1. General

Name

Foreign position of the Central Bank of Iceland

Supervisor of statistics

Central Bank of Iceland, Statistics

Purpose

Statistical reporting is carried out in accordance with the International Monetary Fund's (IMF) *Balance of Payments and International Investment Position Manual, 6th edition* (BPM6). The manual defines presentation, methodology, valuation, and concepts.

Sources

The Central Bank of Iceland's Accounting Division provides data on the Bank's foreign assets and liabilities on a monthly basis.

Foundation in law

The foundation in law for data collection is provided in the Act on the Central Bank of Iceland, no. 92/2019.

2. Methodology

The foreign position of the Central Bank shows the Bank's balance with non-residents. Nonresidents are defined in legislation and regulations on foreign exchange, based on the principle of domicile for a period of more than one year. Net foreign assets are the balance between foreign assets and foreign liabilities. The foreign position is calculated at market prices with accrued interest at official end-of-month buying rates.

Concepts and definitions

Reserves

Reserves are defined as foreign assets of the Central Bank which are accessible for intervention in the forex market or to meet the requirements of the balance of payments. Other external assets of the Central Bank which do not qualify as foreign reserves are classified under other financial account items. Reserve assets comprise gold, SDR reserves and currency holdings with the IMF, foreign banknotes and deposits, and the Central Bank's foreign market securities

portfolio. Changes in reserves are calculated based on the monthly change at fixed exchange rates after adjustment for changes in market valuation of gold and the securities portfolio.

Official reserve assets

External assets of central banks that are readily available for direct financing of payment imbalances and intervention in exchange markets. The assets must be non-pledged, without conditions, highly liquid, and in convertible foreign currencies. The reserve assets of the Central bank of Iceland are gold, SDR (special drawing rights with the IMF), IMF reserve position, foreign deposits, and foreign securities. Other external assets of the Central bank that do not fulfill the requirements of the reserves are included in other foreign currency assets.

Gold

Gold is owned by the Central Bank as a reserve asset. The Central Bank of Iceland commonly has its gold deposited with a bullion bank, which may use it for trading purposes in world gold markets. The Central Bank earns interest on the deposit. To qualify as reserve assets, gold deposits must be available at demand to the Central Bank. Gold is valued at market prices.

SDRs

International reserve assets that the IMF created in 1969 to supplement the reserves of the IMF member countries. Special Drawing Rights (SDRs) are allocated in proportion to the countries' respective quotas. Each member country's quota is assigned based on its relative size in the world economy. The value of the reserve assets is based on a basket today comprising four currencies – USD, EUR, GBP, and JPY – and reviewed every five years. By custom, the SDR allocation with the IMF is not classified among the Central Bank's liabilities.

Reserve position in the IMF

The reserve position in the IMF is the balance between Iceland's quota with the IMF and the IMF's current account with the Central Bank of Iceland.

Currency and deposits

Central Bank assets in the form of foreign banknotes held and its deposits in foreign banks.

Foreign securities

Highly liquid and marketable securities issued in foreign currency by non-resident entities.

Other foreign currency assets

Assets in foreign currency that are not consistent with the conditions of liquidity or availability on-demand required of assets in foreign reserves.

IMF credit facilities

IMF quotas and credit facilities. The Central Bank last drew on these facilities in the early 1980s and repaid them in full in 1987.

Short-term loans

Central Bank borrowing at maturity of one year or less, denominated in foreign currency, to strengthen its foreign reserves.

External liabilities/deposits

Deposits in the Central Bank of Iceland by international agencies and other non-residents.

Other external liabilities

External liabilities are not accounted for elsewhere, such as long-term borrowing, foreign borrowing denominated in krónur, swaps, etc.

3. Integrity of data

The foreign position of the Central Bank is consistent with the Bank's balance sheet.

4. Revision of data

As a rule, monthly statistics for the foreign position of the Central Bank of Iceland are final, unless the Bank's accounts are revised and corrected.

5. Publication

Data for the foreign position of the Central Bank of Iceland are published monthly on the Central Bank's Statistics pages. Data are obtained from the Central Bank's accounts for foreign assets and liabilities in individual currencies. In addition to balances, movements within the month are calculated at constant end-of-month exchange rates. At the end of the year, the IMF conducts a harmonised international survey of the geographical distribution of central bank securities holdings. The balance of payments is part of the IMF's Special Data Dissemination Standard. The data are available at a monthly frequency from December 2001.