FOREIGN EXCHANGE TRANSACTIONS

Foreign Assets and Liabilities of Universal and Commercial Banks

Foreign assets of universal and commercial banks consist of foreign exchange holdings and other claims of banks on nonresidents. Foreign liabilities consist of obligations to nonresidents denominated in foreign currency. The net foreign holdings refer to the difference between foreign assets and foreign liabilities.

International Reserves

Gross International Reserves (GIR) are foreign assets that are readily available to and controlled by the BSP for direct financing of payments imbalances and for managing the magnitude of such imbalances. GIR consists of holdings of gold, special drawing rights (SDR), foreign investments, and foreign exchange, including Reserve Position in the Fund (RPF).

Gold. The Philippines valued its gold holdings at the official rate of $35 per fine troy ounce up to April 1972 and $38 per fine troy ounce up to January 1973. Starting February 1973, gold holdings were valued at $42 per fine troy ounce. With the second amendment of the IMF Articles of Agreement taking into effect in April 1978, Central Bank gold transactions were valued at free market rates.

The Special Drawing Right (SDR) is an interest-bearing reserve asset created by the International Monetary Fund (IMF) in 1969 to supplement its member countries' existing official reserves. It serves as the unit of account of the IMF and some other international organizations. "Holdings of SDRs" by an IMF member are recorded as reserve assets. The value of SDR is based on a basket of five key international currencies (US Dollar, Japanese Yen, Euro, British Pound Sterling, and Chinese Renminbi). Its value is not directly determined by the supply and demand in the market, but by the IMF on a daily basis based on the market exchange rates between the currencies included in the SDR basket. The SDR is neither a currency, nor a claim on the IMF, but a potential claim on the freely usable currencies of the IMF members.

SDRs are allocated to member countries in proportion to their IMF quotas. These were made available by the IMF to its members to ensure continued liquidity in the economic system by supplementing the IMF members' foreign exchange reserves.

In conformity with the guidelines outlined in the IMF's Balance of Payments and International Investment Position Manual, 6th edition (BPM6), the BSP adopted the revised treatment of the "allocation of SDRs" in its various statistics starting 23 September 2010. Prior to this, the allocation of SDRs was considered a non-transaction item. With the implementation of the BPM6-based treatment, the SDR allocation is now treated as a transaction, particularly as a long-term liability of the receiving IMF member. The SDR allocation is recorded under the Other Investment account of the BOP.

Foreign Investments of the BSP are foreign assets in the form of interest-earning deposits with foreign correspondent banks and foreign securities denominated in the acceptable international reserve currencies of the country. The latter are issued by foreign governments or supranational entities, or are guaranteed by foreign governments.

Foreign Exchange is a foreign asset, which consists of demand deposits and foreign currencies on hand, accrued interest receivable, and net receivable due from broker.

By virtue of Cir. No. 100 dated 19 September 1959, Cir. No. 141 dated 2 April 1962, Cir. No. 321 dated 31 March 1971, Cir. No. 518 dated 21 May 1976, Cir. No. 665 dated 19 March 1979, Cir. No. 1129 dated 26 January 1987, Cir. No. 1154 dated 4 September 1987, Cir. No. 1373 dated 23 December 1992, and Circular Letter dated 7 January 1999, aside from the US dollar, the following currencies have been included in the country's international reserves: Japanese yen (Japan), British pound (United Kingdom), Hong Kong dollar (Hong Kong), Swiss franc (Switzerland), Canadian dollar (Canada), Singapore dollar (Singapore), Australian dollar (Australia), Asian Bond Fund 2, Special Drawing Rights (SDRs), and euro, which consists of currencies of the 11 founding member countries of the European Monetary Union: German mark (Germany), French franc (France), Dutch guilder (the Netherlands), Austrian schilling (Austria), Belgian franc (Belgium), Italian lira (Italy), Finnish markka (Finland), Portuguese escudo (Portugal), Spanish peseta (Spain), Luxembourg franc (Luxembourg), and Irish punt (Ireland). Moreover, effective 13 October 2016, the Monetary Board approved the inclusion of the Chinese Renminbi (China) in the official international reserves.

Reserve Position in the Fund (RPF) refers to the country's claim on the IMF's General Resources Account.