

INTERNATIONAL MONETARY FUND

Revised Guidelines for Foreign Exchange Reserve Management

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Clarity of roles, responsibilities, and objectives of financial agencies responsible for reserve management

61. **The allocation of reserve management responsibilities, including agency arrangements, between the government, the reserve management entity, and other agencies should be publicly disclosed and explained.**¹² A reserve management entity may perform its functions in a number of ways, acting, for example, either as principal or in an agency capacity. In each case, it is important, therefore, that the ownership of reserves be clearly established. Varying institutional responsibilities for foreign exchange policy may also have implications for reserve management responsibilities. Accordingly, the specific institutional responsibilities for foreign exchange policy and reserve management should also be disclosed. These disclosures help financial markets and the general public understand how exchange rate policy decisions are made, their impact on reserve management objectives, and the accountability framework for reserve management decisions and outcomes.

62. **Where the reserve management entity acts as the government's agent in performing reserve management functions, its role and powers should also be clearly defined, such as in the entity's enabling legislation, in addition to being publicly disclosed and explained.**¹³ Defining clearly the entity's agency role and powers avoids confusion over who has the ultimate responsibility for setting and implementing reserve management policy. Public disclosure enables the public to understand the extent of the reserve management entity's responsibilities and to hold the reserve management entity and government accountable for their respective responsibilities and actions.

63. **The broad objectives of reserve management should be clearly defined, publicly disclosed, and the key elements of the adopted policy explained.**¹⁴ Public disclosure enhances the credibility of reserve management policies, goals, and results and is usually contained in the annual reports of reserve management entities. Information provided concerning, for example, the currency composition of benchmarks or the classes of assets would generally be couched in broad terms rather than by the provision of specific details of underlying assets and operations, which in some circumstances could be destabilizing. Some reserve management entities also include in their annual reports, and in broad terms, information relating to investment performance relative to the benchmarks adopted. Specific

¹² See MFP Transparency Code, 1.1.4 and 1.3.1.

¹³ See MFP Transparency Code, 1.3.1.

¹⁴ See MFP Transparency Code, 1.1 and 5.1.