

Methodological Commentary

Accumulated balances and changes in foreign currencies' holdings in cash belonging to residents are reflected in the balance of payments and in the international investment position of the Russian Federation in accordance with the methodological principles set out in the sixth edition of the IMF's *Balance of Payments and International Investment Position Manual* (BPM6).

Transactions involving foreign currency in cash are recorded in the balance of payments as of the moment of transfer of ownership rights for the asset from resident to nonresident and vice versa, and they include:

- transactions of banks relating to imports/exports of foreign currencies in cash from abroad/across the border and relating to purchases/sales (receipts/disbursements) of foreign currency in cash from/to nonresidents in the territory of the Russian Federation (they are reflected as transactions with banks' financial instruments);

- foreign currency payments in cash for goods, services, and compensation of employees, transfers without quid pro quo and etc. (they are reflected as transactions with other sectors' financial instruments).

Transactions involving foreign currency in cash between two resident units, which do not have an effect on the overall size of accumulated foreign assets of the economy, result in distributional changes in foreign currencies' holdings in cash between institutional sectors, and they are reflected in pairs with identical values with the relevant opposite signs («+» - denotes an increase, «-» - a decrease) under the *other changes* item in the international investment position (IIP). That item also includes the amounts of volume changes in assets resulting from changes in residency of the owner of foreign currency in cash (resident/nonresident).

An increase/decrease in the value of assets denominated in currencies that are different from the unit of account in the balance of payments and the IIP, which results under the influence of exchange rates, is reflected in the IIP as a *change resulting from revaluation*.