

# **METHODOLOGICAL NOTES ON THE COMPILATION OF THE INTERNATIONAL RESERVES AND FOREIGN CURRENCY LIQUIDITY DATA TEMPLATE OF BULGARIA<sup>1</sup>**

The Bulgarian National Bank is in charge of the compilation of the International Reserves and Foreign Currency Liquidity data template (the Data Template) of the country.

## **I. CONCEPTS OF THE DATA TEMPLATE**

Data template on international reserves and foreign currency liquidity is compiled in accordance with the IMF's *"International Reserves and Foreign Currency Liquidity Guidelines for a Data Template"*, (IMF, 2013) as well as with the *Sixth Edition* of the *"Balance of Payments and International Investment Position Manual"* (IMF, 2009) (BPM6). The framework of the Data Template is built on two related concepts: (1) International Reserves (Reserve Assets) and (2) Foreign Currency Liquidity. The BPM6 sets forth the definition of the country's international reserves: "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, para. 6.64). The concept of foreign currency liquidity data template is broader than that of international reserves. It refers to the amount of foreign exchange resources that is readily available to the authorities to meet a sudden increase in the demand for foreign exchange and the potential (net) drains on foreign currency resources resulting from the short-term foreign currency liabilities and off-balance-sheet activities of the authorities.

## **II. KEY FEATURES OF THE DATA TEMPLATE**

### **A. Institutional Coverage**

In accordance with the Currency Board conditions the Bulgarian National Bank (BNB) is the only institution holding official international reserves in Bulgaria. The template covers the Bulgarian National Bank as monetary authorities which manage and hold the international reserves and the central government (excluding social security funds), which accounts for the official foreign currency obligations.

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<sup>1</sup> Last updated on October 2021.

## **B. Financial Activities Covered**

The Data Template covers only instruments in foreign currencies. Foreign assets in nonconvertible currencies, as well as all other assets that do not meet reserve assets concept, are excluded.

## **C. Valuation Principles and Conversion**

The international reserves are revalued daily at market exchange rates. Securities positions are revalued daily at the previous working day market prices of the instruments concerned. Gold is revalued daily at the current market price. Interest is accrued daily and classified under item 1(A). Data are converted into national currency or Euro equivalents (the lev is linked to the Euro at a fixed exchange rate) on the basis of official exchange rates announced by the Bulgarian National Bank daily. Reserve data template is calculated and revalued monthly.

## **III. STRUCTURE OF THE DATA TEMPLATE**

The Data Template has four sections:

### **(1) Official reserve assets and other foreign currency assets broken down by major components viz. convertible foreign currency**

A. Official reserve assets include foreign currency reserves (securities, currency and deposits); IMF reserve position; SDRs, gold and other reserves assets (accrued, but not paid interest).

B. Other foreign currency assets (Central Government deposits with local banks, gold not included in the official reserves, Brady bonds collateral).

This section covers stock data. The definition of these data is consistent with the methodology presented in the sixth edition of the Fund's "Balance of Payments and International Investment Position Manual" (BPM6). Under Art. 42 of the Law on the Bulgarian National Bank, the BNB compiles the balance of payments of Bulgaria, a major functional category of which are the reserve assets.

The types of foreign assets that are included in the official reserves of the BNB are explicitly defined by Art. 28 of the BNB Law.

Other foreign currency assets include foreign currency assets of the BNB that are not included in the official reserves as well as such assets held by the Government (excluding social security funds).

*Sources:* Data on official reserve assets and on other foreign currency assets are based on the accounting records of the BNB. International reserves and foreign currency liquidity template data can be reconciled with the annual reserve assets data shown in the International Investment Position as well as with the assets data in the monthly Balance Sheet of the Issue Department and with the BNB Analytical Reporting Table published on the BNB website (<http://www.bnb.bg/>). The commercial banks provided to the BNB data on Central Government deposits with local banks.

## **(2) Pre-determined short term net drains on foreign currency assets.**

This section covers foreign currency flows related to predetermined payments of principal and interest associated with loans and securities up to and including one year. Unlike data on external debt and international investment position which are based on residency concept (i.e. only liabilities to nonresidents irrespective of currencies involved should be included), data included in Section II relates only to liabilities in foreign currencies irrespective of the residency of the holder.

*Source:* Data on pre-determined short term drains on foreign currency assets is based on Ministry of Finance forecasts on principal and interest payments on loans and securities denominated in foreign currencies in the 12 months period ahead.

## **(3) Contingent short-term net drains on foreign currency assets.**

Section III covers contingent foreign currency flows which refer to contractual obligations that might give rise to potential future outflows or inflows of foreign currency assets. By definition contingent drains cover off-balance sheet activities.

*Source:* Ministry of Finance.

## **(4) Memo items.**

This section covers stocks and flows not disclosed in the previous sections but relevant for assessing the foreign currency official reserves and liquidity positions (financial instruments denominated in foreign currency and settled in domestic currency) as well as the currency composition of official reserves.

*Sources:* Ministry of Finance provides monthly stock data on securities issued for the structural reform (ZUNK) which are denominated in foreign currency and settled in Leva. General Accounting Directorate of the BNB provides through Information Systems Directorate monthly data on currency composition of official reserves.

#### **IV. PERIODICITY AND TIMELINESS OF THE DATA TEMPLATE PUBLICATIONS**

The Bulgarian National Bank compiles and publishes International Reserves and Foreign Currency Liquidity Data Template of the country on a monthly basis within three weeks after the close of the reference period.

#### **IV. DATA REVISION POLICY**

Revisions to published Official Reserve Assets and International Reserves and Foreign Currency Liquidity data are not a common feature. Data on official reserve assets are based on the accounting records of the BNB and are revised only if the accounting records are revised. The policy of revisions pursued by the Bulgarian National Bank is based on the following principles:

- (i) As for the International Reserves and Foreign Currency Liquidity data, each monthly publication includes revisions of the data for the previous month.
- (ii) When on-going changes are made due to additional information collected, as well as resulting from elimination of errors, the Bulgarian National Bank timely informs the users through the monthly press releases as well as through the notes at the end of the Data Template table.

#### **V. DATA DISSEMINATION**

The Bulgarian National Bank disseminates the monthly Official Reserve Assets and International reserves and foreign currency liquidity data on its web site – <http://www.bnb.bg>. The data are in million euro.

Data on the Official Reserve Assets and International reserves and foreign currency liquidity of the country are included in the semi-annual and in the annual official reports of

the Bulgarian National Bank, in the ECB's Statistical Data Warehouse, as well as in the national summary page of the IMF's Special Data Dissemination Standard (SDDS) Plus.

## **VI. CONTACTS**

If you have any questions on the methodology applied by the Bulgarian National Bank or on the Official Reserve Assets and International reserves and foreign currency liquidity data published, please do not hesitate to contact BNB's Press Office ([press\\_office@bnbank.org](mailto:press_office@bnbank.org)) or send them by mail to the following address:

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BULGARIA