For Global Consultation

B.2 Standardized Statistical Definition of Net International Reserves

B.2 Standardized Statistical Definition of Net International Reserves[1]

The concept of Net International Reserves (NIR) is widely used as an indicator of a country's external vulnerability. However, so far statistical frameworks have not provided an explicit definition of the concept. NIR definitions are available from several sources, but definitions and practice differ along several dimensions, including specificity and treatment of liabilities (on a maturity and residential basis), liabilities to the Fund, and SDR allocations. This Guidance Note (GN) proposes a standard statistical definition of NIR based on the existing statistical frameworks in the sixth edition of the Balance of Payments and International Investment Position Manual *(*BPM6*) and International Reserves and Foreign Currency Liquidity (IRFCL) Guidelines and proposes inclusion of the new definition in the respective updated versions. The proposed statistical definition provides a comprehensive approach aimed to inform reserve adequacy assessments and macroeconomic policy advice. Modifications for country-specific characteristics and vulnerabilities remain crucial for reserve adequacy assessments and in the design and monitoring of Fund-supported programs.*

SECTION I: THE ISSUE

BACKGROUND

1. **The assessment and analysis of the adequacy of a country's reserves are important for understanding external vulnerabilities.** A discussion of a country's reserves holdings is a key element of an external stability assessment, and IMF Article IV staff reports generally include an assessment of adequacy in view of its specific characteristics and vulnerabilities.[2]

2. **The concept of reserve assets on a gross basis or gross international reserves is well defined.** Both the *Balance of Payments and International Investment Position Manual, sixth edition* (*BPM6*) and the *International Reserves and Foreign Currency Liquidity: Guidelines for a Data Template* (*IRFCL Guidelines*) elaborate on the concept of reserve assets on a gross basis (RA) or gross international reserves (GIR).[3]

3. **However, gross reserves may not provide a full picture of a country's reserve adequacy and it is in this context that the concept of net international reserves (NIR)—gross reserves minus short-term foreign currency drains—is useful to guide macroeconomic policy advice.** Assessments of reserve adequacy need to consider potential short-term drains from foreign currency liabilities. To the extent that there are large predetermined short-term drains, RA can provide a misleading view of the size

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[2] IMF (2016) *Guidance Note for Surveillance Under Article IV Consultations* outlines the requirements for external sector assessments in IMF Article IV consultations and IMF (2016) *Guidance Note on the Assessment of Reserve Adequacy and Related Considerations* provides operational guidance to staff on reserve adequacy discussions in the IMF's bilateral and multilateral surveillance.

[3] 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).

of the countries' precautionary buffers available to meet potential foreign exchange (FX) liquidity needs in adverse circumstances. The IMF's *Guidance Note on the Assessment of Reserve Adequacy and Related Considerations (ARA Guidance Note)* emphasizes that significant short-term FX liabilities or other potential short-term drains on a central bank's reserves should be considered in reserve adequacy assessments, noting that such drains can limit the usability and availability of reserves.[4] In such cases, potential drains should be discussed relative to the level of gross reserves, but NIR could also be compared with relevant reserve adequacy metrics.[5]

4. **NIR are frequently defined in the context of Fund-supported programs, where performance criteria (PC) are established on the country's reserve assets.** The program-specific definition of NIR and associated PC serves to both evaluate the success of the member's economic program and to safeguard the capacity to repay the IMF. In an IMF supported program, PCs are set on clearly specified variables that can be objectively monitored and are critical for the achievement of the program goals and monitoring the implementation of policies agreed under the program. To ensure use of an agreed definition and proper monitoring, staff and authorities carefully specify the definition of NIR (as well as other key variables) in the Technical Memorandum of Understanding (TMU) that traditionally supports the policy and financial understandings of the program. Although there are similarities with the NIR concept in the ARA Guidance Note, differences can arise as the program-definition of NIR also serves for establishing and monitoring Fund-supported programs compared to definitions tailored only for reserve adequacy assessments.

5. **Despite the importance and widespread applicability of the NIR concept, there is no standardized statistical definition.** A standardized statistical definition, consistent with the conceptual frameworks for reserve adequacy assessments, could provide operational clarity and form the basis for more harmonized and comprehensive approaches to assessing an economy's ability to meet foreign currency liquidity needs. Further, it would provide another comparable measure of external resilience across countries.

CURRENT CONCEPTS OF NIR

6. **The term NIR has been amply used in Fund core operations and documents—including in training materials—for a very long time.**[6] This note describes the concept of NIR as elaborated on in three sources: (i) the ARA Guidance Note; (ii) *IRFCL Guidelines* which relies on the definition of reserve-related liabilities in *BPM6*; and (iii) operational guidance to IMF staff on defining NIR in Fund-supported program documents. Although similar, there are measurement and conceptual

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[4] IMF (2016) ARA Guidance Note discusses potential drains, noting that "For example, provisions that allow commercial banks to meet their reserve requirements in foreign exchange which can boost gross international reserves. However, international reserves linked to these provisions may not be available for other balance-of-payments purposes, as they would fall if deposits were to decline. Similarly, a central bank may have drains on its reserves reflecting its swap/forward position and its short-term FX liabilities to residents" (page 7).

[5] ARA Guidance Note defines a reserve adequacy metric as a measure of a country's potential FX liquidity needs in adverse circumstances against which reserves could be held as a precautionary buffer. Its size relative to reserves could be a measure of a country's vulnerabilities and hence provide an indication of adequacy.

[6] Refer to (i) Dooley, M., and others, 1987. "Theoretical Aspects of the Design of Fund-Supported Adjustment Programs," *Occasional Papers,* No. 55, International Monetary Fund, September 1987; and (ii) Polak, J., 1991. "The Changing Nature of IMF Conditionality," *Working Papers*, No. 41, OECD Development Center, August 1991.

differences in the NIR definition across these sources, largely related to the potential drains on reserves, including the treatment of liabilities to residents, the maturity of liabilities, off-balance sheet items, IMF credits and loans, and others. The *BPM6* does not mention the concept of NIR; therefore, it does not offer a definition of NIR.

7. **The ARA Guidance Note provides a comprehensive description of the concept of net reserves: "**Measures of net reserves subtract predetermined short-term drains (due to both **non-residents** as well as **residents**) from the official reserve position. The drains can arise from on-and-off balance sheet activities, where the latter could take the form of activated swaps, forward positions that unwind, and the former could be short-term FX liabilities (e.g., FX deposits, including cash outflows derived from repos) that are used to fund the reserve asset position." The ARA Guidance Note emphasizes the importance of country specific risk factors in reserve adequacy assessments and in the use the metrics.

8. **The *BPM6* does not define NIR but it does define reserve-related liabilities (RRL—see Annex I); short-term RRL could be deducted from gross assets to obtain an NIR concept.** *BPM6* defines RRL as direct claims by non-residents on the reserve assets of an economy. The value of the SDR allocation and loans from the IMF to monetary authorities are included in reserve-related liabilities. This definition does not include liabilities to residents nor off-balance sheet items (e.g., a forward leg of a FX swap agreement) that are often deducted—for good operational reasons—in computing NIR, representing an important deviation between *BPM6* statistical definitions and the IMF's guidance on ARA and for Fund-supported program design.

9. **The *IRFCL Guidelines* suggest an NIR concept, based on the *BPM6* definition of reserve-related liabilities.** Paragraph 17 states "Although there is not a standard statistical definition of net international reserves, this term is often defined to refer to reserve assets net of outstanding reserve-related liabilities (usually, only short-term liabilities are included in the calculation) at a point in time, with such assets and liabilities representing the monetary authorities'[7] readily available claims on and *liabilities to nonresidents*." Note that this concept only includes liabilities to nonresidents.

10. **The concept of foreign currency liquidity in the IRFCL is broader than that of international reserves and net international reserves.** Foreign currency liquidity has two dimensions: (i) the foreign currency resources (including both official reserve assets and other foreign currency assets) at the disposal of the authorities[8] that readily can be mobilized to meet demands for foreign exchange, and (ii) both predetermined (known or scheduled) and contingent (potential) inflows and outflows of foreign currency resources. Further, foreign currency liquidity "takes account of foreign currency drains on existing foreign currency resources arising from the authorities' financial activities vis-à-vis *residents and nonresidents* in the coming 12-month period." See Annex II for a more detailed definition.

[7] Monetary authorities encompass the central bank (which subsumes other institutional units included in the central bank subsector, such as the currency board) and certain operations usually attributed to the central bank but sometimes carried out by other government institutions (e.g., the Treasury or Ministry of Finance) or commercial banks, such as government-owned commercial banks. Such operations include the issuance of currency; maintenance and management of reserve assets, including those resulting from transactions with the IMF (*BPM6,* paragraph 6.66).

[8] The term "the authorities" encompasses the monetary authorities plus the central government, as stated in the *IRFCL: Guidelines* paragraph 16.

11. **The IMF Note "Sample Definition of NIR Performance Criteria" (August 1, 2003) provides operational guidance for establishing an NIR performance criteria (NIR PC)** (see Annex III for the full text). The sample definition lists the types of reserve assets and reserve liabilities (RL) most frequently listed in NIR PC definitions in IMF-supported program countries, providing an "umbrella" definition of reserve assets and liabilities while noting that the sample definition may need to be modified in the context of specific national circumstances, as appropriate. The *Sample Definition* is as follows:

> "Net international reserves of the [name of the central bank] are defined as the difference between reserve assets and reserve liabilities. Reserve assets are readily available claims on nonresidents denominated in foreign convertible currencies. They include the [name of the central bank] holdings of monetary gold, SDRs, foreign currency cash, foreign currency securities [specify], deposits abroad, and the country's reserve position at the Fund. Excluded from reserve assets are any assets that are pledged, collateralized, or otherwise encumbered, claims on residents, claims in foreign exchange arising from derivatives in foreign currencies vis-a-vis domestic currency (such as futures, forwards, swaps, and options), precious metals other than gold, assets in nonconvertible currencies, and illiquid assets. Reserve liabilities are all foreign exchange liabilities to **residents and nonresidents**, including commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps, and options), and **all credit outstanding from the Fund**."

This definition of NIR is based on a broader definition of reserve liabilities (compared to reserve-related liabilities in *BPM6*), also including all foreign exchange liabilities to residents (as well as to nonresidents). Given the context for program design and monitoring, all credit outstanding from the Fund is also deducted.

12. **Definitions of NIR in TMUs have varied significantly, reflecting the need for operational definitions that fit the specific circumstances of each country.** The TMUs for Fund-supported programs typically start with the standard definition of RA as laid out in *BPM6*, featuring tailored-made modifications to accommodate the diversity of national circumstances, along with a suitable operational definition of reserve liabilities for program purposes.

13. **A recent study surveyed NIR definitions and NIR PCs in TMUs for Fund-supported programs.** The sample included 37 arrangements that were approved between January 2015 and July 2020 with an NIR PC.[9] The survey results (in table 1) show that there is a wide variation in the definitions of RL, with the differences primarily related to the maturity of the liabilities (to residents and non-residents) and the inclusion of resident liabilities (at varying maturities). In some cases, the definition explicitly takes into consideration country-specific factors.

[9] Precautionary liquidity line arrangements and the former precautionary credit line arrangements were not included in the survey.

Table 1. Practice in Defining the NIR in TMU

(based on 37 arrangements with NIR PCs)

Type of Liability	Practice in TMUs
IMF credit	All 37 arrangements include all IMF credit in RL; outstanding liabilities to other international financial institutions are mentioned in many cases.
Maturity of liabilities to nonresidents (except IMF credit)	26 arrangements include short-term only in RL; 9 arrangements include all maturities in RL; the remaining 2 arrangements consider country-specific factors.
Liabilities to residents	19 arrangements include all maturities in RL (some of them exclude government deposits); 10 arrangements include short-term only in RL (some of them exclude government deposits); in the remaining 8 arrangements, the definition of NIR does not cover claims on residents.
Central bank and government liabilities	All arrangements include central bank liabilities in RL; none include central government liabilities, except two that include central government derivatives.
Financial derivatives	18 arrangements include commitment to sell FX in RL; 10 arrangements do not mention derivatives; the rest are country specific.
SDR allocation	15 arrangements exclude SDR allocation in RL (a couple of them exclude SDR allocation received after the start of the arrangement); 21 arrangements do not mention SDR allocations; 1 arrangement includes SDR allocation.

Source: IMF staff

Note: The analysis of TMUs was conducted by SPR based on 37 Fund supported programs with an NIR performance criterion, approved between January 2015 and July 2020.

SECTION II: OUTCOMES

PROPOSED DEFINITION

14. **This GN proposes the following statistical definition of NIR:**

Net international reserves = Reserve assets – Net short-term foreign currency drains

Net international reserves (NIR) are calculated as reserve assets (RA) minus predetermined net short-term foreign currency drains (FCD). RA are defined as in *BPM6* (paragraph 6.64), adjusted for FX financial derivatives in FCD as discussed below. FCD are the predetermined contractual foreign currency obligations (foreign currency outflows net of inflows) scheduled to come due during the 12 months ahead, as defined in the IRFCL Template (section II).

15. In cases where short-term foreign currency outflows/inflows vis-à-vis the domestic currency from forwards and futures are scheduled in FCD (IRFCL, Section II, 2), corresponding market values of the derivative contracts recorded in Section I.A (5) of the IRFCL template should be excluded from RA to avoid double counting (this treatment does not apply to non-deliverable forwards as the payment at

expiration would only involve the market value of the contract).[10] Only market values of FX forwards/swaps, for which notional values are recorded in Section II.2, should be excluded; market values of other types of derivatives should remain in reserve assets.

16. **This definition is broadly consistent with the ARA Guidance Note and is useful to inform policymakers on the availability of reserves to respond to adverse macroeconomic events.** This definition is also aligned with the majority of the conditions set in the TMUs analyzed above.[11] Table 2 provides a summary of the main differences across the NIR concepts and the proposed definition which are as follows:

- The asset side (RA as defined in *BPM6*) does not include foreign currency assets with residents (e.g., foreign currency deposits with domestic banks and securities issued by domestic government and companies) because these assets are not likely to be readily available in adverse circumstances.
- The liability side includes short-term on- and off-balance sheet (e.g., financial derivatives, guarantees are not included) foreign currency obligations to residents and non-residents, which could represent short-term foreign currency drains. This is because the monetary authorities may need to use reserve assets to fulfill the payment obligations to both residents and nonresidents.
- The liability side also includes short-term on- and off-balance sheet foreign currency obligations of the central government, as payment of these obligations would usually involve the use of reserve assets.[12]
- Only short-term liabilities are deducted, unlike the IMF Note "Sample Definition of NIR Performance Criteria" where long-term liabilities and all Fund credit and loans are deducted but these could also be deducted from the proposed definition for program design and monitoring (see paragraph 21). Based on this proposed definition, SDR allocations would increase NIR in most cases.[13]

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[10] The market value of the contract is not settled with the counterparty when notional values of foreign and domestic currencies are delivered. The general treatments of financial derivatives in reserve assets are described in paragraph 6.91 of *BPM6*.

[11] For analytical purposes and uses other than IMF surveillance/programs, the authors considered an alternative definition of NIR = Reserve assets on gross basis (RA) minus reserve-related liabilities to nonresidents (short-term). This is not recommended given that not only external liabilities but also domestic liabilities (e.g., the central bank's foreign currency deposits received from domestic banks) would need to be repaid under any circumstances, including episodes of financial turbulences.

[12] Section II in the IRFCL template allows for total pre-determined short-term drains to be decomposed between those of the monetary authorities and the central government, although in practice in most cases this decomposition is not provided. In the very rare case, where the central government has sufficient short-term FX assets, held overseas, then the short-term liabilities of the central government should not be included in the predetermined short-term drains in the calculation of NIR.

[13] The allocations of Special Drawing Rights (SDRs) are recorded as debt liabilities and considered long-term reserve-related liabilities; therefore, they are not included in short-term foreign currency drains. This means that, when recorded at the central bank, NIR are expected to increase (while net foreign assets are not) with SDR allocations. Note that the precise treatment depends on where the SDR holdings and cumulative allocations are recorded. Please see the guidance note on the treatment and use of SDR allocations and statistical FAQs for more details on recordings of SDRs and their implications on NIR.

Table 2. Key Differences across NIR Concepts and Definitions

	ARA Guidance Note Definition	Sample Definition of NIR Performance Criteria	NIR based on *BMP6* RRL concept	**Definition proposed in this GN**
Foreign currency liabilities to residents	Deducted from RA	Deducted from RA	Only non-resident liabilities are deducted	**Deducted from RA**
Foreign currency liabilities of the central government	Not deducted from RA	Not specified	Not deducted from RA, but Section II of the Template encompasses them.	**Deducted from RA**
Off-balance sheet items	Deducted from RA	Deducted from RA	Not deducted from RA but separately shown in Section II of the Template	**Deducted from RA**
Maturity of liabilities to be deducted from RA	Short-term	All maturities	Short-term on a remaining maturity basis	**Short-term on a remaining maturity basis**
Valuation of liabilities to be deducted from RA	Not specified	Not specified	Nominal value for loans (market value for debt securities)	**The cash-flow value when the flows take place**
Treatment of IMF loans and credits	Not specified	All credit outstanding from the Fund is deducted from RA	Short-term liabilities (principal and accrued interest) are deducted from RA	**Short-term scheduled debt service (principal and interest) is deducted from RA**

17. The proposed statistical definition of NIR is beyond the realms of *BPM* as the balance of payments framework does not cover transactions and positions with residents. However, this GN proposes to include the definition in the *BPM7*, given that it is an essential concept widely used to assess external vulnerability of a country and that there are strong needs for a standardized definition as a benchmark to define country specific NIR. *BPM7* could discuss the definition in a box or appendix so that this topic would be understood as additional guidance beyond general balance of payments concepts.

DATA CONSIDERATIONS

18. **These concepts and data are already covered in *BPM6* and the *IRFCL Guidelines*.** The definition of reserve assets on a gross basis is based on *BPM6*. Although the concept of FCD goes beyond the residence concept of the *BPM6*, Section II of the IRFCL Template already covers this concept and data for FCD.[14]

19. **The compilation of the IRFCL Template is a requirement to subscribe to the IMF's Special Data Dissemination Standard (SDDS),** and some countries that have not yet subscribed to the SDDS also compile these data. Even if countries do not compile the IRFCL Template yet, the IMF's country teams will be able to request the data from the authorities following the *IRFCL Guidelines* and calculate NIR.

20. **The next edition of the Balance of Payments Manual *(BPM7)* could flexibly accommodate this NIR concept, but data collection would be limited to cross-border positions and transactions based on the residency concept.** This means that the data collection framework for RRL in *BPM6* should be maintained. It is clarified that the introduction of NIR concept in *BPM7* (going beyond BPM framework) does not entail any new data collection by extending the current framework. This is equally important not to increase data compilation and reporting burden of countries by duplicating the data collection with the IRFCL Template. The frequency of the IRFCL Template reporting (monthly) is also better than balance of payments and IIP reporting (quarterly).

21. **The *IRFCL Guidelines* should play the central role in collecting data related to NIR.** The *IRFCL Guidelines* provide a comprehensive framework to collect data related to reserve assets encompassing positions with residents and nonresidents, on- and off-balance sheet items, and those for the monetary authorities and the central government. The IRFCL Template also covers contingent liabilities of the monetary authorities and the central government (including guarantees, credit lines, and options), as well as financial instruments denominated in foreign currency and settled in domestic currency. These concepts and data are essential to define NIR for a country, some of them are not available in the BPM framework (e.g., positions with residents and off-balance sheet items). Although at present, most countries do not provide a decomposition of predetermined short-term drains between the central bank and the central government, greater provision of these data aids further analysis.

USE OF THE STANDARDIZED STATISTICAL DEFINITION

22. **The proposed definition would offer a standardized approach, helping to support careful monitoring of the build-up of potential short-term drains on reserves.** It will provide guidance to authorities and others for analysis of external vulnerability.

23. **As emphasized in the ARA Guidance Note and for program design purposes, country-specific considerations remain paramount.** The introduction of a standardized statistical

[14] Sections II and III of the IRFCL Template cover only short-term items (i.e., items that require payments up to one year) on a remaining maturity basis. Long-term liabilities/payment obligations (e.g., redemption of long-term bonds, long-term foreign currency swaps with other central banks) are out of the scope of the sections. The IRFCL Template covers amortization and interest payments for IMF credit and loans scheduled in a year or less (i.e., short-term payments only). FCD also include scheduled receipts of foreign currency (e.g., the forward leg of currency swaps). For a complete list of FCD and their descriptions, refer to Chapter 3 of the *IRFCL Guidelines*.

definition should not in any way limit the flexibility to adjust the measurement of NIR for either reserve adequacy assessments or for Fund-supported program design. Country specific conditions and circumstances should be carefully considered to determine NIR. Examples of modifications include (but are not limited to) the following:

- For establishing and monitoring Fund-supported programs, all outstanding IMF credit and loans, regardless of their maturity, should be deducted from RA to measure NIR for program purposes. Long-term foreign exchange liabilities to residents and nonresidents could also be deducted, as well as other deductions to reflect country circumstances.
- There may be a case to exclude from FCD, central bank FX liabilities to some residents, for example, the central government (typically government deposits) and some liabilities to commercial banks.[15] The treatment of contingent liabilities (for example, guarantees, credit lines, and sold options) could vary among countries.

Questions for Discussion:

1) *Do you agree with the proposed statistical definition of NIR = Reserve Assets (RA) minus Net short-term foreign-currency drains (FCD)?*
2) *Do you agree that* BPM7 *should explain the concept/statistical definition and use of NIR (in an annex and/or a Box) even though it goes beyond the scope of balance of payments framework?*
3) *Do you agree to the data collection for the proposed NIR (i.e., to be collected in the IRFCL Template/framework)?*
4) *Do you have any other suggestions on the concept of NIR proposed in the GN?*

[15] For example, a government may issue Eurobonds and deposit the FX proceeds at the central bank to support NIR, without intending to draw down such deposits; or the government might gradually draw down its FX deposits at the central bank in local currency, with the domestic liquidity creation sterilized with domestic currency instruments, preserving the FX reserves. Similarly, part of reserve requirements received from commercial banks might be excluded from FCD if they are expected to be stable even in adverse circumstances.

Annex I. Definition of Reserve-Related Liabilities in *BPM6*

In *BPM6*, RRL are mentioned in Box 6.5; paragraphs 6.115–6.116; and Appendix 9, Table 5:

> 6.115 Reserve-related liabilities are defined as foreign currency liabilities of the monetary authorities that can be considered as direct claims by nonresidents on the reserve assets of an economy. Though not identified as such in the standard components of the balance of payments and international investment position (IIP), where they are included in other categories (notably portfolio and other investment), reserve-related liabilities are important to monitor.
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> 6.116 The value of the SDR allocation and loans from the IMF to monetary authorities are included in reserve-related liabilities. Other liabilities covered include:
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> - Foreign currency loan and deposit liabilities of the monetary authorities to nonresidents, including those arising from foreign currency swaps with other central banks,[16] loans from BIS, and from other deposit-takers;
> - Foreign currency loan liabilities to nonresidents associated with securities that the monetary authorities have repoed out;
> - Foreign currency securities issued by the monetary authorities and owed to nonresidents; and
> - Other foreign currency liabilities to nonresidents, including foreign currency accounts payable and financial derivatives—recorded on a net basis (liabilities less assets)—settled in foreign currency and associated with, but not within the definition of, reserve assets (see paragraph 6.91). Such financial derivatives could include those that are not sufficiently liquid or are not integral to the valuation of reserves assets.
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> Liabilities to residents and liabilities that are both denominated and settled in domestic currency are not included.

[16] Refer to the IMF STA's clarification note *Recording of Central Bank Swap Arrangements in Macroeconomic Statistics*.

Annex II. International Reserves and Foreign Currency Liquidity Template

The International Reserves and Foreign Currency Liquidity Template is comprehensive; it integrates the concepts of international reserves and foreign currency liquidity in a single framework. In addition to covering the traditional balance-sheet information on international reserves and other selected external assets and liabilities of the authorities (the central bank and the central government), the Reserves Data Template takes account of their off-balance-sheet activities (such as in forwards, futures, and other financial derivatives, undrawn credit lines, and loan guarantees). It also notes future and potential inflows and outflows of foreign exchange associated with balance-sheet and off-balance-sheet positions. Moreover, it includes data intended to illustrate how liquid a country's foreign currency assets are (such as the identification of assets pledged and otherwise encumbered) and to reveal a country's risk exposure to exchange rate fluctuations (including that relating to options contracts and indexed instruments).

Table II.1. Summary: International Reserves and Foreign Currency Liquidity Template

Section I.A	**Official reserve assets**
	(1) Foreign currency reserves
	    (a) Securities
	    (b) Total currency and deposits
	(2) IMF reserve position
	(3) SDRs
	(4) Gold (including gold deposits and gold swapped)
	(5) Other reserve assets

Section I.B	**Other foreign currency assets**
Section II	**Predetermined short-term net drains** (1) Loans, securities, and deposits (2) Forwards, futures, and swaps (3) Other (e.g., repos and trade credit)

Section III	**Contingent short-term net drains**
	(1) Contingent liabilities
	    (a) Collateral guarantees
	    (b) Other
	(2) Securities with embedded options
	(3) and (4) Undrawn, unconditional credit lines
	(5) Short and long positions in options

Section IV	**Memo items**
	(1) (a) Short-term domestic currency debt
	    (b) Financial instruments denominated in foreign currency and settled by other means
	    (c) Pledged assets
	    (d) Securities lent and on repo
	    (e) Financial derivative assets (net) by type (e.g., forwards, swaps, options)
	    (f) Financial derivatives that have a residual maturity greater than one year
	(2) Currency composition of reserves

Annex III. IMF Note "Sample Definition of NIR Performance Criteria" (August 1, 2003)[17]

This note provides a sample definition of an NIR PC. Its objective is to list the types of reserve assets and reserve liabilities most frequently explicitly listed in NIR PC definitions in program countries. The sample specification presented below includes an "umbrella" definition of reserve assets and liabilities, as well as detailed, but not necessarily exhaustive list of inclusions and exclusions. The sample definition may therefore need to be modified in the context of specific countries, as appropriate. However, such differences should be explained in the Board documents.

> "**Net international reserves** of the [name of the central bank] are defined as the difference between reserve assets and reserve liabilities. **Reserve assets** are readily available claims on nonresidents denominated in foreign convertible currencies. They include the [name of the central bank][18] holdings of monetary gold, SDRs, foreign currency cash, foreign currency securities [specify], deposits abroad, and the country's reserve position at the Fund. Excluded from reserve assets are any assets that are pledged, collateralized, or otherwise encumbered, claims on residents, claims in foreign exchange arising from derivatives in foreign currencies vis-a-vis domestic currency (such as futures, forwards, swaps, and options), precious metals other than gold, assets in nonconvertible currencies, and illiquid assets. **Reserve liabilities** are all foreign exchange liabilities to residents and nonresidents, including commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps, and options), and all credit outstanding from the Fund."

Several other issues need to be clarified in each program for completeness. The NIR PC should indicate the program price of gold and other relevant reserve assets and program exchange rates for SDRs and other reserve currencies to be used to value NIR for the PC. (Projections of exchange rates vis-a-vis domestic currency must not, however, be shown in Board documents). The initial stock of program NIR should be explicitly given as well. In addition, relevant adjusters need to be specified (see separate note on adjusters).

[17] Source: Internal Guidance to IMF staff

[18] In some cases, other reserve holders such as the Treasury, need to be included.