

Agenda Item 12: Public Sector Specific Financial Instruments

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Objective of Agenda Item

Consider and provide directions on key issues

Materials Presented

- Agenda Item 12.1 Issues Paper
- Agenda Item 12.2 Draft CP: Ch. 1: Introduction and Objective & Ch. 2: Monetary Gold

Introduction and Objective (paras. 5 – 8) 1/3

Project background and development

- Why topics included
- How project has evolved
- Importance of topics – public interest
- Target output unknown

Introduction and Objective (paras. 5 – 8) 2/3

IPSASB decision on chapter order

- Chapter 1: Introduction and Objective
- Chapter 2: Monetary Gold
- Chapter 3: Currency and Coin Issued by the Entity
- Chapter 4: IMF SDRs and Other IMF Transactions
- Chapter 5: Statutory Receivables
- Chapter 6: Statutory Payables
- Chapter 7: Securitizations

TBG proposal to switch order of chapter 2 and 3

Introduction and Objective (paras. 5 – 8) 3/3

Matters for Consideration:

- *Agree with amendments to paragraphs (paragraph 1.4 – 1.7 in the CP), and*
- *Agree with TBG proposal – reorder of chapters (paragraph 1.8 in the CP)?*

Definitions and Descriptions (Paras. 9 - 13) 1/2

- GFS & SNA alignment
- Restructured monetary gold definition
- Addition of definitions for gold bullion, monetary authority and reserve assets
- Objective of monetary authorities – price stability

Matter for Consideration:

- *Agree with the proposed definitions in the CP, and*
- *Agree with main objective of monetary authority.*

Definitions and Descriptions (Paras. 9 - 13) 2/2

Defined Term	Definition
Monetary Gold	Gold bullion assets held by monetary authorities as reserve assets.
Gold Bullion	Physical gold that has a minimum purity of 995 parts per 1000.
Monetary Authority	The entity(ies) with responsibility for the monetary system. In most cases the monetary authority will be the central bank or a department(s) of the central (national) government. In some cases, it may be more than one entity.
Reserve Assets	Assets held by monetary authorities to help ensure price stability in the monetary system, such as monetary gold, currency (domestic and foreign), highly liquid investments, and Special Drawing Rights (SDRs).”

Scope (Paras. 14 - 22) 1/2

- Based on IPSASB feedback, have analyzed types of gold as follows:
 - Does category of gold meet IPSAS 28 definition of an FI?
 - Is category of gold used like an FI?
- In scope:
 - Physical gold (held directly)
 - Physical gold (held in allocated gold account)
 - Commemorative gold coins

Scope (Paras. 14 - 22) 2/2

Not in scope:

- Physical gold held as deposits in unallocated gold accounts
- Gold securities, equities, loans and derivatives
- Gold coins which are legal tender
- Gold antiques/historical artifacts
- Physical gold held for use in production, manufacturing or operations

Matter for Consideration:

Agree with proposed scope?

Measurement (Paras 23 - 27) 1/2

- Consistency in measurement - historical cost vs. fair value/current value
- Direction from IPSASB – link types of gold & why held, to objective of measurement
- Monetary authorities – price stability
- QCs, monetary authority objective – financial capacity
- Market value in an open and active orderly market – best information on financial capacity of monetary gold

Measurement (Paras 23 - 27) 2/2

Matters for Consideration:

- *Agree with view that monetary gold is held for contribution to financial capacity; and*
- *Agree that analysis in CP paragraphs 2.33-2.41 sufficiently links types of monetary gold in scope, purpose they are held by monetary authorities and measurement basis?*

Recognition and changes in value (Paras. 28 - 30)

1/2

Two issues – treatment of transaction costs and changes in market value

Option 1

Transaction Costs	Transaction costs expensed in statement of financial performance
Changes in Value	Revenue and expense; issue related to where in the financial statements to recognize unrealized changes

Option 2

Transaction Costs	Transaction costs expensed for HFT, capitalized for AFS
Changes in Value	Changes in value for HFT-recognition in the statement of financial performance. AFS-unrealized changes recognized in net asset (until impaired or realized)

Recognition and changes in value (Paras. 28 - 30)

2/2

Matters for Consideration:

- *Support for options proposed, or suggest amendments; and*
- *Provide preliminary views on presentation of changes in value of monetary gold assets?*

Presentation & Disclosure (Para. 31 - 32)

After September feedback

- Presentation objective stated in CP para 2.57 – based on CF guidance

Matter for Consideration:

- *Agree with presentation objective, or suggest any changes; and*
- *Agree with discussion of information selection, location and organization, or suggest changes?*



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