

INTERNATIONAL MONETARY FUND

Statistics Department



Statistical Treatment of Precious Metals Accounts

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This note clarifies the statistical treatment of precious metals accounts and provides examples on the recording of transactions/positions associated with allocated and unallocated precious metals accounts in balance of payments and international investment position statistics. Allocated precious metals accounts other than monetary gold represent ownership of nonfinancial assets; and unallocated precious metals accounts are treated as deposits in foreign currency. For allocated precious metals accounts, certificate fees, as well as ongoing fees for storage should be recorded as financial services. Further, this note reaffirms that the classification of monetary gold as a financial asset within reserve assets is an exception among commodities because of the historic role of gold in the international financial system.

I. CURRENT GUIDANCE ON PRECIOUS METALS

1. **Precious metals² other than monetary gold are not financial assets and are treated as goods** (see Appendix). The following guidance is provided in *Balance of Payments and International Investment Position Manual, sixth edition (BPM6)*:

- *In contrast to monetary gold, which is a financial asset, nonmonetary physical gold is a good. Similarly, other precious metals are goods, not financial assets (paragraph 5.78).*

2. **Institutional units may hold precious metals with them or in allocated/unallocated precious metals accounts with deposit-taking corporations and other institutional units.**³ The allocated account⁴ provides the investor with a certificate indicating that specific bullion bars or bullion coins are held by the bank, on behalf of the investor. The investor has to pay an upfront certificate fee, as well as ongoing fees for storage of the physical precious metals. In the case of an unallocated account, the investor owns a part of

¹ A previous version of this note (prepared by Ms. Alicia Hierro and Mr. Venkat Josyula, Balance of Payments Division, STA) was presented as a paper at the Thirtieth Meeting of the IMF Committee in October 2017 (see BOPCOM 17/14 at <http://www.imf.org/external/pubs/ft/bop/2017/30.htm>). Committee members agreed with the proposed clarification and requested to include guidance on the recording of fees associated with the allocated accounts in the note, and that a clarification note should be posted on the BOPCOM [website](#) and *BPM6* [website](#). The treatment of unallocated deposits of goods other than precious metals is beyond the scope of this note.

² A specific list of precious metals is not provided in *BPM6* and other macroeconomic statistics manuals. Rhodium, platinum, gold, ruthenium, iridium, osmium, palladium, rhenium, silver, indium are considered as most expensive precious metals in order of value (see <https://www.biltmoreloanandjewelry.com/blog/precious-metals-in-order-of-value/>).

³ For example, Perth Mint provides allocated/pool allocated/unallocated metals accounts for its clients (for details, see <https://www.perthmint.com/storage/help/faq-storage-options.html>).

⁴ A minor variant of allocated accounts is a pooled allocated account. The certificate for this account indicates that the investor owns a specific amount of precious metal but that the metal is pooled with that of other investors and is not in any specific form. Similar to allocated account, the investor has to pay an upfront certificate fee, along with ongoing fees for storage costs.

pooled metal with no title to any particular bar. This metal can be considered part of the general pool of metal held by the bank/institutional unit providing the account and may be lent out or sold without the consent of the investor.

3. **Allocated precious metals accounts (including allocated gold accounts not held as reserve assets) are treated as representing ownership of a good; they are not financial assets** The *External Debt Statistics Guide for Compilers and Users 2013 (EDS Guide 2013)*, Appendix 1 clarifies the following:

- *Allocated precious metals accounts provide ownership of a specific piece of precious metals. The ownership of the precious metals remains with the entity placing it for safe custody. Allocated precious metals accounts have no counterpart liability. Allocated precious metals (other than gold) accounts are treated as representing ownership of a good, they are not financial assets.*

4. **Unallocated precious metals accounts⁵ are treated as deposits in foreign currency with claims against the account operator** as clarified in the *BPM6* and *EDS 2013*:

- *...unallocated precious metals accounts represent a claim against the account operator to deliver precious metals. For these accounts, the account provider holds title to a reserve base of physical (allocated) precious metals and issues claims to account holders denominated in precious metals. Unallocated precious metals account liabilities are debt liabilities of the account operator... (EDS Guide 2013, Appendix 1).*
- *...unallocated accounts for precious metals are also deposits, except for unallocated gold accounts held by monetary authorities for reserve purposes, for which asset holding is included in monetary gold... (BPM6, paragraph 5.39).*
- *...unallocated gold accounts and other unallocated accounts in precious metals giving title to claim the delivery of gold or precious metal are treated as denominated in foreign currency... (BPM6, paragraph 3.96).*

⁵ Allocated and unallocated precious metals accounts are generally available for the following four metals: gold, silver, platinum, and palladium.

5. Fees on allocated accounts of monetary and nonmonetary gold are recorded as an explicit fee for financial services, in line with *BPM6*:

- *Financial services cover financial intermediary and auxiliary services, except insurance and pension fund services... Also included are financial advisory services, custody of financial assets or bullion... (BPM6, paragraph 10.118).*⁶

6. However, *BPM6* and other macroeconomic statistics manuals provide no specific guidance on the recording of transactions/positions associated with precious metals accounts and fees on allocated precious metals accounts.⁷ This note provides guidance on the treatment of deposits of precious metals and clarifies the recording of related transactions/positions as well as the recording of fees associated with allocated precious metals accounts.

II. RECORDING OF DEPOSITS IN PRECIOUS METALS

7. Table 1 explains the possible transactions associated with precious metals accounts and the recording in each case.

Table 1: Recording of Deposits in Precious Metals

Type of Transaction	Country A		Country B	
	BOP	IIP	BOP	IIP
1. Institutional unit in country A (Unit A1) acquires an unallocated precious metals account with a unit resident in country A (Unit A2).	No recording is required (as there is no international transaction).	No recording is required.	-----	-----

⁶ Bullion refers to nonmonetary gold: *Nonmonetary gold covers all gold other than monetary gold.... Nonmonetary gold can be in the form of bullion (i.e., gold bullion takes the form of coins, ingots, or bars with a purity of at least 995 parts per 1,000, including such gold held in allocated gold accounts), gold powder, and gold in other unwrought or semimanufactured forms... (BPM6, paragraph 10.50)*

⁷ Should any fees be charged on unallocated precious metals accounts, they should be classified as financial services, as those accounts are financial assets (deposits in foreign currency).

Type of Transaction	Country A		Country B	
	BOP	IIP	BOP	IIP
2 (a). Institutional unit in country A (Unit A) acquires an unallocated precious metals account with a resident in country B (Unit B). Payment made to Unit B from Unit A's deposits (\$) in a bank resident in country B.	Record in the financial account: (i) a decrease in Unit A's deposit assets with country B bank; and (ii) a new deposit asset (for unallocated precious metals account) of the same amount against Unit B (issuer of the unallocated precious metals account).	Currency and deposit assets reflect same changes as in the BOP financial account.	Record in the financial account: (i) a decrease in deposit liabilities of country B bank against Unit A; and (ii) a new deposit liability of the same amount for Unit B (issuer of the unallocated precious metals account).	Currency and deposit liabilities reflect same changes as in the BOP financial account.
2 (b). Institutional unit in country A (Unit A) acquires an unallocated precious metals account with a nonresident unit of country B (Unit B) - payment made from Unit A's deposits in a resident bank.	Record in the financial account: (i) a decrease in deposit assets (\$) of the resident bank in its correspondent bank accounts abroad; and (ii) an increase in deposit assets of Unit A (for unallocated precious metals account).	Currency and deposit assets reflect same changes as in the BOP financial account.	Record in the financial account: (i) a decrease in deposit liabilities (\$) of country B against Country A bank; and (ii) an increase in deposit liabilities of Unit B (issuer of the unallocated precious metals account).	Currency and deposit liabilities reflect same changes as in the BOP financial account.
3. Institutional unit in country A (Unit A1) deposits the precious metal it owns in an unallocated precious metals account with another resident unit (Unit A2).	No recording is required (as there is no international transaction).	No recording is required.	-----	-----
4. Institutional unit in country A (Unit A) deposits the precious metal it owns in an unallocated precious metals account with a nonresident unit of country B (Unit B).	A transaction in precious metals is recorded in goods account of country A (credit) with a matching entry in financial account, increase in currency and deposits assets of country A (debit). ⁸	Currency and deposit assets of Unit A (country A) increase by same amount as in the financial account.	A transaction in precious metals is recorded in goods account of country B (debit) with a matching entry in financial account, increase in currency and deposit liabilities of country B (credit).	Currency and deposit liabilities of Unit B (country B) increase by same amount as in the financial account.

⁸ The proposed treatment of the deposits of precious metals in unallocated accounts as transactions in goods with the matching increase in currency and deposits is in line with the treatment of gold in unallocated accounts described in *BPM6*, paragraph 9.18, f): *If the monetary authorities deposit gold bullion that they own in an unallocated gold account, the gold bullion is demonetized immediately before the transaction. If the account is with a nonresident, a transaction in*

Type of Transaction	Country A		Country B	
	BOP	IIP	BOP	IIP
5. Institutional unit in country A (Unit A) deposits the precious metal it owns in an allocated precious metals account with a nonresident unit of country B (Unit B).	No entries appear in balance of payments as there is no change of ownership.	-----	No entries appear in balance of payments as there is no change of ownership.	-----
6. Institutional unit in country A (Unit A) converts an unallocated precious metals account with a nonresident unit of country B (Unit B) to an allocated account with the same unit.	Record in the financial account: a decrease in currency and deposits assets of country A (credit), with a matching entry in precious metals in the goods account of country A (debit).	Currency and deposit assets of Unit A (country A) decrease by same amount as in the financial account.	Record in the financial account: a decrease in currency and deposits liabilities of country B against country A (debit), with a matching entry in precious metals in the goods account of country B (credit).	Currency and deposit liabilities of Unit B (country B) decrease by same amount as in the financial account.

8. Changes in the price of precious metals give rise to changes in the position of unallocated precious metals accounts. These changes are not recorded as a balance of payments transaction, but should be reflected in IIP through the other changes in financial assets and liabilities account.

9. Given that there is no explicit guidance on the recording of fees for allocated precious metals accounts, such fees should be recorded in the same way as fees for bullion (nonmonetary gold) under financial services. This note clarifies that the payments of an upfront certificate fee, as well as ongoing fees associated with the storage of the allocated precious metals accounts should be recorded as financial services. The fees for storage of allocated precious metals should not be classified as other transport services.⁹

nonmonetary gold is recorded in the goods and services account with a corresponding entry in currency and deposits, and then a reclassification to monetary gold—unallocated gold accounts—if held as a reserve asset. However, if the deposit is with another monetary authority or an international financial institution, transactions in monetary gold are recorded.

⁹ Other transport services include services that are auxiliary to transport and not directly provided for the movement of goods and persons. The category includes cargo handling charges billed separately from freight, storage and warehousing... (See BPM6 paragraph 10.80). Further, the 2008 SNA clarifies that storage services do not apply to holdings in financial assets, valuables or other non-financial assets (see 2008 SNA paragraph 6.145).

APPENDIX: PRECIOUS METALS OTHER THAN GOLD ARE NOT RESERVE ASSETS

The IMF has been consulted on whether platinum and other precious metals (in addition to monetary gold) could be eligible for consideration as reserve assets. The classification of monetary gold as a financial asset within reserve assets is an exception among commodities because of the historic role of gold in the international financial system. The same conditions do not apply to other precious metals, which in contrast are regarded as commodities rather than as financial assets.

The existing treatment allowing the inclusion of monetary gold, but not of other precious metals, in international reserves has been reaffirmed by the international community when updating the *BPM6* in 2009. Likewise, the *International Reserves and Foreign Currency Liquidity: Guidelines for a Data Template* (hereinafter “*the Guidelines*”), updated in early-2012, also confirmed this treatment.

BPM6 states that:

In contrast to monetary gold, which is a financial asset, nonmonetary physical gold is a good. Similarly, other precious metals are goods, not financial assets. Monetary gold is treated differently because of its role as a means of international payments and store of value for use in reserve assets (BPM6, paragraph 5.78).

.... Silver bullion, diamonds, and other precious metal and stones are not included in reserve assets because they are considered goods and not financial assets (BPM6, paragraph 6.105).

The *Guidelines* note that:

.... Holdings of silver bullion, diamonds, and other precious metals and stones are not reserve assets and should not be recorded in the Template.... These precious metals and stones are considered goods and not financial assets (Guidelines paragraph 98 and its footnote 19).