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Results of the Survey of Foreign Exchange Market Intervention

**Prepared by the Statistics Department
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SURVEY OF FOREIGN EXCHANGE MARKET INTERVENTION

1. This paper presents the results of the IMF Reserve Asset Technical Expert Group (RESTEG) Survey of Foreign Exchange Market Intervention to the members of the IMF Committee on Balance of Payments Statistics (Committee). It seeks the Committee's views on the results and next steps. The reporting of these results continues the consultative process undertaken by the IMF Statistics Department (STA) in regard to the feasibility and desirability of collecting—and, potentially, of disseminating—additional data on currency intervention activities for analytical and IMF surveillance purposes.

I. BACKGROUND

2. 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). STA staff agreed to look into the possibilities and report back to the IMF Executive Board.

3. 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 (on May 7, 2013), 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)*.

4. As a second step, STA reconvened RESTEG, which consists of three IMF staff plus 19 non-IMF staff members from economies in all regions of the world and in different stages of economic development as well as major international financial institutions. These include seven advanced economies and ten emerging and developing economies.

5. STA then designed and conducted a survey to seek RESTEG members' 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. The survey was conducted during August–September 2013.

II. SURVEY DESIGN AND EXECUTION

6. The RESTEG survey (see Appendix) comprises 21 questions categorized in three sections as follows. Section I covers issues of defining and measuring foreign exchange market intervention; Section II collects information on current economy reporting practices; and Section III seeks respondent views on what (if any) standard data sets on intervention activities

should be publicly disseminated by economies that intervene in the foreign exchange market.¹ For most questions within the survey, multiple choice options are presented. There also is space for respondents to provide brief written responses/comments.

7. All 19 non-IMF RESTEG members responded to the survey.² Communication with RESTEG was entirely through e-mail and no face-to-face meetings were held. The reporting options to RESTEG were either to send the completed questionnaire solely to the RESTEG Secretariat (in which case individually identifiable responses were kept confidential), or to circulate the responses to all RESTEG members as well. More than half of the responses were sent solely to the RESTEG Secretariat.

III. SURVEY RESULTS

A. Defining and Measuring Foreign Exchange Intervention

8. Recognizing that a standard definition of foreign exchange market intervention activity is a prerequisite for the collection or complete analysis of data for a given economy as well as for comparing data for different economies, Section I of the survey questionnaire requested views on the definition and measurement of intervention activity. Eleven questions covered key definitional aspects, and a twelfth question asked what definition (if any) is currently being used by the economy represented by the RESTEG member. The findings are as follows.

9. Most RESTEG members (14 of 19) agreed that the definition of foreign exchange intervention should cover only actions that are taken with the *intent* of influencing the foreign exchange value of the domestic currency. There was limited support (five of 19) for an expanded definition that covers all significant foreign exchange transactions by the authorities if there was no intent to influence the foreign exchange value of the domestic currency.

10. In regard to the views of the five members who supported a definition that included all “significant” foreign exchange transactions, they were divided on how to define “significant”. In particular, they were divided on whether the definition should take into account the volume and frequency of foreign exchange transactions (two said yes it should, two said no it should not, and one had no firm view).

11. One RESTEG member noted the importance of covering actions that impact the exchange rate indirectly through reserve asset accumulation (e.g., through selling put options that provided a right to sell foreign exchange to the central bank under certain conditions), and

¹ The questionnaire 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).

² Subsequent references to the number of survey responses in this paper refer to those of the 19 non-IMF RESTEG members.

another member noted that portfolio management transactions should be excluded. Another noted that the definition, as it now reads, could include all central bank actions that affect interest rates, because such rates that influence the value of the domestic currency; this member suggested adding the clause “other than standard monetary policy operations” to the reference to “monetary policy tool” as a means of addressing this concern (i.e., the relevant sentence in the definition would say that “intervention is a monetary policy tool, *other than standard monetary policy operations*, in which the central bank takes an active role in influencing the foreign exchange value of the domestic currency”). One member noted that the size of an activity should not determine if it considered part of a definition; that member argued that the definition should be set without regard to size, and that size becomes relevant only later, in determining whether an activity should be disclosed under a data reporting exercise.

12. On whether a definition should cover only financial transactions, or should also cover other actions (such as “oral interventions”), RESTEG views were evenly divided (nine of the 19 members on each side of this question, and one with no firm view). One member noted that commercial sources may already publish information on “oral interventions.”

13. RESTEG members overwhelmingly (essentially unanimously) supported a definition that covers financial transactions with either residents or nonresidents (18 members said that it should, and one member had no firm view). Support that was nearly as strong was expressed for a definition that covers both spot and forward market activities (17 said both should be covered, and one said the definition should cover only spot market transactions; also, one did not vote).

14. Most RESTEG members (12 of 19) supported a definition that covers actions in support of other central banks in their exchange rate operations; six members favored limiting the definition to actions designed to influence the exchange rate of the domestic currency, and one member had no firm view. One member that favored the broader definition noted, however, that the data should distinguish actions taken to influence the domestic currency from those taken in support of other central banks.

15. RESTEG members relatively strongly (13 of 19) supported the view that the definition of currency intervention should cover both direct and indirect market activities, and they unanimously (19 of 19) concluded that it should cover both sterilized and nonsterilized interventions (one member noted that data on sterilized and nonsterilized operations should be separately published). On the question of considering transactions in derivatives that are linked to a foreign currency but denominated in the domestic currency to be an intervention activity, most (12 of 19) respondents agreed, with the remaining split between dissent (three) and having no firm view (four). One member noted that it might be worthwhile to investigate whether these operations are relevant.

16. Few RESTEG members (four of 19) supported a definition of currency intervention that included intervention-type transactions conducted by public corporations; of the others, 13 favored limiting the definition to transactions conducted by monetary authorities, and two had

no firm view. However, one member noted that some sovereign wealth funds may be public corporations (the implication was that their activities should be covered in the data). One RESTEG member noted that “intervention-type transactions” is too vague a concept to be usable. Another noted that its finance ministry is not considered a monetary authority but it will sometimes use its resources in intervention operations; the implication here was that intervention-type activity not conducted by monetary authorities should be covered.³

17. The survey also asked RESTEG members for their opinions on borderline/nontraditional activities that should be covered in the definition of intervention. A dozen members offered their opinions, and they were wide ranging. Among the opinions presented, several supported the inclusion of rule-based interventions. There was no consensus on whether the definition should include changes in the minimum reserve requirements for the banking system. Another said that the “acid test” was whether there was intent to influence the exchange rate; if intent was present, the activities should be covered, and if intent was absent, the activities should be excluded. Another RESTEG member saw scope for including measures for managing capital flows.

18. RESTEG members who have developed a definition of currency intervention activities were asked to provide it. Only seven of the 19 RESTEG members provided a definition. In all cases, the definition was only one or two sentences in length. Nearly all of the definitions stated that intervention is defined as transactions with the goal of influencing at least one of the following: (a) the foreign exchange value of the domestic currency, (b) the level of foreign currency reserves, or (c) the currency composition or currency exposure of private sector portfolios.

19. RESTEG members were invited to provide any additional comments on the definition of intervention, and two members provided comments. One suggested that all RESTEG members confirm their commitment to ensuring transparency of foreign exchange market intervention *before* getting into technical details of the definition of intervention. Otherwise, this member argued, efforts to increase transparency may have the undesirable result of adding further disclosures by members who are already transparent about their activities, while continuing the practice of other members of releasing no information on their intervention activities. Another RESTEG member observed that the size of intervention is difficult to measure, and that the significance of intervention could be measured in relation to the size of reserves, size of external debt, volume/turnover in the foreign exchange market, or size of GDP; this member called for deeper study of this area.

³ Actually, the statistical definition of “monetary authorities” includes certain operations of the finance ministry. “...Monetary authorities encompass the central bank ... and certain operations usually attributed to the central bank but **sometimes carried out by other government institutions** or commercial banks, such as government-owned commercial banks...” (boldface type added; *BPM6* paragraph 6.66).

IV. CURRENT COUNTRY DISSEMINATION PRACTICES

20. Nine RESTEG members indicated that some information on their monetary authorities' currency intervention activities are disseminated publicly, and nine other members reported that data are not disseminated. All nine economies that disseminate information do so via their internet websites; in addition, several of these economies (four) disseminate data via news releases. One economy disseminates data on foreign exchange transactions through Reuters on a real-time basis.

21. Regarding the timeliness of the data, individual economy disclosure practices sometimes depend on the type of intervention (in one case: spot market transactions, repurchase agreement transactions, and foreign exchange loans are disclosed daily, and forwards are disclosed monthly). Almost all economies that disseminate data (eight of nine) reported that information is typically released in one month or less, of which just over half (five) release data within a day of the activity. One economy reported that interventions are preannounced, 15 minutes prior to when the intervention takes place.

22. Most (eight) of the reporting economies provide information on the size of the intervention activity conducted. In one case, some indication—but not the exact size—of interventions is published; in another case, additional information (such as information on exact dates and currency pairs) is released quarterly. A few economies also reported that in some (exceptional) cases, the nature of the intervention may result in a decision to deviate from standard disclosure practice, such as to provide an additional disclosure.

23. 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.

24. For any types of intervention activities that an economy considers to be confidential, the RESTEG survey asked respondents to indicate their concerns about making the information

on intervention activities publicly available. One point raised by respondents was that the data could be used for speculative purposes, thereby reducing the effectiveness of the intervention, and enabling market participants to speculate about the size of future interventions. In the view of one member, limiting the information disclosed on intervention (in particular on the size of the intervention) may reinforce the signaling channel by maintaining uncertainty about the draw on its reserves and thus on its remaining resources for conducting possible future interventions. The implications for the central bank's credibility were also noted, i.e., if the intervention proved unsuccessful, it might undermine credibility.

V. OTHER

25. In this section of the survey, respondents were asked to give their views on what (if any) standard data sets on intervention activities should be publicly disseminated by economies that intervene in the foreign currency exchange market. Many members (six) stated that authorities should disclose the size, date and form (channel) of their intervention activities at least on a monthly basis. However, a number of RESTEG members (four) said that no additional data sets on intervention activity should be publicly disseminated. In addition, a number of RESTEG members (four) expressed no firm view. A number of others (five) indicated that each national authority should decide what information to disclose based on their individual circumstances. In this connection, the view expressed by one RESTEG member was that the setting of a too-ambitious agenda for disclosure might discourage those countries that do not currently disseminate information. As a result, this member suggested that RESTEG should encourage members to disclose as much information as they can, in accordance with their own definitions and abilities.

VI. CONCLUSION AND NEXT STEPS

26. The results of the RESTEG survey confirm that the manner and extent to which central banks intervene in foreign exchange markets is shrouded, not least because many central banks do not publish such information, and there is no standard definition of what constitutes intervention. As a consequence, systematic and up-to-date cross-country information on modalities and levels of intervention does not exist.

27. 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 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).

28. 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.

29. Going forward, the IMF Executive Board will be informed of progress.

QUESTIONS FOR THE COMMITTEE

1) What are the views of Committee members on the RESTEG survey results?

2) Building from RESTEG member feedback, what comments do Committee members have on the following definition of intervention:

Intervention is a monetary policy tool, other than standard monetary policy operations, in which the central bank or other domestic monetary authorities take an active role in influencing the foreign exchange value of the domestic currency, including actions taken in support of other (nonresident) monetary authorities. These actions include both spot and forward market activities, and direct and indirect market activities that are taken to build reserves, stabilize exchange rates, or correct misalignments, such as an economy's current account balance. Intervention includes include both sterilized operations (i.e., operations where the authorities take action to offset the impact of intervention on domestic money supply) and nonsterilized operations.

(The Committee is reminded that RESTEG was evenly divided on the question of whether “oral interventions” should be part of the definition, and so the above text does not clearly indicate whether oral interventions are included.)

3) Building from RESTEG member feedback, what views do Committee members have on the best practices for the collection and dissemination of data (see paragraph 23 in particular)?

4) What are the views of the Committee in regard to possible next steps by RESTEG? Should RESTEG continue its work by firming up the definition of foreign exchange market intervention? And should RESTEG firm up best practices in the collection and dissemination of intervention data? The RESTEG survey results and outcomes of the Committee's discussion will be shared with RESTEG.

**IMF Reserve Asset Technical Expert Group (RESTEG)
Survey of Foreign Exchange Market Intervention**

DEFINING AND MEASURING FOREIGN EXCHANGE INTERVENTION

A broad definition of foreign exchange intervention is as follows:

“Intervention is a monetary policy tool in which the central bank or other domestic authorities take an active role in influencing the foreign exchange value of the domestic currency. Such actions may be taken to build reserves, stabilize exchange rates, or correct misalignments, such as an economy’s current account balance.”

1) Should the definition cover only actions that are taken with the intent of influencing the foreign exchange value of the domestic currency, or should it cover all significant foreign exchange transactions by the authorities that influence the foreign exchange value of the domestic currency, even if the intent is absent?

- (a) It should cover only actions taken with the intent of influencing the foreign exchange value of the domestic currency (Please skip question 2).
- (b) It should cover all significant actions that influence the foreign exchange value of the domestic currency (such as transactions for portfolio management), even if intent to influence is absent.
- (c) No firm view.

2) If you marked choice 1b or 1c in question 1, then please indicate if you have views on how to define “significant” foreign exchange transactions? In particular, should the definition take into account the volume and frequency of foreign exchange transactions?

- (a) The definition of intervention should take into account the volume and frequency of foreign exchange transactions, regardless of whether the authorities have intent to influence the foreign exchange value of the domestic currency.
- (b) The definition of intervention should not take into account the volume and frequency of foreign exchange transactions; the definition should be based on whether there is intent to influence the foreign exchange value of the domestic currency.
- (c) No firm view.

Please provide below any views on how the thresholds for volume and frequency might be determined.

3) Should the definition cover only financial transactions, or should it also cover other actions, such as speeches by high level officials that are designed to “talk up” (or down) the value of the domestic currency?

- (a) It should cover only financial transactions.
- (b) It should cover financial transactions and other actions (including “oral interventions” such as speeches by high level officials) that are designed to influence the value of the domestic currency.
- (c) No firm view.

4) Should the definition cover financial transactions with either residents or nonresidents, or should it be limited to transactions with nonresidents?

- (a) It should cover financial transactions with either residents or nonresidents.
- (b) It should be limited to transactions with nonresidents.
- (c) No firm view.

5) Should the definition cover both spot and forward market activities, or only spot market activities?

- (a) It should cover both spot and forward market activities.
- (b) It should cover only spot market activities.
- (c) No firm view.

6) Should the definition cover actions conducted in support of other central banks in their exchange rate operations?

- (a) It should cover only actions to influence the exchange rate of the domestic currency.
- (b) It should cover actions in support of fellow central banks in their exchange rate operations.
- (c) No firm view.

7) Should the definition cover both direct market activities and indirect market activities (an example of a direct market activity is the purchase or sale of foreign exchange on a market, and an indirect market activity is the purchase or sale of an option on a market that gives the holder the right to acquire foreign exchange), or only direct activities?

- (a) It should cover both direct and indirect activities.
- (b) It should cover only direct activities.
- (c) No firm view.

8) Should the definition cover both sterilized and nonsterilized interventions (sterilized interventions are typically those where the authorities take action to offset the impact of intervention on domestic money supply), or only nonsterilized activities?

- (a) It should cover both sterilized and nonsterilized interventions.
- (b) It should cover only sterilized interventions.
- (c) It should cover only non-sterilized interventions.
- (d) No firm view.

9) Should the definition cover transactions in foreign currency linked derivatives that are denominated and settled in the domestic currency? (Such transactions may indirectly have an impact on foreign currency exchange rates.)

- (a) I would consider transactions in derivatives that are linked to a foreign currency but denominated in the domestic currency to be an intervention activity.
- (b) I would not consider transactions in derivatives that are linked to a foreign currency but denominated in the domestic currency to be an intervention activity.
- (c) No firm view.

10) Should the definition cover only transactions conducted by the monetary authorities of an economy, or should it also include intervention-type transactions conducted by public corporations (perhaps with exchange rate guarantees from the monetary authorities)?

- (a) It should cover only transactions conducted by the monetary authorities.
- (b) It should cover both transactions conducted by the monetary authorities and those conducted by public corporations.
- (c) No firm view.

11) In your opinion, are there other borderline/nontraditional activities that should be explicitly noted or covered in the definition of intervention? If so, please describe below. (Examples might include policy tools such as rule-based interventions and mandatory reserves requirements for the banking system)

12) If you have developed a definition of intervention activities, what definition are you using?

13) Please provide any additional comments below on Part I, Defining and Measuring Intervention (questions 1 through 11):

CURRENT COUNTRY DISSEMINATION PRACTICES

14) Do the monetary authorities of your economy disseminate data on intervention activities?

Yes (and provide link to online data/metadata):

No (please skip questions 15-18); information on intervention activity is usually regarded as confidential, and no standard procedures are followed to disseminate information to the public on the authorities' intervention activities

15) Where is the information on intervention activities disseminated (mark as many responses that apply)?

- (a) On your website.
- (b) In news releases.
- (c) In periodic articles.
- (d) Other (specify):

16) What is the timeliness of your dissemination of information on intervention activities?

- (a) Information is typically released within a day of the activity.
- (b) Information is typically released in one month or less but more than one day of the activity.
- (c) Information is typically released in six months or less but more than one month of the activity.
- (d) Information is typically released in one year or less but more than six months of the activity.
- (e) Other (specify):

17) What details are provided on your intervention activity?

- (a) There is an acknowledgement that intervention occurred, but few or no additional details are provided.
- (b) Information is provided on the specific type(s) of intervention activity conducted.
- (c) Information is provided on the size of the intervention activity conducted.

18) If information on some types of intervention activities are usually regarded as confidential, please indicate in items 18a and 18b what types of intervention activities are usually disclosed to the public, and what types of activities are usually kept confidential.

18 a) The intervention activities that are usually disclosed to the public generally consist of the following (please elaborate):

18 b) The confidential intervention activities generally consist of the following (please elaborate):

19) For any types of intervention activities that you regard as confidential, please indicate below the nature of concerns about making the information publicly available:

20) Please provide any comments below on Part II, Current Country Dissemination Practices (questions 14 through 19):

OTHER

21) In your view, what (if any) standard data sets on intervention activities should be publicly disseminated by economies that intervene?

- (a) No additional data sets on intervention activity should be publicly disseminated.
- (b) Authorities should disclose the size, date, and form (channel) of their intervention activities at least on a monthly basis.
- (c) No firm view.
- (d) Other (specify):

End of Survey