



## BLOG POST

# Finding Bigfoot: New Data Shows the Difficulty of Tracking IMF Special Drawing Rights

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**T**racking Bigfoot is a time-consuming and highly technical endeavour. One must be ready to spend hours, if not days, in the wilderness setting up traps and analysing every inch of dirt. Yet, every sighting is inconclusive, and raises as many questions as it answers.

In a way, tracking the movements of IMF special drawing rights (SDRs) can be just as confusing and challenging. The IMF released a major new allocation of \$650 billion of the reserve asset in August 2021 to help member countries cope with the fiscal impacts of the pandemic. Since the fresh allocation, SDRs have begun to circulate around the global economy as some countries exchange their SDRs for hard currency. But without a central repository of transactions, tracking what's happening with this major part of the world's COVID response is proving to be as elusive as finding Bigfoot, and every new piece of information seems to raise more questions than answers.

In an effort to increase transparency around SDR transactions, the IMF released its *Annual Update on SDR Trading Operations*. Most of the report focuses on Voluntary Trade



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The main advantage of VTAs is their speed and simplicity. Instead of going through fresh negotiations to confirm the details of an exchange of SDRs, the country that wants to buy or sell SDRs can contact the IMF, take advantage of a pre-arranged agreement, and in 7 days, the transaction is completed. VTAs are at the heart of the SDR mechanism, as they are the fastest way for a country to exchange its SDRs for hard currency.

### Figure 1

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different selling and purchasing capacity. The various ranges are shown in table 1.

**Table 1. VTAs: Trading Ranges Including Average Purchasing and Selling Capacity as of September 30, 2021 (in millions of SDRs, unless otherwise indicated)**

Arrangements	Trading Range (In percent of Net Cumulative Allocations)	Number	Purchasing Capacity	Average Purchasing Capacity	Selling Capacity	Average Selling Capacity
Standard	50 – 150	10	37,107	3,711	39,347	3,935
Eurosystem 1/ 2/	65 – 135	15	50,532	3,369	40,909	2,727
Other various ranges	35 – 200	9	146,498	16,278	28,751	3,195
<b>Total 3/</b>		<b>34</b>	<b>234,137</b>	<b>6,886</b>	<b>109,007</b>	<b>3,206</b>

Source: IMF staff calculations.

1/ Includes Euro area members. For three members, the highest maximum range is slightly below 135 percent. The euro area trading ranges are adjusted to reflect the participation of the ECB. The trading range for the ECB, a prescribed holder of SDRs, is expressed in nominal terms and adds to the euro area trading capacity.

2/ Includes the purchasing and selling capacity of one VTA member with credit outstanding to the Fund.

3/ Almost all arrangements are two-way (buying/selling), with one participant having a buying only arrangement.

Source: IMF Annual Update on SDR Trading Operations



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## WHAT DOES DATA ON VTAs TELL US ABOUT SDR FLOWS around the world?

Understanding SDR flows is important to tracking the global economic recovery and assessing how one of the IMF's most important tools has (or hasn't) benefitted lower-income countries. But tracking these flows is difficult, and data from VTAs shows us how patchy our knowledge is.

Comparing the movements of SDRs declared through VTAs with the difference in total holdings of every VTA participant since 2016 shows a clear difference, indicating massive SDR flows that are not being accounted for.

**Table 2**

<i>Market Used</i>	<i>SDR Sales via VTAs</i>	<i>SDR Acquisitions via VTAs</i>	<i>Total SDR Flow via VTAs</i>	<i>Total SDR flow</i>
North America	4,175	558	3,617	1,767
Asia and Pacific	6,333	2,184	4,149	701
Middle East	750	200	550	-389
Europe	9,447	7,065	2,382	-2,006



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- [The IMF Finances website](#) offers the detail of each country's SDRs holdings and allocation. This data is updated monthly but offers no insight as to how SDRs are used.
- [The IMF's Annual Financial Statement and Quarterly Financial Reports](#) offer more information. In them, we can find charts showing the use of SDRs and the change in SDR holdings between VTA participants, the IMF, and prescribed holders. Unfortunately, the reports are only published annually or quarterly, and the data presented is technical and unintuitive.
- The IMF does publish a [Financial Operations Publication](#), a document containing a summary of the use of SDRs, a list of VTA members, information on the modalities of the VTA market, and data on SDR transaction volumes and trends. However, this report is not published on a regular basis—the last one was published in June 2018!
- [The Annual Update on SDR Trading Operations](#), the document we have been drawing from in this post, offer a valuable insight to the mechanism of SDR trading and the movements of SDRs. But crucial gaps remain in our understanding as non-VTA SDR flows seem to increase in volume.