SDR Allocations: Frequently Asked Questions on Their Statistical Treatment

1. How should countries record SDRs (including the recent General and Special Allocations of SDRs) in their macroeconomic statistics?[1]

(a) **External sector statistics**

Under the sixth edition of the *Balance of Payments and International Investment Position Manual* (*BPM6)*, new allocations of SDRs to participants in the IMF SDR Department are recorded as increases in gross reserve assets (holdings of SDRs) and in long-term debt liabilities of the authorities (allocations of SDRs). The guidelines were adopted in 2008 by the United Nations Statistical Commission and the IMF's Committee on Balance of Payments Statistics when they endorsed the *System of National Accounts* (*SNA*) and *BPM6*, respectively. Main changes in the treatment of SDRs under the updated standards are the recognition of the SDR allocation as a long-term debt liability, and to record transactions in both assets and liabilities, instead of valuation adjustments to international investment positions, when there are new allocations of SDRs.

(b) **Monetary and financial statistics**

If the SDRs are held on the balance sheet of the central bank, in line with the *2008 SNA* and the *BPM6*, they will be treated as liabilities to nonresidents (foreign liabilities) and no longer as "shares and other equity". (If the SDRs are held on the balance sheet of the general government, their treatment should be similar, but monetary and financial statistics cover only the central bank and other financial corporations and not the general government sector.) Thus, the new allocations of SDRs will increase claims on nonresidents (foreign assets) and liabilities to nonresidents (foreign liabilities), initially by the same amount.

(c) **Government finance statistics**

If the SDRs are held on the balance sheet of the general government, in line with the *2008 SNA* and the *BPM6*, the allocations will be recorded as a debt liability to nonresidents, with a corresponding entry on the financial assets side showing the SDR holdings. (If the SDRs are held on the balance sheet of the central bank, their treatment should be similar, but

[1] The IMF implemented a $250 billion General Allocation of special drawing rights (SDRs) on August 28, 2009. In addition, under the Fourth Amendment of the Fund's Articles of Agreement, the IMF implemented a Special Allocation of SDRs of $33 billion on September 9, 2009.

government finance statistics generally cover only the fiscal sector and exclude data on public corporations such as the central bank.) Contrary to the recommendations in the *Government Finance Statistics Manual 2001* (*GFSM 2001*), the new allocations should be recorded in transactions and not as other changes in the volume of assets and liabilities. Gross interest income on the SDR holdings and interest expense on the SDR allocation should be recorded as they accrue.

2. What is the justification for the revised statistical standards showing the SDR allocation as a foreign liability*?*

In accordance with the methodology in the *2008 SNA* and *BPM6*, the SDR allocation should be recorded in long-term debt liabilities of the country to the other participants of the IMF's SDR Department. The rationale for the *BPM6* treatment is that: (1) countries are required to pay interest on the allocation they have received, and arrears arise if payments are not made, and (2) a country would be required to repay its allocation of SDRs in certain circumstances, such as upon termination of its participation in the SDR Department or upon liquidation of the SDR Department. The *2008 SNA* and *BPM6* recommendation to record a long-term debt liability applies to the allocation in the balance sheet of the recipient institution (central bank or ministry of finance or treasury), external debt statistics, and balance of payments and international investment position (IIP) statistics, to maintain consistency among macroeconomic data sets.

3. Why is the Statistics Department (STA) urging countries to record the SDR allocation in line with *BPM6* when everything else should be recorded according to *BPM5*?

The premise in this question is not quite correct. STA is urging economies to begin implementing *BPM6* immediately. In 2012 STA intends to convert its statistical publications, including the *Balance of Payments Statistics Yearbook* (*BOPSY*) and *International Financial Statistics* (*IFS*), to a BPM6 *presentational* basis. STA expects that most economies will adopt the *BPM6* standards over the next few years.

It should also be noted that STA has traditionally used the IMF's own data (provided by the IMF's Finance Department (FIN)) for recording *BOPSY* and *IFS* components pertaining to the Reserve Position with the Fund and SDRs. The use of FIN data assures comprehensive and accurate reporting for those data items. Consistent with these current and long-time practices, STA will use FIN data for the August and September 2009 SDR allocations.

4. **What are the changes to be implemented by STA in statistical publications regarding the recent SDR allocation?**

a) In **external sector statistics**, the August 2009 increase in gross reserve assets will be reflected in the International Liquidity data that initially are presented in the October 2009 issue of the *IFS*. (The September 2009 allocation will initially be presented in the November 2009 issue of the *IFS*.) The Q3 2009 balance of payments transactions data (and IIP statistics for countries that compile quarterly IIPs) will reflect the new allocations starting with the January 2010 issue of the *IFS*. The *Balance of Payments Statistics Yearbook* will reflect these data starting with the 2010 edition.

b) In **monetary and financial statistics** as published in the *IFS*, effective with August 2009 data, the SDR allocations will be treated as liabilities to nonresidents (foreign liabilities) and no longer as “shares and other equity”. Thus, the SDR allocations will increase claims on nonresidents (foreign assets) and liabilities to nonresidents (foreign liabilities), initially by the same amount. These changes will be reflected for the first time in the October 2009 issue of the *IFS*.

c) In **government finance statistics***,* if the SDR allocation is held on the balance sheet of general government, (e.g., by the ministry of finance or treasury), the allocation will be recorded as a debt liability to nonresidents, with a corresponding entry on the financial assets side. (If the SDRs are held on the balance sheet of the central bank, as noted above, their treatment should be similar, but government finance statistics cover only the general government sector and not central banks or other corporations in the financial corporation sector.) These changes will be reflected in the *IFS* starting with August 2009 data (released in the October 2009 issue) or Q3 2009 data (released in the January 2010 issue), depending on the frequency of data reported by countries.

5. **What changes should be expected in other major sets of macroeconomic statistics, and when do they take effect?**

(a) External Debt Statistics

In line with the *BPM6*, the gross external debt position of a country should include a debt liability for SDR allocations. This differs from the *BPM5* and the *External Debt Guide*, which do not recommend recording liabilities (neither equity nor debt) for allocations of SDRs. The *External Debt Guide* will be updated in several years, but STA is taking steps now by working with the World Bank and others to advance the timetable for aligning with *BPM6* the data in the IMF/World Bank Quarterly External Debt Statistics (QEDS) database and in the Joint External Debt Hub (JEDH). (These changes may be reflected beginning with the Q3 2009 data release in the January 2010 *IFS*.)

(b) Data Template on International Reserves and Foreign Currency Liquidity (Reserves Template)

The increase in SDR assets should be first reflected in the reserves asset data of the Reserves Template beginning with data for end-August 2009. Subscribers to the Special Data Dissemination Standards (SDDS) are required to submit data on the Reserves Template.

6. **Are there any revisions to the time series?**

a) STA intends to revise historical transaction and position data for **external sector statistics** in 2012, when these will be converted in *International Financial Statistics* and the *Balance of Payments Statistics Yearbook* to a *BPM6* presentational basis. At that time, it will also remove the valuation adjustment for the $33 billion of existing allocations, and record the amount instead in transactions in the proper years. Also, interest receipts and payments will be reviewed to ensure that transactions are recorded consistent with *BPM6* guidance.

b) Historical time series for **monetary data** will be changed to reflect allocations as long-term foreign debt liabilities in the October 2009 issue of the *IFS*. Further historical revisions will take place subsequently, to achieve full consistency in the sector allocation of the SDRs between the monetary data and government finance statistics.

7. **What is the impact on the Net International Reserves of a country?**

STA does not define Net International Reserves (NIR) in its statistical publications. Other departments in the IMF and some individual countries do have definitions but they are not entirely consistent. In particular, short-term reserve related liabilities, or all reserve-related liabilities, are deducted from gross reserves, depending upon the definition used.

External sector statistics focus on gross, rather than net, international reserves. "Reserve assets are those external assets that are readily available to and controlled by monetary authorities for meeting balance of payments financing needs, for intervention in exchange markets to affect the currency exchange rate, and for other related purposes (such as maintaining confidence in the currency and the economy, and serving as a basis for foreign borrowing)." (*BPM6* paragraph 6.64, at http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm.)

Gross international reserves of a recipient country would increase with the new allocation, because holdings of SDRs (reserve assets) will increase, and no liabilities (neither short-term nor long-term) are deducted in the calculation.

BPM6 introduces the concept of reserve-related liabilities. The SDR allocation is classified as a long-term reserve-related liability.

8. **What will be the impact of the SDR allocation on the calculation of Net Foreign Assets (NFA) in the balance sheet of the Central Bank?**

Under the revised monetary and financial statistics treatment, in line with the *BPM6*, the new allocations will have no initial impact on net foreign assets (NFA) (because both foreign assets and liabilities increase). As with the external sector statistics, gross international reserves would increase. However, recognition of a foreign liability for previous allocations (instead of equity) will reduce NFA.

9. **Explain the differences in the treatment of SDRs under *BPM5*, *BPM6*, *MFSM*, *GFSM 2001*, and the *External Debt Guide*.**

At present, the treatments differ across the statistical manuals. However, as noted above, the treatments in the statistical manuals are being aligned with the treatment in *BPM6*. See Table below:

Accounting Treatment in Statistical Manuals

	BPM5 (1993)	**BPM6 (2008)**	**MFSM (2000)**	**GFSM 2001**	**External Debt Guide (2003)**
1. Are SDR holdings shown in positions?	Yes, as holdings of SDRs in official reserve assets.	Yes, as holdings of SDRs in official reserve assets.	Yes, as holdings of SDRs (part of "monetary gold and SDRs") in assets.	Yes, if held by general government, as holdings of SDRs (part of "monetary gold and SDRs") in financial assets.	Excludes SDRs from debt instrument assets.
2. Are SDR allocations shown in positions?	No.	Yes, as debt liabilities.	Yes, in "shares and other equity."	Excludes SDRs from debt instrument liabilities.	Excludes SDRs from debt instrument liabilities.
3. Are transactions or "other flows" (valuation adjustments) recorded?	Valuation adjustments (not transactions) in assets (holdings) after each new allocation; no entry in liabilities.	Financial account transactions (not valuation adjustments) in assets and liabilities after each new allocation.	Flows are not applicable to the balance sheet. However, new allocations are recorded in positions in "shares and other equity" on the liability side, and in "SDRs" on the asset side.	New allocations, cancellations, and valuation adjustments, are recorded as "other economic flows".	No; neither transactions nor other flows are recorded.
4. On what basis is interest recorded?	Unclear, but probably recorded net.	Gross, for holdings and allocations separately.	Unclear, but probably recorded net (as a memorandum item).	Unclear, but probably recorded net.	Not applicable.

BPM5 refers to the fifth edition of the *Balance of Payments Manual.*
BPM6 refers to the sixth edition of the *Balance of Payments and International Investment Position Manual.*
MFSM refers to the *Monetary and Financial Statistics Manual.*
GFSM refers to the *Government Finance Statistics Manual*.
External Debt Guide refers to the *External Debt Statistics: Guide for Compilers and Users.*

10. **How should the allocation be recorded on balance sheets if used for budgetary purposes; should it be a liability on the Ministry of Finance balance sheet?**

The fundamental methodological guidance is to treat the allocation as a long-term liability. The IMF does not state on which balance sheet it should be recorded on (i.e. central bank versus a general government entity such as the ministry of finance or treasury). That is, SDR allocations are made to Fund members that are participants in the IMF's SDR Department, and it is left up to those members to determine where to book the asset and liability, based upon their own domestic legal and institutional arrangements and accounting rules.

11. **Is it possible to split the allocations, so that their existing allocation (and holding) is on the central bank's balance sheet, while the new allocation and holding is on the Ministry of Finance balance sheet?**

Although unlikely, countries could split the allocation in their own accounts. SDR allocations are made to Fund members that are participants in the SDR Department. Whether the SDR holdings (and allocations) of the member are to be booked in the financial statements of its central bank or in the financial statements of the general government is a matter determined by the member's own domestic legal and institutional arrangements and accounting rules. Nonetheless, STA urges countries to consistently record their existing and new allocations, to avoid potential distortions and errors, and facilitate macroeconomic analysis.

12. **What specific debit and credit entries should economies record in their balance of payments accounts, and what assets and liabilities should economies record in the IIP, for the increases in SDR holdings and allocations and associated interest accruals?**

BOP

	CR.	DR.
Current account		
Other investment Income	accrued interest on on total SDR holdings	accrued interest on total SDR allocations
Financial Account		
Other investment (liabilities)		
Allocations of SDRs	value of the new general and special allocations + accrued but unsettled interest on total outstanding allocations	
Reserve assets		
Holdings of SDRs		value of the new general and special allocations + accrued but unsettled interest on total outstanding holdings

(Column headings reflect *BPM5* terms. Under *BPM6*, the CR. heading for the Financial Account will be replaced by "Net acquisition of financial assets" and the DR. entry will be replaced by "Net incurrence of liabilities".)

IIP	**End of period stocks**
Other investment (liabilities)	
Allocations of SDRs	Value of (total) allocations including unsettled interest payable.
Reserve assets	
Holdings of SDRs	Value of (total) holdings including unsettled interest receivable.