive Board informed of progress.

V. PUBLICATION OF THE UPDATED INTERNATIONAL RESERVES AND FOREIGN CURRENCY LIQUIDITY: GUIDELINES FOR A DATA TEMPLATE

25. Hard copies of the English language edition of the updated *International Reserves and Foreign Currency Liquidity: Guidelines for a Data Template (Guidelines)* became available in September 2013. The English language edition of the publication also has been available for a period of time on the IMF’s website.² The electronic publication of the *Guidelines* incorporates the new e-publishing format, which allows the use of electronic reading devices. The *Guidelines* is being now translated into Arabic, Chinese, French, Russian, and Spanish; these editions are expected to be available by early–2015.

² <http://www.imf.org/external/np/sta/ir/IRProcessWeb/dataguide.htm>.