

## ***1. General***

### *Name*

International reserves and foreign currency liquidity.

### *Purpose*

Data are compiled in this form to comply with provisions in the IMF's Special Data Dissemination Standard (SDDS) on comprehensive itemisation of foreign reserves and their liquidity.

### *Sources*

The Central Bank of Iceland's accounts of its foreign currency assets and its schedules for payments in foreign currency by the Bank itself and central government. Information from the Central Bank of Iceland's International Division on negotiated foreign credit lines.

### *Foundation in law*

Agreement between the Central Bank of Iceland and the IMF from June 21, 1996 on a Special Data Dissemination Standard, as authorised under Article 31 of the [Act on the Central Bank of Iceland, no. 92/2019](#) and earlier Central Bank legislation.

## ***2. Methodology***

### *Concepts and definitions*

#### ***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.

#### ***Foreign securities***

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

### ***Foreign deposits***

Deposits in foreign currency in foreign banks that are available on-demand and consistent with the liquidity concept. Deposits are divided into three categories: other national central banks, the Bank for International Settlements (BIS) and the IMF; other banks headquartered in the reporting country; and other banks headquartered abroad.

### ***IMF reserve position***

SDR and foreign currency amounts that Iceland may draw from the IMF at short notice and without conditions, and indebtedness of the IMF towards Iceland under loan agreements.

### ***SDRs***

International reserve assets that the IMF created in 1969 to supplement the reserves of the IMF member countries. 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 of a few international currencies. The basket is defined below.

### ***Gold***

Gold is owned by the Central Bank as a reserve asset. The gold is held at the Bank of England and in the vault of the Central Bank. To qualify as reserve assets, gold deposits must be available at demand to the Central Bank. Gold is valued at market prices.

### ***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.

### ***Predetermined short-term net drains***

Contractual foreign currency obligations are scheduled to come due during the 12 months ahead. Payments of short-term foreign obligations are classified into three sub-periods on the basis of remaining maturity. Included are foreign currency-denominated obligations of the

Central Bank and other central government (excluding social security) to residents or non-residents. Short-term obligations include those with an original maturity of one year or less and those with longer original maturities whose remaining maturity is one year or less. Also included are payments falling due during the next twelve months on obligations with an original maturity of more than one year.

### ***Foreign currency loans and securities***

Foreign currency loans of the Central Bank and other central government (excluding social security) and deposits of foreign banks in the Central Bank. Also included are foreign currency deposits held at the Central Bank by resident entities. Foreign loans can comprise drawn foreign credit lines or securities issued by the central banks or the central government (excluding social securities) in foreign currency.

### ***Aggregate short and long positions in forwards, futures, and swaps***

Forwards and futures are agreements to buy or sell a specific asset (in this instance, foreign currency) at a predetermined price at a future date. Swaps are agreements to exchange streams of payment at a future date. Short positions are when the settlement of the agreement entails an outflow of currency. Long positions are when the settlement of the agreement entails an inflow of currency.

### ***Contingent short-term net drains***

Contingent short-term drains refer to contractual obligations that give rise to potential or possible future additions or depletions of foreign currency assets. These are foreign currency-denominated obligations of the Central Bank and the central government (excluding social security) to residents and non-residents that are contingent upon exogenous events and are by definition off-balance-sheet activities. There are two types of contingent flows: either they emanate from potential assets and liabilities such as undrawn, unconditional credit lines and foreign exchange guarantees, or arise from the authorities' positions in options contracts, if and when the options are exercised.

### ***Undrawn, unconditional credit lines***

Unconditional credit lines in foreign currencies that are readily available to the authorities. Credit lines are distinguished according to whether they are provided by or to other banks or authorities.

### ***Currencies in SDR***

SDR is a basket of international currencies defined by the IMF. Today the basket includes four currencies: the US dollar (USD), pound sterling (GBP), euro (EUR), and yen (JPY). The composition of the basket is reviewed every five years by the IMF. The US dollar value of the SDR is calculated by the IMF based on the exchange rates of the currencies in the basket as quoted at noon each day in the London market. The International and Market Operations Department of the Central Bank of Iceland fixes the exchange rate of the SDR against the Icelandic króna.

## ***3. Data Integrity***

Data are compiled from the Central Bank of Iceland's accounts and are consistent with its published Balance Sheet. Central Bank accounting documents are audited by the Icelandic National Audit Office. Predetermined short-term drains are estimated from the loan agreements. The drains are subject to some uncertainty due to the development of the exchange rate. Calculations are based on the exchange rate of the last business day of the month.

## ***4. Revision of data***

Data are generally not revised after publication.

## ***5. Publication***

Data are published monthly on the [Statistics page](#) of the Central Bank of Iceland website. Both assets and liabilities are converted into domestic currency at mid rates. Data are available monthly since October 2000. Data are also published on the IMF website with figures translated into US dollars.