

The contents of this document are preliminary and subject to change.

GRAY/22/1231

May 6, 2022

**Statement by Ms. Rieck and Mr. Krahnke on Review of the Method of Valuation of the SDR  
(Preliminary)  
Executive Board Meeting  
May 11, 2022**

We thank staff for the detailed report on the SDR valuation review.

**We agree to maintain the current composition of the SDR currency and interest rate baskets** as there have been no major changes in the roles of currencies in the world economy – or rather in the world’s trading and financial systems.

**Regarding the currency weighting, we can support Decision 2 and the new initial weights (resulting from the application of the agreed method of SDR valuation) to come into effect on August 1, 2022.** We acknowledge the broad principles guiding SDR valuation decisions, including continuity in the method of SDR valuation, as well as the importance of transparent reviews of the valuation methodology for risk mitigation. That said, we take note that mechanically applying the agreed methodology to the most recent 5-year period results in tangible shifts in currency weights and call for clarification on the impact on the stability of the SDR’s value in terms of the major currencies (first of the “Broad principles guiding SDR valuation decisions”), including of the euro, which is to realize a significant reduction in its initial weight in the SDR basket. In this context, we recall that in 2015, choosing the variables and their shares within the new formula involved a considerable amount of judgment, taking into account the still limited set of reliable statistical data on the international use of currencies. *We are interested to know how staff assesses the experience to date with the substantially changed methodology. Are updates in currency weights under the new methodology more pronounced than before, possibly due to higher volatility in the new financial variables?*

**We take note of staff’s proposal to formalize the current practice of closing data gaps using available data for the relevant five-year period and can go along with Decision 1.**

While it appears sensible to use Q3 data for the most recent year of the five-year period if Q4 data is not yet available, other practices, like relying on only one data point for the FXT variable, seem rather poor substitutes. As such, a single data point for FXT significantly affects the overall currency weight calculation and is also one driver of the proposed decreased euro weight. Depending on the collection year, the triennial BIS survey could capture short-term fluctuations rather than medium- to long-term changes. We encourage staff to mitigate the data gap problems more strategically in the medium-term and to work on closing the data gaps, also for example by examining other variables, which could determine the relative importance of currencies in the world's trading and financial systems. *Staff's comments are welcome.*

**We agree to the next SDR valuation review taking place on a five-year basis**, to be concluded before end-July 2027, or earlier if warranted by financial developments in the interim, and call for timely consultations before proposals are presented to the Board for the next review.