Activities of the Bank

1. International monetary and financial cooperation

During the past year, the Bank has continued to play its traditional role in fostering international monetary cooperation. It organised periodic meetings on a variety of subjects bearing on monetary and financial stability. The financial crisis in East Asia figured prominently in these meetings, as described in greater detail below. Other topics included, in the monetary field, issues in the implementation and tactics of monetary policy, monetary policy and asset prices, and the conduct of monetary policy in a low-inflation environment. Meetings also addressed questions relating to the management of foreign exchange reserves and central bank responses to currency attacks. Discussion of ways to strengthen financial systems focused, inter alia, on the role of regulation and disclosure in disciplining institutions and markets, and on the implications of structural changes in financial systems for the nature of systemic risk. In this regard, and reflecting changing institutional arrangements in a number of countries, interest also centred on the role of central banks in the regulation and supervision of financial institutions and markets. In addition, the Bank continued to host and support regular meetings of the Governors of the central banks of the Group of Ten countries on the global economic and financial conjuncture.

The rapid pace of ongoing financial integration, and the consequent need for international cooperation to embrace a wider circle of countries, were reflected in the deepening involvement of officials from emerging market central banks and other supervisory bodies in the Bank's meetings. In this regard, the East Asian financial crisis added urgency to the implementation of earlier initiatives. It also gave the impetus to new initiatives, including the establishment of a BIS Institute for Financial Stability to respond to increasing needs for guidance and training in implementing sound principles in all areas bearing on financial stability. The Bank's expanded focus on emerging market economies was also seen in other tangible ways. Externally, the Bank concluded negotiations with the Government of the People's Republic of China to open a Representative Office for Asia and the Pacific in Hong Kong. The office, which will facilitate the development of the Bank's activities in the region, will aim to strengthen further relations and information sharing among the region's central banks and monetary authorities. Internally, a reorganisation and rationalisation of the General Secretariat resulted in the release of resources which will strengthen the capacity of the Banking Department and the Monetary and Economic Department to service the Bank's enlarged shareholdership.

As usual, the Bank participated as an observer at meetings of the Interim Committee of the Board of Governors of the International Monetary Fund, and of the Finance Ministers and central bank Governors of the G-10 countries. It also contributed to the work of the Deputies of the G-10 Ministers and Governors referred to below. Moreover, the Bank provided the secretariats for various committees and groups of experts concerned with international monetary and financial stability.

Basle Committee on Banking Supervision

In its principal area of operation, the Basle Committee on Banking Supervision has continued to focus its efforts on the development of supervisory policy. As the financial markets have become more sophisticated and traditional barriers have diminished, the process of supervision has become far more complex. The response of G-10 supervisors has been to try to strengthen market discipline and to create an environment in which banks have positive incentives to operate in a safe and sound manner. Accordingly, the Basle Committee has been placing increased emphasis on the need for greater market transparency and sound risk management principles. Initiatives have been taken to enhance disclosure through regular surveys of trading and derivatives activities and preliminary work has been undertaken with a view to achieving greater consistency in banks' loan valuation and loan loss procedures. In relation to risk management, the Committee has released a range of papers over the past year providing guidance on the management of interest rate risk, on internal control systems and on electronic money and electronic banking activities.

In recent months, the Basle Committee has been devoting considerable attention to the steps that need to be taken by the financial industry to prepare for the changeover to the new century in their information-processing systems. Following an alert in July 1997, the Committee issued a detailed paper on Year 2000 risks in September 1997, conducted a survey of preparations by supervisors and banks in early 1998 and, as described below, co-sponsored a Round Table on this issue in April 1998. The Basle Committee will be a member of the Joint Year 2000 Council set up following the Round Table. Work is now in progress to formulate guidelines for supervisors monitoring banks' Year 2000 compliance and a contact list of supervisors working on Year 2000 issues has been compiled in order to foster coordination and contingency planning.

The Basle Committee has continued to develop refinements to the Capital Accord. In recent years, attention has focused principally on the treatment of market risk, for which capital charges were introduced at the beginning of 1998. However, the Committee has also been continuously monitoring the credit risk framework and is currently examining banks' use of credit risk models. In April 1998 the Committee announced a reduction in the credit risk weighting for regulated securities firms (but not for unregulated securities firms or holding companies) and issued a consultative paper on on-balance-sheet netting.

Last year's Annual Report described the widening focus of the Basle Committee's work beyond the G-10 countries. The initiatives that had been set in train with the close collaboration of non-G-10 supervisors resulted in the issue of the Core Principles for Effective Banking Supervision as a consultative paper. Following a consultation period, the final version of the document was presented to Ministers and Governors at the time of the IMF/World Bank Annual Meetings in Hong Kong.

With the Principles agreed, attention is now turning to implementation. As discussed at length elsewhere in this Report, events in Asia have revealed distinct weaknesses in the supervisory arrangements in many emerging market economies and have thus served to underline the relevance of the Core Principles for all banking systems. There is now a clear awareness on the part of the authorities, not only in Asia but also in many other countries around the world, that the Core Principles need to be implemented not only in letter but also in spirit. To provide a suitable forum for discussing the problems with which countries are confronted, the Basle Committee has created a Liaison Group and a wider Consultation Group of G-10 and non-G-10 countries. The Liaison Group, consisting of some 20 countries, and in which the IMF, the World Bank and the European Commission serve in an informal capacity, has already prepared a detailed survey to be conducted over the next few months. The survey is designed to identify the steps that supervisory authorities are taking to implement the Principles, the impediments they may face and the assistance that they may require. The results of this survey are to be one of two principal topics of discussion (the other being operational risk) at the next International Conference of Banking Supervisors in Australia in October 1998, which will be organised by the Basle Committee and the Australian supervisory authorities.

The Basle Committee has continued to work actively to develop international cooperation among banking supervisors through meetings and personal contacts. Collaboration with other financial sector regulators has been intensified through the Joint Forum on Financial Conglomerates. The Joint Forum, which consists of banking, securities and insurance supervisors, issued a package of consultative papers in February 1998 addressing several different aspects relating to the supervision of financial conglomerates. Moreover, the Basle Committee is becoming increasingly engaged in wider debates with other bodies representing, among others, the banking industry, financial sector specialists, accountants and trade organisations. As part of this widening role, the Committee prepared a report for the Group of Seven Finance Ministers at the Birmingham Summit describing the work it is doing to improve supervisory collaboration and to strengthen financial stability around the world.

Euro-currency Standing Committee

In the latter part of 1997 and the first months of 1998, the agenda of the Euro-currency Standing Committee was dominated by developments in, and the lessons to be drawn from, the financial crisis in East Asia. Besides monitoring the general situation, the Committee focused on three specific aspects of the crisis: the implications for potential improvements in the availability and use of information; the interaction of domestic institutions with the international financial system; and the effectiveness of international support efforts. The crisis also led to decisions that the Committee should assume a more active role in monitoring systemic vulnerabilities, and extend participation in its meetings beyond the G-10 central banks.

Partly in response to the Asian crisis, the Committee agreed a number of proposals for improving the BIS international banking statistics, a key source of information on creditor exposures and countries' external debt. Working in close consultation with statistical experts at the BIS and at member central banks, the Committee explored possible improvements in terms of coverage, quality and timeliness. It was decided to reduce lags in the reporting of data to the BIS and in the release of data to the public, to move to quarterly reporting on a best-efforts basis, to move towards reporting of exposures on an "ultimate risk" basis, and to intensify efforts to add new reporting countries. These improvements should enhance the usefulness of the statistics for policy-makers and market participants analysing cross-border exposures involving specific countries, as well as the size and structure of countries' debt.

At the same time, the Committee continued its activities in other areas. As part of a concerted strategy to promote financial stability, it examined, together with the other Basle-based groupings, the desirability and feasibility of developing international best practice guidelines, norms or standards in four areas: improving transparency; making the best use of information; the design and operation of safety nets; and the promotion of deep and liquid markets. The conclusions of this work will be reported to the G-10 Governors in July 1998.

Longer-term analyses of structural developments with a bearing on financial stability were also carried forward. A collection of studies on the measurement of aggregate market risk was released in November 1997. Two working groups, one on the implications of structural changes for systemic risk and the second on capital flows and portfolio management activities, submitted their reports to the Committee in December. A joint study group with the Committee on Payment and Settlement Systems on clearing house and collateral arrangements in the OTC derivatives markets presented a preliminary report to the two Committees in May 1998. In early 1998, two studies among interested central banks were initiated: one to examine the structure and functioning of markets for repurchase agreements in different countries, and the other to examine the determinants of market liquidity at the theoretical and empirical levels, with an emphasis on the liquidity of government bond markets. Both groups plan to report their findings in December 1998.

In April 1998, the Governors of the G-10 central banks appointed Mr. Yutaka Yamaguchi, Deputy Governor of the Bank of Japan, as Chairman of the Euro-currency Standing Committee for a term of three years as from 1st May. Mr. Yamaguchi succeeds Mr. Toshihiko Fukui, who had held the chairmanship from January 1997 until his retirement as Senior Deputy Governor of the Bank of Japan in March 1998.

Committee on Payment and Settlement Systems

The Committee on Payment and Settlement Systems (CPSS) continued its efforts to strengthen financial market infrastructures. In this regard, the implementation of the G-10 central banks' strategy to reduce foreign exchange settlement risk remained a high priority during the year. The three-pronged strategy endorsed by the G-10 Governors in early 1996 involved the promotion of improved internal risk management by individual banks, the encouragement of private sector initiatives to develop risk-reducing multicurrency settlement mechanisms, and further relevant enhancements to domestic payment system arrangements. The

CPSS has been engaged in an ongoing dialogue with various private sector groupings involved in the design and enhancement of cross-border schemes. The Committee is preparing an assessment of the results achieved so far in order to decide whether further action needs to be taken.

The publication of the Committee's report on Real-Time Gross Settlement (RTGS) Systems in March 1997 has led to a much better understanding of such procedures in large-value interbank funds transfer systems among market participants and system operators. A number of conferences are now being organised around the world at which market participants and service providers will discuss the policy issues identified in the report and the implications for market participants of the introduction and enhancement of such interbank payment mechanisms. Since an increasing number of non-G-10 countries are planning to introduce RTGS systems in the future, the report has contributed to ensuring that the design features of such systems take account of the needs of market participants, the concerns of the central banks, and the requirements of other wholesale payment systems such as securities settlement systems that may be linked to them.

In cooperation with the International Organization of Securities Commissions (IOSCO), the CPSS is continuing to promote greater transparency in securities settlement arrangements through the implementation of the Disclosure Framework for Securities Settlement Systems, which was released in February 1997. A large number of system operators have provided information on their ownership structure, their custody, clearing and settlement operations and their risk management procedures. This information is posted on the BIS Web site (http://www.bis.org).

Following publication by the Committee in March 1997 of an analysis on Clearing Arrangements for Exchange-Traded Derivatives, many clearing organisations are in the process of reviewing their internal risk control procedures. In cooperation with the Euro-currency Standing Committee, the CPSS is extending this analysis to clearing arrangements for OTC instruments, with a view to identifying possible policy issues.

A joint working group of the CPSS and IOSCO, consisting of officials from both G-10 countries and emerging market economies, has recently conducted a survey of the benefits of securities lending as well as the risk management procedures employed by participants in this activity. Analysis of the survey results will focus on the procedures used by market participants to complete securities lending transactions, the impact of the economic, legal and regulatory environment on securities lending activity, the risks that may arise in the course of settling these transactions, and potential implications for securities regulators and central banks.

The Committee has set up a sub-group to carry out a review of retail payment systems and related policy issues. The group is identifying and analysing recent and prospective trends in the use of retail payment instruments and in the corresponding clearing and settlement arrangements. It is expected that an improved understanding of the retail payments industry will allow G-10 central banks to assess the challenges posed by recent and expected innovations in this area. With respect to electronic money, the Committee, through its Secretariat at the BIS, has been carefully monitoring global developments in card and software-based products.

Like other international groupings, the CPSS has taken various initiatives to raise awareness of the serious policy issues related to the Year 2000 problem, inter alia by encouraging payment system operators worldwide to publicly disclose relevant information on the state of preparedness of their respective domestic payment systems for the Year 2000.

Together with the Basle Committee, IOSCO and the International Association of Insurance Supervisors (IAIS), the Committee organised in April 1998 a global Year 2000 Round Table which was attended by senior executives of a variety of public and private sector organisations from the financial, information technology, telecommunications and business communities. The Round Table confirmed that the Year 2000 problem needs to remain a top priority of senior management and emphasised that private and public sector bodies should coordinate their focus on a number of important issues and approaches. These include addressing the need to widen external testing programmes, improving information sharing among market participants, their vendors and service providers, fostering increased disclosure by financial and non-financial corporations of their Year 2000 readiness and testing results, establishing market conventions and procedures for dealing with potential contingencies, and reinforcing the role of oversight bodies such as supervisors and auditors. The importance of thorough testing, both internally and externally with counterparties, was emphasised as the most effective way to ensure that problems in the transition to the new millennium are minimised.

Several private sector initiatives aimed at promoting international coordination and cooperation with respect to Year 2000 testing programmes were identified during the Round Table. To maintain a high level of attention within the supervisory community and to support these private sector efforts, the committees which sponsored the Round Table decided to form a Joint Year 2000 Council which will be composed of senior members of each committee and supported by the CPSS Secretariat. The BIS Web site contains further information on the Round Table and will provide regular updates on the activities of the sponsoring organisations and of the Joint Year 2000 Council.

The Committee has continued to strengthen its cooperation with non-G-10 central banks, particularly those from emerging market economies. Various individual central banks or regional central banking groups are preparing, with the assistance of the Committee's Secretariat, publications that describe the payment systems in their country or region. The Committee has also supported an increasing number of payment system workshops and seminars organised by the BIS in cooperation with regional central banking groups.

In December 1997 the Committee organised a payment system conference at the BIS for the global central banking community. More than 80 central banks were represented at the event, where views were shared on the process of managing change in payment systems. The proceedings of the conference have been published by the BIS.

BIS contributions to the work of emerging market central banks

As noted above in this chapter, the Bank intensified efforts to foster closer contacts among the central banks of the major emerging market economies and to strengthen cooperation between them and their counterparts in the industrial countries. One important new initiative was the organisation of two regional meetings on strategic monetary policy issues. The first of these focused on Latin American policy issues and was co-hosted by the Bank of Mexico in Mexico City in November 1997; the second meeting was held in Singapore in March 1998 and was sponsored by The Monetary Authority of Singapore. Participants included senior central bank officials from both emerging market and industrial economies.

The Bank has also organised in recent years an annual policy meeting of Deputy Governors of central banks of the major emerging market economies on special topics of common interest. The 1997 meeting dealt with the transmission channels of monetary policy in their economies; this topic was further discussed by the Governors of participating central banks, as well as Governors of a number of industrial country central banks, at a special meeting held at the time of last year's Annual General Meeting. Some of the papers prepared for this meeting were published in the BIS Policy Paper series in early 1998. This year's Deputy Governors' meeting examined monetary policy operating procedures in emerging market economies. Finally, against the background of spreading financial turmoil in Asia, senior central bank officials from industrial and emerging market economies discussed central bank responses to currency crises at the BIS in mid-July 1997.

Coordinating Services for Central Banks and International Organisations

The demand for assistance in implementing sound policies in areas bearing on financial stability was reflected in expanded cooperation between the BIS, the committees hosted by it and various regional central bank groupings in the organisation of seminars and training activities. The regional groups, in particular CEMLA (Centro de Estudios Monetarios Latinoamericanos), EMEAP (Executive Meeting of East Asian and Pacific Central Banks), SEACEN (South-East Asian Central Banks), SAARC (South Asian Association for Regional Cooperation), the GCC (Gulf Cooperation Council) and SADC (Southern African Development Community), assisted the BIS and the Basle-based committees in disseminating standards and best practices to the central banks in their regions. As in the past, the BIS and the main Basle-based committees conducted joint seminars with a number of the regional groupings. The need for technical assistance in countries in transition continued to be addressed within the framework of the Joint Vienna Institute. The seminars, organised by the BIS but drawing on input from central banks and supervisory agencies, covered monetary policy, banking supervision, payment and settlement systems, legal issues and reserve management.

To help respond to increasing demands in the above areas, and to improve the efficiency with which training is planned, coordinated and delivered, the BIS decided, in a joint initiative with the Basle Committee on Banking Supervision, to establish the BIS Institute for Financial Stability. The Institute, which will start operations in the second half of 1998, will be engaged in three principal activities:

the organisation of seminars aimed at key policy-making officials in central banks and supervisory agencies; the provision of training on a regional basis for officials responsible for implementing policy; and acting as a clearing house for information on the provision of technical assistance by central banks and supervisory authorities.

Group of Computer Experts

The Year 2000 issue was one of the major topics of discussion of the Group of Computer Experts. A special meeting between G-10 and non-G-10 central banks was devoted to the question. Most of the institutions had begun to evaluate the impact of the millennium change on their information systems as early as 1996. They have now made a detailed estimate of the adaptations required for their systems, contacted hardware and software suppliers and embarked on the upgrading work.

In the European Union central banks, preparations for the euro are also requiring considerable IT resources. Owing to shortages in the supply of qualified staff as a result of the demands related to the Year 2000 issue and the introduction of the euro, a number of central banks are experiencing difficulty both in hiring and in retaining valuable IT staff. Another important development in many central banks is the introduction of Web technologies to allow access to the Internet, to disseminate information internally, to make information available to the public, and to provide services to the central banks' customers.

Group of Experts on Monetary and Economic Data Bank Questions

The Group of Experts on Monetary and Economic Data Bank Questions focused its attention on challenges relating to the Year 2000, European monetary union and the potential for broadening the scope of secure electronic information exchange among central banks to include data, documents, voice and video. In addition, the Group addressed issues concerning a new international standard for the electronic exchange of statistical information, and its member central banks encouraged the coordination of developments in this area with other international organisations. It was agreed that steps should be taken towards widening central bank participation in the data exchange arrangements involving BIS Data Bank Services, in order to respond to increasing demands for more global data coverage and the interest of additional institutions in benefiting from these arrangements. The Group also reviewed changes taking place in the use of computers by central bank economists and statisticians, especially changes offering opportunities for greater efficiency in database management and analytical techniques.

BIS contributions to the work of the Group of Ten

As in the past, the BIS contributed to the work undertaken by the G-10 Finance Ministers and central bank Governors, their Deputies and the working parties set up under their auspices. Three major topics were considered during the period under review. A thorough assessment of the macroeconomic and financial implications of the ageing of populations was motivated by the recognition that population ageing is bound to have profound effects on economic well-being in the years to come. The need for action is urgent because the burden of adjustment for both governments and individuals grows the longer such adjustment is delayed. The Ministers and Governors stressed the importance of appropriately timed fiscal consolidation, increased funding of public pensions, and the encouragement of funded private pension schemes as means of raising national savings. They also underscored the importance of strengthening financial infrastructures, encouraging financial transparency, enhancing financial supervision and eliminating barriers to international capital flows in order to ensure that retirement savings are invested efficiently and safely.

A second topic of continuing interest concerned improved crisis prevention and crisis management. The Ministers and Governors stressed the urgency of finding innovative approaches to achieving closer and faster involvement of the private sector in crisis management and resolution and to containing the risk of moral hazard. Greater transparency and disclosure is also crucial, both for preventing the eruption of crises and for being able to resolve them swiftly when they occur.

The crisis in Asia also demonstrated the importance of strengthening financial systems in emerging market economies. Even before its outbreak a concerted strategy for fostering more robust financial systems in emerging market economies had been developed jointly by representatives of these economies and the G-10 countries. This strategy has three basic elements: sound macroeconomic and structural policies, effective market discipline by informed stakeholders, and strong supervision and regulation underpinning the operation of effective market discipline. It also provides for a division of labour among all the relevant parties – national authorities, international financial institutions and international groups of experts. The priority for the immediate future is to make sure that this strategy is implemented. This will mean ensuring that the incentives to make changes are in place, giving greater attention to financial stability in multilateral and regional surveillance and providing technical assistance and training.

2. Functions as Agent and Trustee

During the past financial year the Bank continued to act as Agent and Trustee in connection with international financial settlements.

Agent for the private ECU clearing and settlement system

Since October 1986 the Bank has performed the functions of Agent for the private ECU clearing and settlement system in accordance with the provisions of successive agreements concluded between the Euro Banking Association (EBA), formerly the ECU Banking Association, Paris, and the BIS, the most recent of which was signed and entered into force on 16th September 1996. A description of the structure and operation of the clearing system is contained in the 56th Annual Report of June 1986. During the period under review, eight further banks were granted the status of clearing bank by the EBA, while one bank withdrew from the system following a merger with another clearing bank. The total number of ECU clearing banks thus increased to 56 at the end of

May 1998. It is expected that a further 11 banks will join the clearing and settlement system during the summer of 1998.

Trustee for international government loans

With regard to the funding bonds 1990–2010 of the Dawes and Young Loans, the Deutsche Bundesbank, as Paying Agent for all uncertificated bonds of all issues of the Dawes and Young Loans, notified the Bank that it had paid out approximately DM 2.8 million to bondholders in respect of redemption at the maturity date of 3rd October 1997 and DM 6.6 million in respect of interest at the maturity dates of 3rd April and 3rd October 1997, as well as interest arrears. The newly calculated redemption values and conversion factors in respect of the aforementioned interest maturity dates were published by the German Federal Debt Administration (Bundesschuldenverwaltung) in the Federal Journal.

Concerning the application of the exchange guarantee clause for the Young Loan by the German Federal Debt Administration, the Bank has repeated its earlier reservations stated in the 50th Annual Report of June 1980, which also extend to the funding bonds 1990–2010. The Paying Agents have been advised to take the appropriate precautionary measures in order to safeguard the rights of the bondholders.

Details of these bond issues and the Bank's functions may be found in the Bank's 63rd Annual Report of June 1993.

Collateral Agent for Brazilian bonds

In accordance with two Collateral Pledge Agreements signed on 15th April 1994, the BIS acts in the capacity of Collateral Agent to hold and invest collateral for the benefit of the holders of certain US dollar denominated bonds, maturing in either 15 or 30 years, which have been issued by Brazil under the external debt restructuring arrangements agreed in November 1993.

Collateral Agent for Peruvian bonds

Similarly, in accordance with Agreements signed on 7th March 1997, the BIS acts in the capacity of Collateral Agent to hold and invest collateral for the benefit of the holders of certain US dollar denominated bonds, maturing in either 20 or 30 years, which have been issued by Peru under the external debt restructuring arrangements agreed in November 1996.

Collateral Agent for Côte d'Ivoire bonds

Under Agreements signed on 31st March 1998, the BIS also acts in the capacity of Collateral Agent to hold and invest collateral for the benefit of the holders of certain US dollar and French franc denominated bonds, maturing in either 20 or 30 years, which have been issued by Côte d'Ivoire under the external debt restructuring arrangements agreed in May 1997.

3. Financial assistance to central banks

In addition to granting various bilateral short-term credits to its central bank customers, during the period under review the BIS participated in a multilateral initiative of the G-10 and certain other Asian and European countries to provide, in case of need, liquidity to the Bank of Thailand in the form of short-term bridging finance. The arrangements established for this purpose were not activated and have since expired.

4. Cooperation with official commissions in research on wartime activities – Opening of the BIS archives

In connection with the ongoing interest in the issue of assets looted during the Second World War, the BIS continued to cooperate fully with all official investigations, notably that conducted by the Independent Commission of Experts: "Switzerland – Second World War" (Bergier Commission), and the US Government investigation on "U.S. and Allied Efforts to recover and restore Gold and other Assets stolen or hidden by Germany during World War II", coordinated by Stuart E. Eizenstat, the US Under Secretary of Commerce for International Trade. The BIS provided detailed information on wartime gold transactions with the Reichsbank and on gold shipments and gold exchanges in two reports that were certified by Coopers & Lybrand. These reports have been made available to the public and can be accessed on the BIS Web site (http://www.bis.org). The BIS also submitted a paper to the London Conference on Nazi Gold held on 2nd–4th December 1997.

The decision of the Board of Directors in April 1997 to open the BIS archives was implemented in two stages. In July 1997, a number of key records documenting the Bank's wartime activities were made available to researchers. From 1st March 1998 all BIS archives that are more than 30 years old have been opened to the public for consultation by appointment on the Bank's premises.

5. Operations of the Banking Department

As at 31st March 1998 the Balance Sheet stood at 62,450 million gold francs, representing a decline of 4,343 million gold francs, or 6.5%, from the total of 66,793 million reached a year earlier. More than 40% of this decrease was due to exchange rate factors as the strengthening of the US dollar over the financial year had the effect of depressing the value of other currencies in gold franc terms. At constant end-March 1997 exchange rates, the Balance Sheet at the end of the financial year 1997/98 would have amounted to around 64 billion gold francs.

Liabilities

On 31st March 1998 borrowed funds in gold and currencies totalled 57,497 million gold francs, compared with 61,422 million at the end of the previous financial year. Deposits in gold, which declined by 362 million gold francs to 3,474 million, accounted for 6% of total borrowed funds against 6.2% a year earlier. Currency deposits fell over the period by some 3.6 billion gold francs and finished the financial year at 54,024 million gold francs. The volume of such currency deposits tends to be volatile, reflecting the fact that many central banks make active use of BIS banking facilities to manage their liquidity. Although the end-March 1998 level was the lowest recorded at any month-end during the past financial year, the average volume of borrowed currencies measured on a daily basis was 4% higher than in the financial year 1996/97.

The bulk of the contraction in borrowed currencies resulted from withdrawals in US dollars (some 2.3 billion gold francs) and, to a lesser extent, in pounds sterling. Nevertheless, the overall currency composition of borrowed funds changed little during the financial year: on 31st March 1998 the US dollar accounted for 62.1% of the total (expressed in gold francs), compared with 61.6% a year earlier. Similarly, the share of deposits in Deutsche marks remained stable at 20.7% against 20.5% at the end of the previous financial year.

Central bank deposits amounted to 50,468 million gold francs, which represented 93.4% of total borrowed funds at end-March 1998 against 94.0% one year previously. Funds placed by other depositors (mainly international financial institutions) amounted to 3,555 million gold francs (or 6.6% of the total), compared with 3,425 million (or 6.0%) on 31st March 1997.

Assets

The BIS conducts its operations in a highly prudent manner to ensure the safety and liquidity of the deposits entrusted to it; credit risk, maturity transformation and exchange rate risk are rigorously monitored and controlled.

With a year-on-year decrease of 4,056 million gold francs, assets in currencies stood at 58,032 million on 31st March 1998, compared with 62,088 million gold francs at end-March 1997. These assets represent deposits with first-class financial institutions of international standing as well as short-term negotiable securities, including Treasury bills. The Bank also makes short-term advances to central banks on a collateralised as well as an uncollateralised basis; at end-March 1998, however, the total of such advances outstanding amounted only to 52 million gold francs. The Bank's own funds are largely held in gold or investments in sovereign securities issued by the major industrial countries.

The Bank's assets in gold declined from 4,504 million to 4,159 million gold francs during the financial year 1997/98, primarily reflecting the decrease in gold deposits received.

The Bank also makes use of certain derivative instruments, essentially with a view to managing its own funds more efficiently and hedging risks on its borrowed funds (see Note 7a to the Balance Sheet).

6. Net profits and their distribution

The accounts for the 68th financial year ended 31st March 1998 show a net operating surplus of 259,160,599 gold francs, compared with 203,289,449 gold francs for the preceding financial year. Higher income from borrowed funds operations as well as from own funds investments contributed to the growth in profits. The latter component was entirely attributable to a higher average volume of own funds, following the issue of new shares in the second half of the previous financial year. In the case of borrowed funds, both a modest increase in the average level throughout the year and some improvement in the total margin earned on deposit intermediation led to the rise in income from these operations. An additional factor contributing to the increase in the operating surplus was the decision of the Bank's Board of Directors to reduce further the amount allocated to the provision for banking risks and other eventualities.

The year's result is shown after deduction of 55,701,805 gold francs in respect of costs of administration, an 8% decrease compared with the previous year's figure of 60,530,595 gold francs. This decrease was due entirely to valuation changes resulting from a significant depreciation of the Swiss franc against the gold franc during the year. In terms of Swiss francs, the currency in which most of the Bank's expenditure is incurred, total administrative costs increased by 3%.

In view of the forthcoming change of accounting policy under which the Bank's land, buildings and equipment are to be capitalised and depreciated as from the financial year 1998/99, the Board of Directors has decided to discontinue the practice of making transfers to the provision for building purposes and the provision for modernisation of premises and renewal of equipment. The unspent balances on these provisions will be transferred to the provision for exceptional costs of administration in the new financial year. For this reason no allocations from the profit for 1997/98 have been made to the latter provision.

On the basis of Article 51 of the Statutes, the Board of Directors recommends that the net profit of 259,160,599 gold francs be applied by the General Meeting in the following manner:

(i) an amount of 52,549,459 gold francs in payment of a dividend of 300 Swiss francs per share (the dividend payable in respect of the 40 new shares which were issued during the financial year 1997/98 being settled on a pro rata basis according to the relevant date of subscription);

(ii) an amount of 41,322,228 gold francs to be transferred to the general reserve fund;

(iii) an amount of 3,000,000 gold francs to be transferred to the special dividend reserve fund; and

(iv) an amount of 162,288,912 gold francs, representing the remainder of the available net profit, to be transferred to the free reserve fund. This fund can be used by the Board of Directors for any purpose that is in conformity with the Statutes.

If the above proposals are accepted, the dividend will be paid on 1st July 1998 to the shareholders whose names are contained in the Bank's share register on 20th June 1998.

The Balance Sheet, the Profit and Loss Account and summary statements showing the movements during the financial year in the Bank's capital and reserves will be found at the end of this Report. The Bank's accounts have been audited by Price Waterhouse, who have confirmed that the Balance Sheet and Profit and Loss Account, together with the Notes on pages 190–195, give a true and fair view of the Bank's financial position at 31st March 1998 and of the results of its operations for the year ended on that date. Their report is to be found immediately following the accounts.

7. Increase in the number of shareholding central banks

Following the invitation to nine additional central banks to become members of the BIS during the previous financial year, a further four central banks – the Central Bank of Bosnia and Herzegovina, the National Bank of Croatia (subsequently renamed the Croatian National Bank), the National Bank of the Republic of Macedonia and the Bank of Slovenia – were invited by the Board of Directors in May 1997 to subscribe shares of the third tranche of the capital of the BIS. All four took up the Board's offer by the end of 1997 and thereby became members of the BIS.

8. Changes in the Board of Directors

In June 1997 the Board elected Nout H. E. M. Wellink, President of the Netherlands Bank, as a member of the Board under Article 27(3) of the Statutes. In September 1997 the Board extended for a further period of three years the mandates of Gordon G. Thiessen, Governor of the Bank of Canada, and Yasuo Matsushita, Governor of the Bank of Japan, as members of the Board of Directors, also under Article 27(3) of the Statutes. At the same time Alan Greenspan, Chairman of the Board of Governors of the Federal Reserve System, renewed the appointment of William J. McDonough as a member of the Board under Article 27(2) of the Statutes. The appointment of Hervé Hannoun was similarly renewed by Jean-Claude Trichet, Governor of the Bank of France, in November 1997. Hans Meyer's term as a member of the Board of Directors under Article 27(3) of the Statutes expired in March 1998 and he was elected for a further three years. Yasuo Matsushita resigned as Governor of the Bank of Japan on 20th March 1998 and in April the Board of Directors elected his successor, Masaru Hayami, as a member of the Board for the unexpired period of his term of office. There were three changes amongst the second Alternates of ex officio Directors. In July 1997 Alfons Verplaetse, Governor of the National Bank of Belgium, appointed Marcia De Wachter. In November 1997 Jean-Claude Trichet replaced Armand Pujal with Marc-Olivier Strauss-Kahn and in April 1998 Eddie George, Governor of the Bank of England, replaced Terry Smeeton with Clifford Smout.

The Bank learned with deep regret of the deaths of two former members of the Board of Directors. Robert Vandeputte died on 18th November 1997 at the age of 89. Mr. Vandeputte, Governor of the National Bank of Belgium from 1971 to 1975, had been a member of the Board of Directors between January 1971 and February 1975. Markus Lusser, Chairman of the Governing Board of the Swiss National Bank and member of the Board of Directors from May 1988 to April 1996, died on 21st April 1998 at the age of 67.

The Bank was also saddened to hear of the death of Horst Bockelmann on 12th April 1998 at the age of 67. Mr. Bockelmann retired from the Bank at the end of April 1995 after ten years as Economic Adviser and Head of the Monetary and Economic Department.

Balance Sheet and Profit and Loss Account

at 31st March 1998

Balance Sheet at 31st March 1998

(in gold francs – see Note 2(a) to the Accounts)

1997	Assets	1998
	Gold	
3 547 261 289	Held in bars	*3 037 168 543*
956 662 444	Time deposits and advances	*1 122 386 712*
4 503 923 733		4 159 555 255
384 413 644	Cash on hand and on sight account with banks	7 776 756
2 813 409 132	Treasury bills	1 863 872 732
	Time deposits and advances in currencies	
34 201 692 134	Not exceeding 3 months	*25 267 793 274*
8 153 458 323	Over 3 months	*9 594 385 217*
42 355 150 457		34 862 178 491
	Securities purchased under resale agreements	
884 172 425	Not exceeding 3 months	*2 696 998 195*
–	Over 3 months	*83 973 665*
884 172 425		2 780 971 860
	Government and other securities at term	
2 557 365 140	Not exceeding 3 months	*3 024 906 378*
13 093 749 660	Over 3 months	*15 492 166 080*
15 651 114 800		18 517 072 458
200 780 130	Miscellaneous	258 747 077
1	Land, buildings and equipment	1
66 792 964 322		62 450 174 630

1997 After allocation of the year's net profit	Liabilities	1998 Before allocation of the year's net profit	1998 After allocation of the year's net profit
323 203 125	Paid-up capital	323 228 125	323 228 125
2 061 783 924	Reserves	2 061 913 884	2 268 525 024
351 129 995	Valuation difference account	247 188 455	247 188 455
	Deposits (gold)		
3 471 145 991	Sight	*3 010 120 795*	*3 010 120 795*
186 971 696	Not exceeding 3 months	*309 454 649*	*309 454 649*
178 283 536	Over 3 months	*154 169 729*	*154 169 729*
3 836 401 223		3 473 745 173	3 473 745 173
	Deposits (currencies)		
2 166 693 892	Sight	*3 388 447 478*	*3 388 447 478*
54 399 781 897	Not exceeding 3 months	*48 774 372 346*	*48 774 372 346*
1 019 098 838	Over 3 months	*1 860 721 733*	*1 860 721 733*
57 585 574 627		54 023 541 557	54 023 541 557
	Securities sold under repurchase agreements		
674 774 848	Not exceeding 3 months	30 730 705	30 730 705
252 630 204	Staff pension scheme	256 984 348	256 984 348
1 658 685 453	Miscellaneous	1 773 681 784	1 773 681 784
	Profit and Loss Account	259 160 599	
48 780 923	Dividend payable on 1st July		52 549 459
66 792 964 322		62 450 174 630	62 450 174 630

Profit and Loss Account

for the financial year ended 31st March 1998
(in gold francs)

	1997	1998
Interest and discount, and other operating income	3 524 961 970	3 823 693 826
Less: interest and discount expense	3 261 141 926	3 508 831 422
Net interest and other operating income	263 820 044	314 862 404
Less: costs of administration		
Board of Directors	*1 328 950*	*1 244 034*
Management and staff	*42 944 303*	*39 425 067*
Office and other expenses	*16 257 342*	*15 032 704*
	60 530 595	55 701 805
Net operating surplus	203 289 449	259 160 599
Less: amounts transferred to		
Provision for exceptional costs of administration	*3 000 000*	—
Provision for modernisation of premises and renewal of equipment	*6 000 000*	—
	9 000 000	—
Net profit for the financial year	194 289 449	259 160 599
The Board of Directors recommends to the Annual General Meeting that the net profit for the year ended 31st March 1998 be allocated in accordance with Article 51 of the Statutes as follows:		
Dividend: 300 Swiss francs per share on 517 125 shares (1997: 280 Swiss francs)	*48 780 923*	*52 546 623*
on 40 newly issued shares (pro rata as from the value date of share subscription)	—	*2 836*
	48 780 923	52 549 459
	145 508 526	206 611 140
Transfer to general reserve fund	41 018 778	41 322 228
	104 489 748	165 288 912
Transfer to special dividend reserve fund	3 000 000	3 000 000
	101 489 748	162 288 912
Transfer to free reserve fund	101 489 748	162 288 912
	—	—

Movements in the Bank's paid-up capital and reserves

during the financial year ended 31st March 1998
(in gold francs)

I. Paid-up capital

	Number of shares	Gold francs
Shares of 2 500 gold francs, of which 25% is paid up:		
Balances at 1st April 1997	517 125	323 203 125
Shares issued during the financial year 1997/98	40	25 000
Balances at 31st March 1998 as per Balance Sheet	517 165	323 228 125

II. Development of the reserve funds

	Legal reserve fund	General reserve fund	Special dividend reserve fund	Free reserve fund	Total of reserve funds
Balances at 1st April 1997, after allocation of net profit for the financial year 1996/97	32 320 313	974 876 936	59 530 055	995 056 620	2 061 783 924
Add: allocations of the premium received on the issue of 40 new shares	2 500	127 460	—	—	129 960
Balances at 31st March 1998 before allocation of net profit	32 322 813	975 004 396	59 530 055	995 056 620	2 061 913 884
Add: allocations of net profit for the financial year 1997/98	—	41 322 228	3 000 000	162 288 912	206 611 140
Balances at 31st March 1998 as per Balance Sheet	32 322 813	1 016 326 624	62 530 055	1 157 345 532	2 268 525 024

III. Paid-up capital and reserve funds at 31st March 1998 (after allocation) were represented by:

	Paid-up capital	Reserve funds	Total of capital and reserves
Net assets in			
Gold	323 228 125	338 732 750	661 960 875
Currencies	—	1 929 792 274	1 929 792 274
Balances at 31st March 1998 as per Balance Sheet	323 228 125	2 268 525 024	2 591 753 149

Notes to the Accounts

for the financial year ended 31st March 1998

1. Introduction

The Bank for International Settlements (BIS) is an international financial institution which was established pursuant to the Hague Agreements of 20th January 1930. The headquarters of the Bank are in Basle, Switzerland. The objects of the BIS, as laid down in Article 3 of its Statutes, are to promote the cooperation of central banks, to provide additional facilities for international financial operations and to act as trustee or agent for international financial settlements. Forty-five central banks are currently members of the Bank and exercise the rights of representation and voting at General Meetings in proportion to the number of BIS shares issued in their respective countries. The Board of Directors of the Bank is composed of the Governors of the central banks of Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States of America, as well as appointed directors from six of those countries.

The accounts for the financial year 1997/98 are presented in a form approved by the Board of Directors pursuant to Article 49 of the Bank's Statutes.

2. Significant accounting policies

(a) Unit of account and currency translation

The unit of account of the Bank is the gold franc, which is equivalent to US$ 1.941 49... . Article 4 of the Bank's Statutes defines the gold franc (abbreviated to GF) as representing 0.290 322 58... grammes of fine gold. Items representing claims on gold are translated into gold francs on the basis of their fine weight. Items denominated in US dollars are translated into gold francs on the basis of a gold price of US$ 208 per ounce of fine gold (this price was established by the Bank's Board of Directors in 1979, resulting in the conversion factor of 1 gold franc = US$ 1.941 49...). Items denominated in other currencies are translated into US dollars at the spot market rates of exchange prevailing at the balance sheet date, with the resulting US dollar balances converted into gold francs accordingly.

Exchange differences arising on the translation of currency assets and liabilities denominated in currencies other than the US dollar are taken to the valuation difference account.

The net balance resulting from exchange differences on the translation of forward currency contracts and swaps is included under miscellaneous assets or liabilities.

(b) Basis of valuation and determination of profit

Except as otherwise stated, the accounts of the Bank are drawn up on the historical cost basis and income and expense items are recorded on the accruals basis. Profits and losses are determined on a monthly basis, translated into US dollars at the spot market rate of exchange prevailing at each month-end and translated into gold francs as set forth above; the monthly profits thus calculated are accumulated for the year.

Profits and losses arising on the sale of investment securities are taken to the securities equalisation account, which is incorporated within miscellaneous liabilities. Credit balances accumulated in this account are amortised to the Profit and Loss Account over a period corresponding to the average term to maturity of the Bank's investment portfolio; a net debit balance at the year-end would be charged immediately to the Profit and Loss Account.

(c) Gold

Gold assets and liabilities are stated on the basis of their fine weight.

(d) Treasury bills; Government and other securities at term

Treasury bills and Government and other securities at term are stated at cost, plus accrued interest where applicable, adjusted for the amortisation of premiums or discounts over the period to maturity; interest and discount income includes such amortisation.

(e) Time deposits and advances in currencies

Time deposits and advances are stated at their principal value plus accrued interest.

(f) Securities purchased under resale agreements

Securities acquired in connection with purchase and resale agreements are stated at the amount advanced to the counterparty plus accrued interest. In previous years, such securities were included under the headings Treasury bills and Government and other securities at term. The 1997 figures have been re-stated accordingly.

(g) Land, buildings and equipment

These are stated at the value of 1 gold franc. Hitherto capital expenditure on land, buildings and equipment has been charged to the provision for building purposes or to the provision for modernisation of premises and renewal of equipment. With effect from the financial year 1998/99, the Bank's land, buildings and equipment will be shown at cost less depreciation. This forthcoming change is explained in further detail under item (m) below.

(h) Valuation difference account

The valuation difference account records the effect of exchange differences as described under (a); these valuation changes relate essentially to that portion of the Bank's own funds held in currencies other than the US dollar.

(i) Deposits

Deposits are book claims on the Bank and are stated at their principal value plus accrued interest. Certain claims are issued at a discount to the value payable on the maturity of the deposit; in such cases the accounting treatment is analogous to that applied to dated securities held by the Bank (see item (d) above).

(j) Securities sold under repurchase agreements

Securities sold in connection with sale and repurchase agreements are stated at the amount received from the counterparty plus accrued interest. In previous years, such securities were included under the heading Deposits (currencies). The 1997 figures have been re-stated accordingly.

(k) Staff pension scheme

The staff pension scheme represents the Bank's liability in respect of current staff members and pensioners, based on annual actuarial advice.

(l) Provisions

(i) General
The Board of Directors sets aside an amount each year to a provision for banking risks and other eventualities; this provision is incorporated in miscellaneous liabilities.

(ii) Specific
In previous years amounts have been allocated from the Bank's net operating surplus by the Board of Directors for the following purposes:

1. Provision for exceptional costs of administration
2. Provision for building purposes
3. Provision for modernisation of premises and renewal of equipment.

No transfers to the specific provisions have been made for the financial year 1997/98 in view of the forthcoming change of accounting policy for land, buildings and equipment (see (m) below).

(m) Change of accounting policy in the financial year 1998/99

In the coming financial year, the Bank's land, buildings and equipment will be incorporated in the Balance Sheet at their historical cost less accumulated depreciation for the years during which the assets have been held. The effect of this change will be to increase the value of land, buildings and equipment in the Bank's Balance Sheet by approximately 90 million gold francs; this amount will be added to the Bank's reserves. In addition, from the financial year 1998/99 onwards the Bank's Profit and Loss Account will contain a depreciation charge instead of the transfers to the specific provisions.

The unspent balances on the provisions for building purposes and modernisation of premises and renewal of equipment will be credited in 1998/99 to the provision for exceptional costs of administration.

Notes to the Balance Sheet

for the financial year ended 31st March 1998

1. Gold holdings

The following table shows the composition of the Bank's total gold holdings:

Assets	*1997*	1998
Gold bars held at central banks	*3 547 261 289*	3 037 168 543
Gold time deposits:		
Not exceeding 3 months	*450 480 089*	438 825 618
Over 3 months	*506 182 355*	683 561 094
	4 503 923 733	4 159 555 255

The Bank's own gold holdings at 31st March 1998 amounted to GF 662.0 million, equivalent to 192 tonnes of fine gold (1997: GF 661.9 million; 192 tonnes).

2. Treasury bills

The Bank's holdings were as follows:

	1997	1998
Book value	*2 813 409 132*	1 863 872 732

The market value of Treasury bills at 31st March 1998 was GF 1 863.6 million (1997: GF 2 812.7 million).

3. Government and other securities at term

The Bank's holdings were as follows:

	1997	1998
Book value	*15 651 114 800*	18 517 072 458

The market value of Government and other securities at term at 31st March 1998 was GF 18 623.8 million (1997: GF 15 720.1 million).

4. Capital

The Bank's share capital consists of:

	1997	1998
Authorised capital:		
600 000 shares,		
each of 2 500 gold francs	*1 500 000 000*	1 500 000 000
Issued capital: 517 125 shares	*1 292 812 500*	
517 165 shares		1 292 912 500
of which 25% paid up	*323 203 125*	323 228 125

During the financial year 1997/98, 40 shares were issued at GF 3 874 per share. The paid-up portion of GF 625 per share has been credited to share capital, and the balance – representing the premium of GF 3 249 per share – to reserves (see also the tables entitled "Movements in the Bank's paid-up capital and reserves").

5. Reserves

The Bank's reserves consist of:

	1997	1998
Legal reserve fund	*32 320 313*	32 322 813
General reserve fund	*974 876 936*	1 016 326 624
Special dividend reserve fund	*59 530 055*	62 530 055
Free reserve fund	*995 056 620*	1 157 345 532
	2 061 783 924	2 268 525 024

The yearly allocations to the various reserve funds are governed by Article 51 of the Bank's Statutes. The amounts transferred are also shown in the table entitled "Development of the reserve funds".

6. Deposits

Gold deposits placed with the Bank originate entirely from central banks. The composition of currency deposits placed with the Bank was as follows:

	1997	1998
Central banks		
Sight	*2 107 217 697*	3 323 820 195
Not exceeding 3 months	*51 394 694 652*	45 283 968 982
Over 3 months	*658 294 838*	1 860 469 306
Other depositors		
Sight	*59 476 195*	64 627 283
Not exceeding 3 months	*3 005 087 245*	3 490 403 364
Over 3 months	*360 804 000*	252 427
	57 585 574 627	54 023 541 557

7. Off-balance-sheet items

a) Derivatives

In the normal course of business, the Bank is party to off-balance-sheet financial transactions including forward exchange contracts, currency and interest rate swaps, forward rate agreements, futures and options. These instruments are used to hedge the Bank's interest rate and currency exposure on assets and liabilities, and to manage the duration of its liquid assets. The Bank applies the same credit criteria in considering off-balance-sheet commitments as it does for all other investments.

Notional principal amounts

(in millions of gold francs)	*1997*	1998
Exchange rate contracts:		
Foreign exchange swaps and forwards	*9 917.3*	12 040.5
Currency swaps	*1 263.7*	2 054.4
Interest rate contracts:		
Interest rate swaps	*8 338.2*	5 689.5
Forward rate agreements and futures	*3 391.8*	4 928.4

The notional or contracted principal amounts of the various derivatives reflect the degree to which the Bank is active in the respective markets but give no indication of the credit or market risk on the Bank’s activities. The gross replacement cost of all contracts showing a profit at prevailing market prices on 31st March 1998 was GF 499.7 million (1997: GF 565.0 million).

b) Fiduciary transactions

Fiduciary transactions are not included in the balance sheet, since they are effected on behalf of and at the risk of the Bank’s customers, albeit in its own name.

(in millions of gold francs)	*1997*	1998
Nominal value of securities held in safe custody	*12 281.4*	7 660.2
Gold held under earmark	*972.0*	930.8

Report of the Auditors

Report of the Auditors
to the Board of Directors and to the General Meeting
of the Bank for International Settlements, Basle

We have audited the accompanying Balance Sheet and Profit and Loss Account, including the notes thereto, of the Bank for International Settlements. The Balance Sheet and Profit and Loss Account have been prepared by the Management of the Bank in accordance with the Statutes and with the principles of valuation described under significant accounting policies in the notes. Our responsibility under the Statutes of the Bank is to form an independent opinion on the Balance Sheet and Profit and Loss Account based on our audit and to report our opinion to you.

Our audit included examining, on a test basis, evidence supporting the amounts in the Balance Sheet and Profit and Loss Account and related disclosures. We have received all the information and explanations which we have required to obtain assurance that the Balance Sheet and Profit and Loss Account are free of material misstatement, and believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Balance Sheet and Profit and Loss Account, including the notes thereto, have been properly drawn up and give a true and fair view of the financial position of the Bank for International Settlements at 31st March 1998 and the results of its operations for the year then ended so as to comply with the Statutes of the Bank.

Price Waterhouse AG

Ralph R. Reinertsen John K. Fletcher

Auditors in charge

Basle, 24th April 1998

Five-year summary of the Balance Sheet

(in millions of gold francs)

Financial year ended 31st March	1994	1995	1996	1997	1998
Gold					
Held in bars	*4 338.3*	*4 373.4*	*4 364.2*	*3 547.3*	*3 037.1*
Time deposits and advances	*579.8*	*541.8*	*637.3*	*956.7*	*1 122.4*
	4 918.1	4 915.2	5 001.5	4 504.0	4 159.5
Cash on hand and on sight account with banks	12.0	9.8	9.8	384.4	7.8
Treasury bills	2 891.7	5 483.1	4 105.7	2 813.4	1 863.9
Time deposits and advances in currencies	41 370.4	42 478.7	37 328.1	42 355.1	34 862.2
Securities purchased under resale agreements	7 457.0	2 988.7	1 652.2	884.2	2 781.0
Government and other securities at term	8 249.9	9 332.8	10 488.1	15 651.1	18 517.1
Miscellaneous assets	76.6	19.2	32.8	200.8	258.7
Land, buildings and equipment	–	–	–	–	–
Total assets	64 975.7	65 227.5	58 618.2	66 793.0	62 450.2
Paid-up capital	295.7	295.7	295.7	323.2	323.2
Reserves *(after allocation of the net profit for the year)*					
Legal reserve fund	*30.1*	*30.1*	*30.1*	*32.3*	*32.3*
General reserve fund	*732.2*	*764.9*	*803.3*	*974.9*	*1 016.3*
Special dividend reserve fund	*50.5*	*53.5*	*56.5*	*59.5*	*62.5*
Free reserve fund	*733.7*	*807.0*	*893.6*	*995.1*	*1 157.4*
	1 546.5	1 655.5	1 783.5	2 061.8	2 268.5
Valuation difference account	273.1	449.5	373.5	351.1	247.2
Deposits					
Gold	*4 061.1*	*4 157.0*	*4 245.0*	*3 836.4*	*3 473.7*
Currencies	*57 164.9*	*56 549.0*	*49 649.2*	*57 585.6*	*54 023.6*
	61 226.0	60 706.0	53 894.2	61 422.0	57 497.3
Securities sold under repurchase agreements	–	385.4	376.6	674.8	30.7
Staff pension scheme	200.2	271.0	283.1	252.6	257.0
Miscellaneous liabilities	1 393.1	1 411.0	1 558.3	1 658.7	1 773.7
Dividend	41.1	53.4	53.3	48.8	52.6
Total liabilities	64 975.7	65 227.5	58 618.2	66 793.0	62 450.2

Five-year summary of the Profit and Loss Account

(in millions of gold francs)

Financial year ended 31st March	1994	1995	1996	1997	1998
Net interest and other operating income	195.7	229.3	254.3	263.8	314.9
Less: costs of administration					
Board of Directors	*0.8*	*1.2*	*1.5*	*1.3*	*1.3*
Management and staff	*34.1*	*40.2*	*46.6*	*42.9*	*39.4*
Office and other expenses	*15.5*	*17.4*	*18.3*	*16.3*	*15.0*
	50.4	58.8	66.4	60.5	55.7
Net operating surplus	145.3	170.5	187.9	203.3	259.2
Less: amounts transferred to					
Provision for exceptional costs of administration	*3.3*	*3.4*	*3.5*	*3.0*	–
Provision for building purposes	–	–	–	–	–
Provision for modernisation of premises and renewal of equipment	*3.9*	*4.7*	*3.1*	*6.0*	–
	7.2	8.1	6.6	9.0	–
Net profit for the financial year	138.1	162.4	181.3	194.3	259.2
Dividend	41.1	53.4	53.3	48.8	52.6
	97.0	109.0	128.0	145.5	206.6
Transfer to general reserve fund	29.1	32.7	38.4	41.0	41.3
	67.9	76.3	89.6	104.5	165.3
Transfer to special dividend reserve fund	3.0	3.0	3.0	3.0	3.0
	64.9	73.3	86.6	101.5	162.3
Transfer to free reserve fund	64.9	73.3	86.6	101.5	162.3
	–	–	–	–	–

Board of Directors

Alfons Verplaetse, Brussels
Chairman of the Board of Directors,
President of the Bank

Lord Kingsdown, London
Vice-Chairman

Urban Bäckström, Stockholm
Vincenzo Desario, Rome
Antonio Fazio, Rome
Edward A. J. George, London
Alan Greenspan, Washington
Hervé Hannoun, Paris
Masaru Hayami, Tokyo
William J. McDonough, New York
Hans Meyer, Zurich
Helmut Schlesinger, Frankfurt a/M.
Gordon G. Thiessen, Ottawa
Hans Tietmeyer, Frankfurt a/M.
Jean-Claude Trichet, Paris
Nout H. E. M. Wellink, Amsterdam
Philippe Wilmès, Brussels

Alternates

Jean-Pierre Patat or
Marc-Olivier Strauss-Kahn, Paris
Ian Plenderleith or
Clifford Smout, London
Jean-Jacques Rey or
Marcia De Wachter, Brussels
Alice M. Rivlin or
Edwin M. Truman, Washington
Carlo Santini or
Stefano Lo Faso, Rome
Helmut Schieber or
Bernd Goos, Frankfurt a/M.

Senior Officials of the Bank

Andrew Crockett	General Manager
André Icard	Assistant General Manager
Gunter D. Baer	Secretary General, Head of Department
Malcolm Gill	Head of the Banking Department
William R. White	Economic Adviser, Head of the Monetary and Economic Department
Marten de Boer	Manager, Accounting, Budgeting and ECU Clearing
Renato Filosa	Manager, Monetary and Economic Department
Mario Giovanoli	General Counsel, Manager
Guy Noppen	Manager, General Secretariat
Günter Pleines	Deputy Head of the Banking Department