

SNA/M1.07/07

**Fifth Meeting of the Advisory Expert Group on National Accounts
19 – 23 March 2007, New York**

**Substantive Comments on the Draft Chapters of the 1993 System of
National Accounts Revision 1**

Chapter 11: The Financial Account

Prepared by Intersecretariat Working Group

Comments on Chapter 11: The Financial Account

Comments received as of 12 March 2007¹ from:

Countries (14)	ISWGNA (4)	Others (1)
Australia	Eurostat	European Central Bank (ECB)
Czech Republic	IMF	
Denmark	OECD	
Finland	UNSD	
Germany		
Hong Kong		
Ireland		
Israel		
Mexico		
Netherlands		
Norway		
South Africa		
Switzerland		
United States		

There is only one substantial issue to be consulted to the AEG. This is a new issue on monetary gold that has evolved in the discussions of the BOPCOM for the revision of the *fifth edition of the Balance of Payments Manual (BPM5)*.

1. Treatment of gold in the SNA

Comments from: ECB

The definition of monetary gold has to be modified following the recent discussions on [the topic] also distinguishing between gold bullion (allocated monetary gold) and unallocated gold accounts.

Response by ISWGNA and Editor:

The *1993 SNA* will follow the treatment of monetary gold of the *BPM6*. See the annex attached on the issue.

Question to AEG:

1. Does the AEG support the treatment of unallocated gold accounts proposed for BPM6?

¹ All comments on this chapter received as of 12 March 2007 can be found at the 1993 Update website.

Annex: Treatment of gold in the SNA note for the ISWGNA/AEG

Situation to date

1. The AEG agreed that allocated gold accounts would be treated in the same way as physical gold. If they are held by monetary authorities as part of foreign reserves, they are treated as monetary gold. All other holdings are treated not as financial assets but as inventories or valuables as appropriate.
2. The AEG also agreed to treat unallocated gold accounts (and similar accounts of other precious metals) as financial assets, specifically as a form of the SNA category currency and deposits. This is a change from the *1993 SNA*.

New proposal

3. The proposal now is that, in addition, unallocated gold accounts held by monetary authorities as part of foreign reserves, ***where the counterparty is a non-resident***, should be classified as monetary gold. So, it is suggested that the definition of monetary gold include physical gold (monetary gold as defined in the *1993 SNA* plus allocated gold accounts held by monetary authorities;) and unallocated gold accounts held by monetary authorities with non-resident units. The rationale for this is that reserves are managed by treating physical gold and unallocated accounts as interchangeable.
4. Henceforward, monetary gold will (conceptually) consist of two sub-items. The first, to be referred to as gold bullion, will consist of physical gold and allocated gold accounts owned by monetary authorities (and others subject to the authorities' effective control) and held as a financial asset and as a component of foreign reserves. The second sub-item will be unallocated gold accounts held by monetary authorities (and others subject to the authorities' effective control) as a component of foreign reserves with non-resident units. In practice, for reasons of confidentiality, the two sub-items may not be shown separately.
5. Gold bullion remains an asset with no counterpart liability. Unallocated gold accounts do have a counterpart liability. When they are regarded as part of a country's foreign reserves, they are part of monetary gold (as stated above) and the counterpart is a liability of monetary gold in the rest of the world.
6. When unallocated gold accounts are not treated as part of a country's monetary gold, they are treated as currency and deposits on both the asset and liability side.

Consequence of the proposal

7. If the monetary authority of economy A holds an unallocated gold account as part of reserves with a bank in economy B, in A's accounts, the unallocated gold account is treated as monetary gold as an asset of the monetary authority and there is a monetary gold liability of the rest of the world. For B's accounts, the unallocated gold account is a currency and deposit as a liability (regardless of whether the bank holding the account is a monetary authority or not) with an asset of a currency and deposit in the rest of the world (specifically with A).

Footnote 1: This proposal applies to unallocated gold accounts only. All unallocated accounts in other precious metals will continue to be classified always as currency and deposits.

Footnote 2: (For national accountants) Gold bullion held by monetary authorities other than as part of foreign reserves is not treated as monetary gold, but as a valuable. A practical example is a country where all gold to be sold abroad must be sold through the central bank. To the extent that the central bank is acting as a gold dealer, the stocks held in that capacity are not classified as monetary gold.

March 2007