OUTCOME PAPER (RESTEG) # 5

Investment Funds

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(1) **Topic**: Investment Funds

(2) **Issues**: See RESTEG Issues Paper #5

(3) **Outcome of the Discussions**:

(i) RESTEG members considered that the key criteria used to identify official reserve assets should apply to assets held in investment funds. In particular, RESTEG stressed the need for the monetary authorities to have control over investment funds and that the assets are readily available to meet a balance of payments financing need in order to be included in reserve assets.

(ii) The RESTEG group emphasized that legal or administrative considerations that limited the use of the assets to meet a balance of payments need were relevant criteria to be considered in determining whether assets in investment funds should be in reserve assets or not. Some members mentioned the importance of practical arrangements as well. However, the intended use of the assets in the investment fund, such as for future generations, should not be a criterion in determining whether assets in investment funds should be in reserve assets or not.

(iii) RESTEG also stressed the fungibility of assets, and noted that in the absence of legal or administrative impediments, even assets that had been earmarked as part of an investment fund but could be used to meet a balance of payments need, were reserve assets (subject to the other criteria being met).

(iv) Regarding the questions of the assets invested in a separate investment corporation that could be readily called back if needed to meet a balance of payments need, and the treatment of funds withdrawn during the annual budgetary process, RESTEG considered that the general principles agreed should be applied.

(v) On memorandum and supplementary items, a provisional view was that if investment fund assets are included in reserves, a memorandum item; if they were excluded, a supplementary item. The type of information presented in the supplementary item could cover those foreign currency assets that would meet the definition of reserves except for the fact that there are legal or administrative considerations that limit their use.

(4) **Rejected Alternatives**:

None.

(5) **Actions**:
RESTEG outcomes to be incorporated in the draft Manual for IMF Committee on Balance of Payments Statistics (BOPCOM) review. Memorandum and supplementary items to be considered by BOPCOM.