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May 14, 2022

**The Acting Chair's Summing Up
Review of the Method of Valuation of the SDR
Executive Board Meeting 22/44
May 11, 2022**

Executive Directors concluded the quinquennial review of the method of valuation of the Special Drawing Rights (SDR). They supported maintaining the current method of valuation of the SDR, including the selection criteria for inclusion in the basket and the methodologies for determining the currency weights and currency amounts in the basket, while formalizing the current practice and accepted statistical method of dealing with data gaps. Directors agreed to maintain the current composition of the SDR currency and interest rate baskets and approved their updated weights in the baskets.

Directors concurred that the export criterion and the freely usable criterion should continue to guide decisions on inclusion of currencies in the basket. They also agreed to maintain the methodology introduced in the 2015 review for determining currency weights and amounts in the SDR basket. Directors encouraged future reviews to include further analysis of the weights used in the formula to ensure that it continues to adequately capture the role of currencies in global trade and financial markets. They agreed that data gaps for indicators used in the SDR valuation review should be addressed by using available data within the relevant five-year period consistent with past practice, while continuing to explore availability of alternative variables to minimize data gaps.

Directors noted that based on developments in trade and financial markets over the period 2017-2021, the updated weights in the SDR basket maintain the same ranking of the initial weights set in the 2015 review, with slightly higher weights for the U.S. dollar and the Chinese renminbi and, accordingly, somewhat lower weights for the British pound, the euro, and the Japanese yen. Directors concurred that neither the COVID-19 pandemic nor advances in Fintech have had any major impact on the relative role of currencies in the SDR basket so far. They called for continuous monitoring of implications for the SDR valuation framework from fintech and other developments, including potential economic and financial fragmentation and high inflation. A few Directors also called for monitoring implications of economic sanctions on the valuation framework.

Directors welcomed the update on operational issues raised in previous reviews through a survey of SDR users and the finding that most users do not experience significant operational challenges using SDRs or operating in the five SDR basket currencies' markets. They noted however that the survey identified some remaining operational challenges for the currencies in

the basket. In this context, Directors broadly acknowledged the progress made on financial market reforms in China, while calling for additional efforts to further open and deepen the onshore renminbi market, with some Directors also stressing the need to further enhance data transparency.

Directors agreed with the Managing Director's proposal for the next SDR review to take place on a five-year basis, to be concluded before end-July 2027.