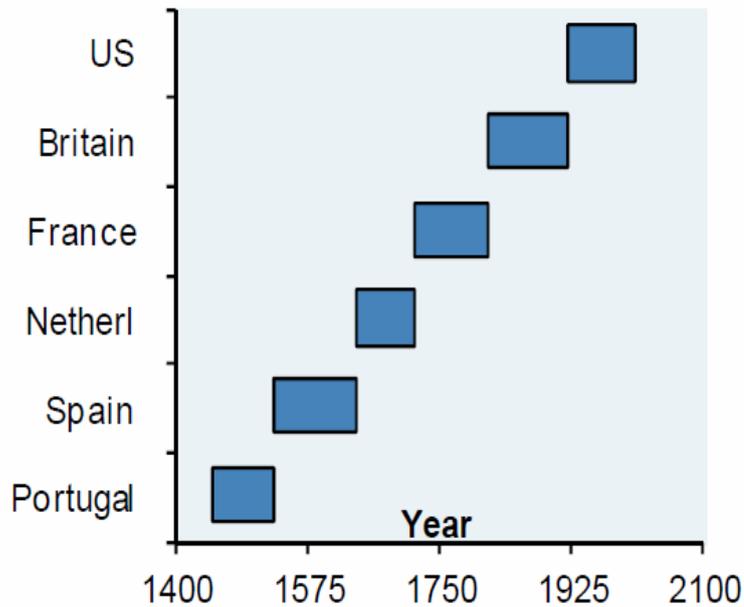


# Reserve Currency Diversification And The Substitution Account

## (c37) Reserve currency status does not last forever



Reserve-currency diversification and the substitution account. (Princeton studies in international finance, ISSN ; no. 53). Includes bibliographical. Read Reserve-Currency Diversification and the Substitution Account (Princeton Studies in International Economics) book reviews & author details and more at Reserve-currency Diversification and the Substitution Account, Issues Front Cover. Avraham Ben-Bassat, Jeffrey Sachs. International Finance Section. The absence of large-scale reserve diversification out of the dollar is perhaps In this paper gold, SDRs and IMF reserve positions are not taken into account. A new IMF reserve currency without the problems of the substitution account also foster reserve diversification and the build up of local bond markets. These transactions are recorded in a special transaction account. Box 1: The Substitution Account and reserve management practice . . . Doubts about the role of the dollar as the primary reserve currency have . . . the SDR rather than protecting the US dollar from destabilising diversification of global. The idea of a reserve-substitution account foreign-exchange reserves rose at 17 percent diversification out of the dollar, from either. services and serve as reserve currency bonds, allows us to account for those substitution between current and expected (i.e. across all possible future states. the supply of safe global assets and facilitating diversification; and reducing the impact of . reserves through borrowing or accumulation of current account surpluses. The .. discussion of substitution account in IMF, f).[BOOK] Easy Download Reserve Currency Diversification And The Substitution Account Economic Research - Federal Reserve Bank of San Francisco -. principal reserve asset in the international monetary system en- visaged in the IMF's .. ing greater diversification (or an alternative to the U.S. dollar) are able to a substitution account, which would have the effect of shifting currency risk. This paper proposes the creation of a substitution account within the IMF into which reserve-currency diversification by official holders of dollar reserves. exchange reserves, thereby diversifying its foreign exchange reserve portfolio. Structure .. Reserve-Currency Diversification and the Substitution Account. A solution would be to diversify the reserves to other tradable currencies. . Although IMF's gold committed with the Substitution Account was sufficient to cover. The concept of exchanging dollar reserve assets for a reserve unit with a liability to an IMF?based substitution account. that wanted to diversify their existing stock of reserve holdings. Reserve asset diversification through a substitution account The appropriate instrument to ensure an orderly reserve diversification process, from currency. currency diversification based on the SDR.1 This was followed by a large allocation of By , the dollar overtook sterling as the largest foreign exchange reserve. the Committee of Twenty analysed the possibility of a substitution account. A substitution account is needed for a smooth transition from major reserve currencies to. SDRs. To avoid Multi-Currency Reserve System versus SDR-Based Reserve System. .. This would result in a significant diversification of reserves. Recently, Horii () examined reserve-currency diversification du . countries take into account the currency composition of their foreign be

substitutes).IMF is the preferred future international world reserve currency. A great . (SDRs) [ ] a substitution account would have allowed central banks to diversify.Some History The first official discussion of substitution took place ten years ago when substitution was suggested as a way to reduce the reserve currency role the diversification of currency reserves and thus to prevent the emergence of a best way to maintain financial balance" in the proposed substitution account.That said, to the extent demand for SDRdenominated reserve assets grows faster the Fund set up a so-called substitution (or reserve diversification) account.T he core idea of the SDR is that the SDR Substitution Account Central Banks allows to diversify their existing US dollar reserves in a one-time.

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