BIS

Annual Report

2023/24

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Annual Report

2023/24

Promoting global monetary and financial stability

Foreword by the General Manager

It gives me great pleasure to present the BIS Annual Report for 2023/24. The report documents how we have advanced our mission to support central banks in their pursuit of global monetary and financial stability and highlights our ongoing success in transforming the Bank as our Innovation BIS 2025 strategy enters its final year.

The past year saw central banks make important progress in securing price stability. Their swift and decisive action showed their commitment to fulfil their mandates, helping to limit the second-round effects of higher inflation and preventing a shift to a high-inflation regime. Central banks' credibility helped to limit the output costs of bringing inflation down, preserving financial stability in general. Economic growth remained firm in most jurisdictions, and labour market conditions were buoyant.

But we should not declare victory yet. Lower inflation is welcome, but low inflation is what is needed. Despite central banks' efforts, numerous forces, including loose fiscal policy, a potential catch-up in real wages and possibly a premature easing of financial conditions, are pulling in the opposite direction. Even when inflation does return to target, a soft landing is not guaranteed.

This is no time for complacency, and policymakers must stay alert to the risks. Public debt is at record highs and fiscal deficits remain too large in many countries despite the resilience of the economic cycle. While a more strongly capitalised banking sector has broadly proved it can withstand a slowdown, a period of sustained higher rates cannot be excluded. Given that financial amplification channels are particularly hard to predict, we cannot rule out further risks as pressures on borrowers mount as loans mature and debt is refinanced.

In this context, the BIS continues to support central banks in delivering on their mandates. Our economic analysis has shed new light on evolving inflation dynamics and probed risks to financial stability. Meetings held as part of the Basel Process have provided a platform for discussion and collaboration to further strengthen the resilience of the financial system and shape the financial landscape of tomorrow. And our global network of BIS Innovation Hub teams has continued to explore leading-edge technology to develop future financial architecture.

The rapid reshaping of the public payment system continues apace. In 2023, we set out a blueprint for "unified ledgers" that could realise the full benefits of tokenisation by combining tokenised central bank money with tokenised deposits and assets on programmable digital platforms, eliminating the need for complex messaging and reconciliation systems. Various cross-border projects coordinated by the BIS, including the Innovation Hub's Project Nexus, are now exploring how new technologies could streamline cross-border settlement and transactions at the wholesale level. Achieving a truly integrated market for wholesale transactions will continue to require collaborative efforts between public authorities, central banks and market participants.

For banking services, 2023/24 was another successful year. Net profit increased to SDR 832 million, while total comprehensive income was SDR 1.5 billion. Strong demand for liquid BIS banking products saw currency deposits reach an all-time high, while the deployment of new green banking products provided new options for our customers.

In the past year, we also marked the 25th anniversary of the BIS Representative Office for Asia and the Pacific. This region continues to inspire policy developments as we look to the future, informing the BIS's work on macro-financial stability frameworks to prevent the build-up of financial imbalances and manage volatile global financial flows, and breaking new ground in efforts to advance digital finance.

The Bank continues to thrive on the sharing of perspectives and the building of capabilities to support the central bank community, from banking to research and data, learning and development. We continue to invest in our people and our capabilities.

In this regard, I am proud that the BIS Board decided last year to pursue the project to develop our headquarters site and commence a design phase. Earlier this year, we showcased the designs from our international architectural competition at a public exhibition in Basel. We look forward to working with the design team, the local authorities and other stakeholders over the coming years to realise the architects' vision of an innovative and landmark campus that will bring together the central banking community at a single location and serve our staff, members and guests well into the future.

This year, we enter the final stage of our Innovation BIS 2025 strategy. Over 90% of the strategy is now complete. We are on track to finish on time and on budget. We will deliver on all of our initial commitments, and more. The strategy has helped deliver outstanding results this past year. And its benefits will be felt long after its formal conclusion in March 2025. As its motto suggests, it is shaping the Bank for tomorrow.

Agustín Carstens
General Manager

The year in numbers 2023/24

BIS global presence

Financials*

Net profit (SDR)
832 million

Total comprehensive income (SDR)
1,539 million

Operating expense (SDR)
376 million

Balance sheet (SDR)
379 billion

Customer asset management holdings (SDR, market value)
26.1 billion

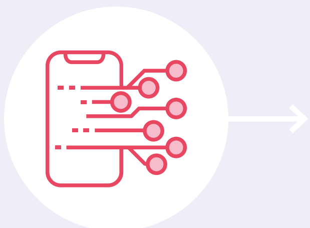
Total deposits (SDR)
325 billion in currency
21 billion in gold

Downloads of BIS publications*

1.3 million downloads

Digital engagement*

19 million unique website visitors



133k LinkedIn followers
185k X (Twitter) followers
22k YouTube subscribers
7k Instagram followers

*As of 31 March 2024

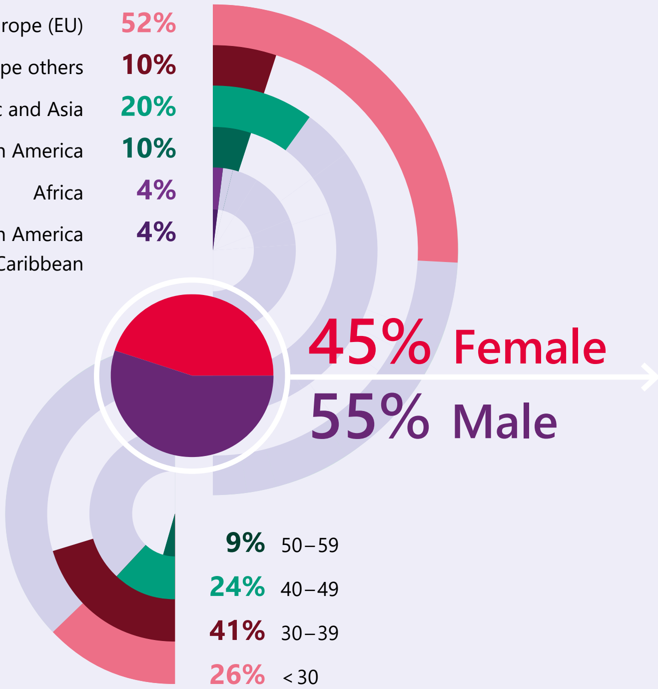
Recruitment*

136
Staff members
(internal and external)

19
Graduate Programme

22
Secondees,
fellows and assignees

Recruitment by nationality



Recruitment by age

Visiting economic researchers*

59

High-level hosted meetings*

229
virtual and hybrid meetings

10,900+
participants

Research seminars and meetings*

114
events

51 external

63 internal

* As of 31 March 2024

Contents

1

Promoting global monetary and financial stability

The BIS fosters central bank collaboration and provides banking services to its institutional partners in an increasingly complex environment. The Bank focuses on developments in financial markets, monetary policy, financial stability and innovation and encourages dialogue among central banks on these topics.

Fulfilling the mission of the BIS

Our mission is to support central banks' pursuit of monetary and financial stability through international cooperation and to act as a bank for central banks. In order to fulfil this mission, we help our member central banks navigate the opportunities and challenges they face and provide insights and services to support their work.

Our core values anchor and inform our mission. They allow us to support central banks. These values, our purpose-driven culture and our associated business goals are illustrated on the next page.

Mission

Our mission is to support central banks' pursuit of monetary and financial stability by fostering international cooperation, and to act as a bank for central banks

Strategy

Innovation BIS2025

Shaping the Bank for tomorrow

Key roles

Responsible innovation and knowledge-sharing

A platform for broad international cooperation

Safe and competitive financial services

In-depth analysis and insights on core policy issues

Core values

We deliver value through excellence in performance

We act with integrity

We foster a culture of diversity, inclusion, sustainability and social responsibility

We are committed to continuous improvement and innovation

Innovation BIS2025

Shaping the Bank for tomorrow

As we complete the penultimate year of Innovation BIS 2025, we see that the strategic focus created by this strategy has enabled and now powers the Bank's capabilities.

Innovation BIS 2025 was launched in financial year 2019/20 to help the BIS meet the needs of our central bank stakeholders in times of rapid economic and technological change. The strategic choices and investment the Bank has made also enable us to be more flexible, adaptable and inclusive by developing new ways of working. As of the end of financial year 2023/24, 90% of the strategy had been successfully delivered.

As the strategy nears completion, key milestones during the past year included:

The Bank's new, innovative Data Portal was launched to increase the outreach and impact of BIS statistics. The Data Portal facilitates a more intuitive, accessible and engaging experience for both specialist and non-specialist users.

Significant progress was made to implement the Banking Department's ambitious multi-year transformation agenda. The Bank's new investment strategy is complete, and system upgrades, including major enhancement projects on electronic trading and client reporting, are well under way. Progress was also made in the past year on further product development, with a new sustainable medium-term instrument (MTI) as a key additional Treasury product offering and an expansion of our BIS Investment Pools.

The BIS continued to expand our global presence with the addition of a new Innovation Hub Centre in Toronto, bringing the total number of Hub Centres to seven. The Innovation Hub continues to serve as a focal point for technological innovation in the financial sector and central banking community.

In the past year, we also stepped up the adoption of artificial intelligence capabilities with the launch of Project Voyager, a two-year programme to build and integrate a portfolio of generative artificial intelligence technologies into our institutional activities.

The Bank has further expanded the activity-based working spaces in its headquarters in Basel. This new working style has been adopted by a number of departments as we look towards increasing our collaborative working approach. The experience gained will be an important input into the design phase of the BIS Campus Development project over the coming years (see Chapter 6).

Innovation BIS 2025: where do we stand?

Estimated completion percentage

Cooperative activities

Cyber Resilience Coordination Centre

100% Establish Cyber Resilience Coordination Centre

See Chapter 5

Multidisciplinary BIS Innovation Hub

100% Establish regional Innovation Hub Centres

See Chapter 5

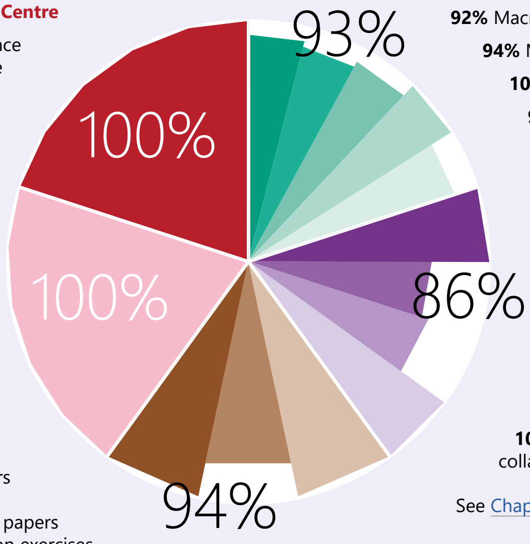
FSI support for capacity-building

100% Capacity-building / online courses

85% Fintech repository and technology-related papers

100% Crisis management papers and simulation exercises

See Chapter 3



Economic research and analysis

94% Impact of technological innovation

92% Macro-financial stability frameworks

94% Monetary policy frameworks

100% Lessons from crisis management

90% Monitoring and spillovers

See Chapter 2

Advanced analytics and collaboration

100% Big data / advanced analytics platform

75% MED data lake / factory for research and statistics

78% New data dissemination for external and internal clients

100% Next-generation external collaboration tools for the BIS

See Chapter 2

Banking

Implementing outcome of strategic review of Banking IT

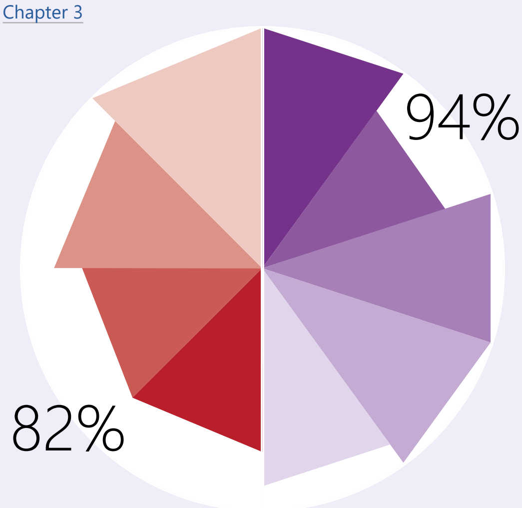
100% Foundational infrastructure

85% Customer-facing systems

75% Front office systems

75% Risk management, operations and compliance systems

See Chapter 4



Supporting investment strategy and strategic review of Banking IT

100% Technology review

80% Accelerate creation of new products

100% Adopt new technologies

100% Globalise Banking

90% Enhance internal and external cooperation

See Chapter 4

Organisation-wide activities

Improving the way we work

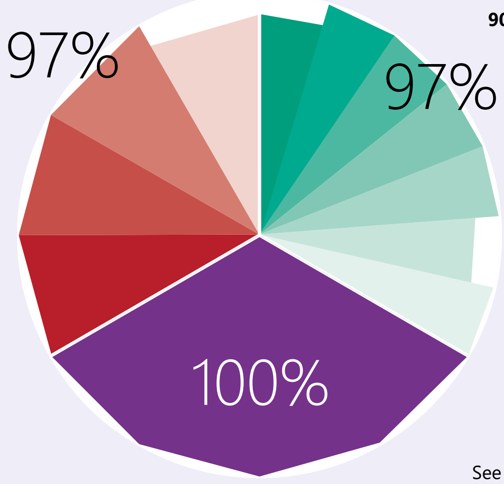
90% Reinforce the three lines of defence

100% Streamline key Bank-wide processes

100% Make internal meetings and gatherings more effective

100% Redesign internal committees and approval procedures

See Chapter 7



Enhancing cyber and operational resilience and digitalisation of the workplace

90% Enhanced data centre services

100% Communication and collaboration

100% BIS Innovation Hub infrastructure

100% Extended Innovation Zone

100% Extranet

90% Security services

100% Software development

People Strategy

100% Performance and recognition

100% Mobility and strategic workforce planning

100% Career transition

100% Shared mindset and behaviours

See Chapter 6

Highlights 2023/24

This timeline highlights some of the many milestones achieved and announcements made by the BIS in financial year 2023/24.

2019 2020 2021 2022 **2023** **2024** 2025

Innovation BIS2025
Shaping the Bank for tomorrow

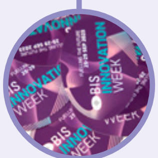
May–June 2023
Third edition of Green Swan conference, co-organised by the BIS, Central Bank of Chile, Network for Greening the Financial System and South African Reserve Bank

June 2023
22nd BIS Annual Conference: "Central banks, macro-financial stability and the future of the financial system"

July 2023
25th anniversary of the Representative Office for Asia and the Pacific

September 2023
BIS and Inter-American Development Bank join forces to foster innovation and financial inclusion in Latin America

September 2023
High-level Reserve Management seminar in Hanoi, Vietnam



September 2023
First staff Innovation Week showcasing tech-enabled advances

October 2023
BIS CPMI sets out harmonised data requirements for enhancing cross-border payments

November 2023
Basel Committee consults on a disclosure framework for climate-related financial risk

Data Portal

November 2023
Launch of new BIS Data Portal

January 2024
BIS Innovation Hub announces work programme for 2024, on safety and security, green finance and next-generation financial infrastructures

January 2024
BIS exhibits design proposals for development of BIS headquarters in From Building to Campus exhibition

February 2024
High-level meeting for Africa in Cape Town, hosted by the FSI and the Basel Committee

March 2024
BIS wins *Central Banking's* Green Award


BIS
VALSER

Overview: key roles of the BIS

In-depth analysis and insights

BIS research draws on the unique position of the Bank at the intersection of conceptual advances and policymaking. Our economic analysis and insights are topical and of direct relevance for policy. At the same time, our analysis and commentary also identify and address longer-term issues of strategic importance to stakeholders. Our research and wealth of statistical information help to form the basis for sound policymaking and support cooperation between central banks and regulatory authorities.

In the past year we shared our research and insights on the causes and consequences of rising inflation in the wake of the Covid-19 pandemic. Other significant areas BIS research explored include issues relating to the future of the monetary system in the light of digital innovation, as well as climate change and green finance. For more on our research and statistics, see Chapter 2.

Promoting international cooperation

The BIS fosters cooperation among central banks and financial supervisory authorities globally. It offers a forum for discussion and facilitates dialogue, supporting stakeholders' work to promote monetary and financial stability. This enables knowledge-sharing and common actions as part of the Basel Process. Regular high-level meetings of central bank Governors are held in Basel, in addition to other meetings held globally and in person with central bank Governors and senior central bank experts and supervisory authorities from around the world.

The BIS also assists financial supervisors around the world to improve and strengthen their financial systems. Our Representative Offices continue their important roles as recognised forums for regional meetings and dialogue. The Bank's Financial Stability Institute supports the implementation of global regulatory standards and sound supervisory practices by central banks and financial sector regulatory and supervisory authorities. For more information about these topics, see Chapter 3.

Banking

The BIS offers a broad array of banking services to its central bank, monetary authority and international organisation customers. All products are designed with clients' key reserve management needs in mind – in particular the requirements for safety, liquidity and return. The BIS operates dealing rooms across our global offices and offers round-the-clock services to our clients around the world as a result.

BIS banking activities are priced competitively and conducted in accordance with relevant industry standards and the highest ethical principles. The BIS strives to promote green finance in its banking products, including by channelling investments into environmentally focused projects. In addition to providing services to clients, Banking staff also manage the Bank's own capital and promote knowledge-sharing with other institutions. To find out more about our banking activities, see Chapter 4.

A platform for responsible innovation and knowledge-sharing

Technology and technology-driven innovation are rapidly changing the financial sector. The BIS Innovation Hub supports our work in developing thought leadership in the field, partnering with central banks around the world to explore the possibilities and implications of technological change. In addition to developing new solutions and seeking new opportunities for central banks via the Innovation Hub, the Bank has a Cyber Resilience Coordination Centre which provides an additional platform for central banks to convene and share experiences to build their cyber resilience.

The BIS has advanced a number of projects providing technological solutions to problems in the financial sector that can be shared as public goods. Reflecting the priorities of member central banks, our teams made significant strides in understanding central bank digital currencies, next-generation financial market infrastructures and supporting central banks in building their resilience and monitoring climate risks. To find out more about the BIS's work in the area of innovation, see Chapter 5.

2

In-depth analysis and insights

The BIS supports central banks in their pursuit of monetary and financial stability. Our research seeks to provide thought leadership on matters relevant to the global central banking community and policymaking.

Economic research and analysis

Our research and analysis are the result of the joint effort between various areas of the BIS. We provide unique perspectives and conceptual and empirical advances, on the one hand, and analysis that can contribute to policymaking, on the other.

Economic research and analysis are mainly carried out in the Monetary and Economic Department (MED). BIS staff also collaborate with external researchers, including from member central banks. Our two Representative Offices lead research activities, also with member central banks, on topics of relevance to their respective regions. The BIS's Financial Stability Institute (FSI) conducts analysis that contributes to the design, dissemination and implementation of sound regulatory and supervisory practices worldwide.

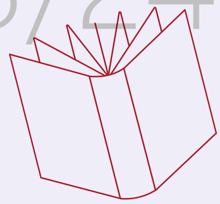
All of these areas play a role in building cooperation, through conferences or collaborative research networks amongst the community of researchers and officials from central banks, supervisory agencies, international financial institutions and academia.

Policy-relevant research findings and results from data exploration inform the background notes that the BIS produces for regular meetings of senior central bank officials and our support for the Basel-based committees. Insights from research and data analysis are also regularly published in the BIS Annual Economic Report, Quarterly Review, BIS Bulletins and FSI publication series. Research findings of a more technical and in-depth nature are issued as BIS Working Papers and published in peer-reviewed journals.

Economic research and analysis are a central part of the Innovation BIS 2025 strategy. The BIS has now delivered on all the corresponding initiatives to advance the thought and statistical leadership it set out to achieve, including the production of novel economic research and analysis, the expansion and outreach of statistical work and data analytics, and the enhancement of the BIS collaboration infrastructure.

> According to the Research Papers in Economics (RePEc) database, the BIS achieved top ranking among all research groups, including academic departments at universities, in the Banking and Payment Systems and Financial Technology categories.

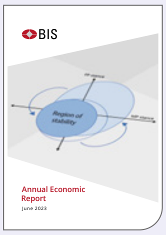
BIS publications



Research at the BIS contributes to policy discussions on topical financial and economic issues.

Flagship publications

Quarterly Review
71,578
Examines developments in international banking and financial markets



Annual Economic Report
31,055
Presents commentary on the global economy and outlines policy challenges

Other publications

92 **Working Papers**
220,227
Offer insights into key economic and financial developments

14 **BIS Bulletins**
72,294
Provide insights on current events in banking, markets and the larger economy

45 **Committee publications**
429,426
Provide background analysis and policy recommendations

16 **BIS Innovation Hub publications**
117,433
Deal with critical trends in technology-driven innovation in financial services

8 **FSI Insights**
50,100
Compare range of regulatory and supervisory approaches

7 **Other FSI policy publications**
63,132
Focus on regulatory and supervisory subjects of topical interest

11 **BIS Papers**
138,347
Facilitate discussions of senior officials from central banks held at the BIS

11 **FSI Executive Summaries**
39,214
Provide brief synopses of new and revised global financial regulatory standards

The year's highlights

BIS research during the year responded to macro-financial events that refocused attention on the banking sector, and which complicated central banks' fight against inflation.

Headline inflation had turned down from its peak and initiated its descent towards targets, underpinned by forceful monetary policy tightening on a global scale. Despite the surprising resilience of real activity, signs of strain had emerged in the financial system. In the United States, the build-up of unrealised marked to market losses on banks' security holdings subsequently led to deposit runs and a loss of confidence in several regional banks. Across the Atlantic, the Swiss authorities were forced to intervene to arrange the takeover of one of their large and systemically relevant banks, Credit Suisse. Meanwhile, the struggling crypto sector underlined once more that the success of tokenisation rests on the trust in money as encapsulated in central bank money. Financial inclusion continued to serve as a key motivating theme in the analysis of payment systems, especially in the work on cross-border payments.

BIS research rose to the challenge in providing immediate actionable insights in all these areas while also providing longer-term intellectual leadership through its cutting-edge research. In 2023/24, the BIS was ranked within the top five institutions globally in most categories of relevance to central banks in the Research Papers in Economics (RePEc) database. The Bank was ranked top in two categories: Payment Systems and Financial Technology, and Banking.

The BIS engaged in analysis in several key areas of relevance for central banks.

- A first key area of analysis covered the impact of monetary policy aimed at bringing inflation durably back to target. The work also examined the role of the monetary-fiscal policy nexus for the build-up of inflationary pressures and for financial stress, and challenged the adequacy of the existing macro-financial stability frameworks to cope with uncertainty about the post-pandemic economic environment.

- A second area was in banking, where the work was geared towards uncovering the structural weaknesses that led to the March 2023 banking turmoil, including lessons for bank resolution and crisis management. In parallel, the BIS's analysis dissected the financial stability implications of the increased footprint of non-bank financial intermediaries (NBFIs) during monetary policy tightening, the evolution of the global financial system and the role of global liquidity.

- A third area revolved around innovations in the monetary and financial system, especially the elaboration of a blueprint for the future monetary system. The work explored the potential of tokenisation via the "unified ledger" which brings money and assets on a common programmable platform, as well as the pervasive impact of artificial intelligence (AI) on central banking and the broader economy. Further analysis shed light on the limits and risks that forms of decentralised finance (DeFi) introduce, as well as the implications of big tech companies entering the provision of financial services.

BIS research also sought to explore longer-term challenges linked to secular forces, for example climate change and the green transition and their implications, including the attendant physical, economic and financial risks.

The rest of this chapter highlights the most relevant findings of BIS research and analysis in the financial year up to end-March 2024.

Monetary policy and the inflationary episode

During the year, inflation continued to hover well above central bank targets in most jurisdictions. While headline inflation started to decline despite the resilience of activity, core inflation proved more stubborn.

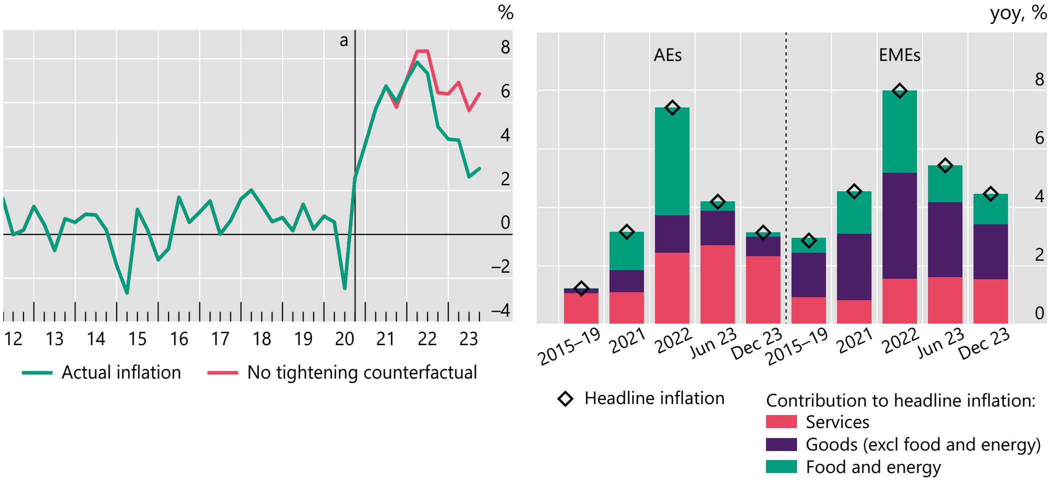
Understanding inflation dynamics and the role of monetary policy in the disinflation process has been uppermost on our agenda. Monetary policy worked as intended during the year under review, slowing activity in interest rate-sensitive sectors through rate hikes and tightening financial conditions. Our analysis indicated that, when the initial burst of inflation is due to adverse supply chain disruptions or a surge in energy prices, the effects of a rate hike on credit spreads tend to be magnified. In addition, central banks' commitment to achieving their targets helped ensure that low inflation remained the norm for price- and wage-setting decisions. Absent the vigorous increases in policy interest rates, inflation would have subsided more slowly (panel A in the graph below).

> Without the vigorous response by central banks, disinflation would have proceeded much more slowly.

Monetary policy has played its role in guiding inflation back to target; disinflation is on track, but services price growth was stubborn

A. Inflation would have remained higher without monetary policy tightening[1]

B. Disinflation has been driven more by goods and less by services[2]



[a] Counterfactual start date for a no-tightening scenario (Q4 2020).
[1] Estimation of the counterfactual based on the DSGE model described in the BIS Bulletin.
[2] Simple averages for the years. GDP-PPP weighted averages for:
AEs = CA, CH, D, EA, GB, JP, NO, SE and US; EMEs = BR, CL, CO, CZ, HU, IL, KR, MX, PE, PH, PL, SG and ZA.

Sources: "Sectoral price dynamics in the last mile of post-Covid-19 disinflation", *BIS Quarterly Review,* March 2024; "The contribution of monetary policy to disinflation", *BIS Bulletin*, no 82.

BIS research also examined how the drivers of inflation evolved since its initial outburst in 2021–22, and the implications of the inflation dynamics for the outlook. The findings indicated that much of the disinflation achieved during the post-Covid period had been due to the fact that food and energy prices retreated from their record highs, as supply chain disruptions were broadly resolved. As a result, the contribution of services to inflation increased, while that of goods declined (panel B in the graph on the previous page). Given that services price growth is generally more persistent than core goods price growth, the higher contribution from services might imply more stubborn inflation dynamics going forward. Further, the relative price of services vis-à-vis goods plunged as demand rotated from services to goods in the acute phase of the pandemic. The analysis suggests that if the relative price levels implied by the pre-pandemic trend were to re-establish themselves, the disinflation pace may be slower than anticipated.

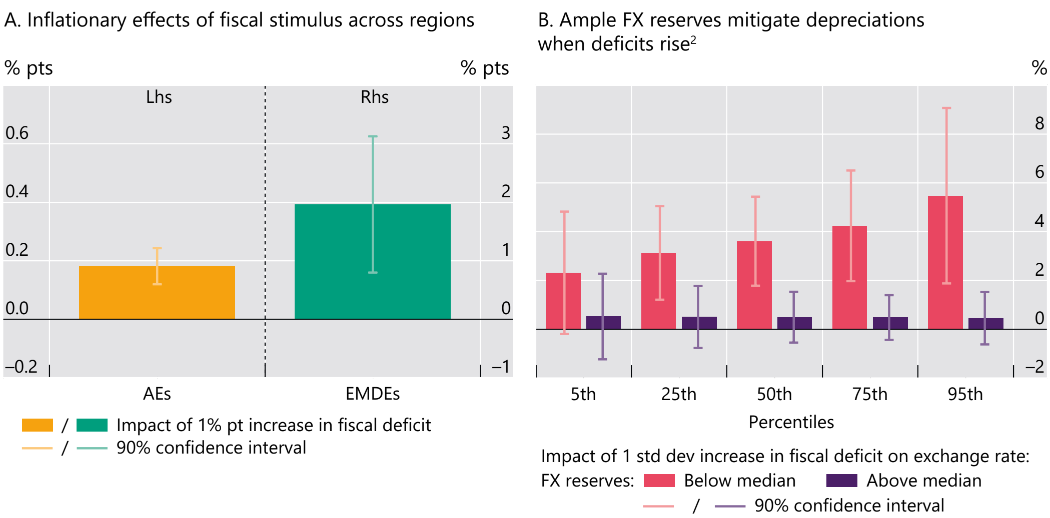
Further progress on disinflation will also depend on how fast economic activity and labour markets cool. During the past year, economic activity proved to be resilient, avoiding a recession, despite the largest and most synchronised tightening of monetary policy at the global level in five decades. BIS research explored a key part of this resilience: labour markets remained unusually tight, contributing to the strength of consumption. Labour hoarding by employers, demographic trends and shifting attitudes towards work can explain this tightness and how it culminated in a job-rich recovery. Going forward, the strength and persistence of the shifts in supply and demand for labour will be an important determinant of inflation dynamics, not least given the stronger correlation between wages and prices in the services sector. Overall, labour market tightness failed to generate price-wage spirals, but uncertainty remains on how wages and margins would respond to continued strength in activity.

The monetary-fiscal policy nexus

In recent decades, and more recently during the Covid crisis, monetary and fiscal policy support expanded, gradually moving the economy towards the boundaries of the region where macroeconomic and financial stability can be attained jointly.

BIS research was incorporated in the 2023 Annual Economic Report, which focused on the monetary-fiscal nexus and its contribution to the joint emergence of inflation and financial stress. The analysis showed that the impact of fiscal stimulus on inflation can differ significantly across regions. In emerging market economies (EMEs), the inflationary effect of deficits tends to be higher than in advanced economies (AEs) due to the large and non-linear impact of exchange rate depreciation (panel A in the graph below).

Fiscal deficits have a larger impact on inflation and the exchange rate in EMEs, but ample FX reserves are a mitigating factor[1]



[1] Based on the Working Paper cited below. Coefficient intervals at 90% confidence bands clustered by country. The sample covers AEs = AT, AU, BE, CA, CH, DE, DK, ES, FI, FR, GB, GR, IE, IT, JP, NL, NO, NZ, PT, SE and US. EMDEs = BO, BR, CL, CN, CO, DO, GH, HK, HN, HT, HU, ID, IL, IN, KR, MX, NI, PE, PH, PL, RO, RU, TH, TR, UY and ZA. The period covered is 1972–2011 for panel A and 1961–2019 for panel B, upon data availability.
[2] Red bars show the effect of a one standard deviation increase in the fiscal deficit on the depreciation of the EMDE currency against the US dollar in the following year, for economies with below-median FX reserves; purple bars show the corresponding effect for EMDEs with above-median reserves. The results are shown by the quantile of the exchange rate depreciation. Based on quantile regressions with the change in the bilateral US dollar exchange rate as the dependent variable.

Source: "Fiscal sources of inflation risk in EMDEs: the role of the external channel", *BIS Working Papers*, no 1110.

While a fiscal expansion leads to an exchange rate appreciation in textbook models, the currency might instead depreciate if higher deficits lead to an erosion of investor confidence and concerns over fiscal space. BIS research found that in EMEs this effect is magnified by high foreign exchange (FX) debt and foreign investor participation but is mitigated by a sound inflation targeting regime and ample FX reserves (panel B in the graph above).

Macro-financial stability and monetary policy frameworks in the post-pandemic era

The post-pandemic surge in inflation and ensuing monetary tightening tested the newly adopted monetary policy frameworks of central banks following their respective framework reviews, raising pertinent questions for future reviews.

BIS research examined how these frameworks performed in AEs and EMEs. In AEs, inflation expectations remained well anchored during the inflationary episode, irrespective of cross-country differences in monetary policy frameworks. Going forward, monetary policy frameworks will need to be robust to changes in the incidence of supply shocks, the slope of the Phillips curve and the natural rate of interest. A higher incidence of supply shocks can further complicate central banks' task by increasing dissent among voting members of their boards.

> Monetary policy frameworks need to be robust to uncertainty about supply factors, inflation and the natural rate of interest.

More recently, central banks have also engaged in the review of the frameworks for monetary policy implementation. BIS work showed that the demand for reserves can increase with their supply, as in an abundant reserve system reserves are held not only as a settlement medium but also for portfolio purposes. Our research argued for a return to scarce reserve systems ("corridors"), on the grounds that the economic costs of abundant reserve systems, including inhibiting interbank market activity, are underestimated, and the difficulties of operating scarce reserve systems, including the instability of the demand for reserves, are overestimated.

The BIS also continued to provide thought leadership on developments in EMEs. Over the past year, our research showed that each jurisdiction faced a different combination of shocks and country-specific circumstances during the inflation surge. Central banks' policy decisions differed accordingly. In particular, Asian EMEs relied less on raising rates and more on FX intervention than Latin American countries (see graph on next page).

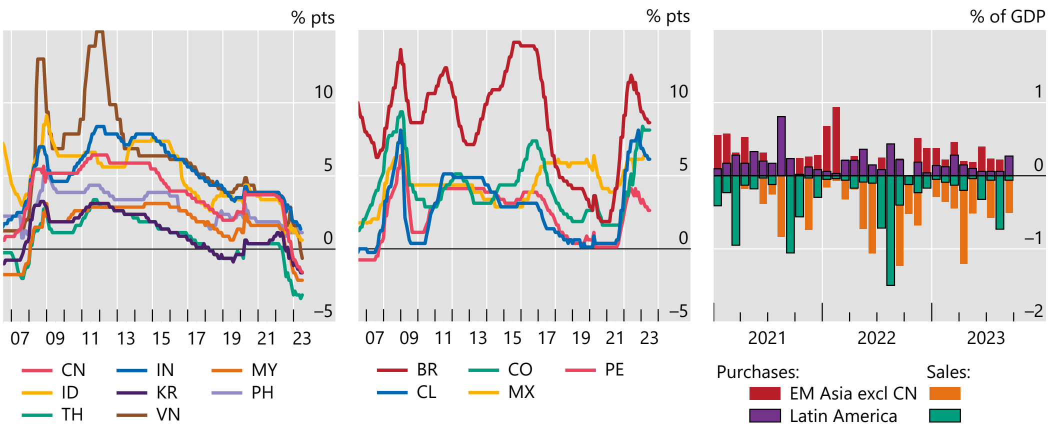
At the request of BIS member central banks in the Asia-Pacific region, the BIS formed a working group to review the deployment of macro-financial stability tools during the 2022–23 period of rising inflation and tighter global financial conditions (see Chapter 3). The review indicated that, in the pursuit of price stability, interest rates remained the primary tool, while complementary measures were also used to ease policy trade-offs. These included FX interventions and fiscal government subsidies on key consumption items. In addition, macroprudential tools continued to play a central role to maintain domestic financial stability.

EMEs in Asia and Latin America reacted differently to high inflation and tight global financial conditions

A. Falling policy rate differentials relative to the US in Asia

B. Rising differentials relative to the US in Latin America

C. Larger FX interventions in Asian EMEs than in Latin America[1]



[1] Median across countries in the region of proxied FX intervention as a percentage of (three-year moving average) GDP. Nine Asian EMEs excluding CN and six Latin America economies.

Sources: "Foreign exchange intervention: a dataset of public data and proxies", *IMF Working Papers*, no 2021/047; "Lessons from recent experiences on exchange rates, capital flows and financial conditions in EMEs", *BIS Bulletin*, no 79.

The banking turmoil

The banking turmoil in March–May 2023 was the most significant episode of banking stress since the Great Financial Crisis in terms of scale and scope. In response, the BIS and the Basel Committee on Banking Supervision provided timely analysis and insights related to the events that affected US regional banks and a large systemically relevant bank, Credit Suisse. BIS analysis sought to assess the key drivers of these failures, the market responses and the lessons learned for bank supervision and regulation. Poor governance, inadequate risk management procedures and weak business models were found to be the main causes of the turmoil, suggesting that supervision can play a pivotal role in providing banks with incentives to remedy such shortcomings and in identifying them ahead of time (see Chapter 3).

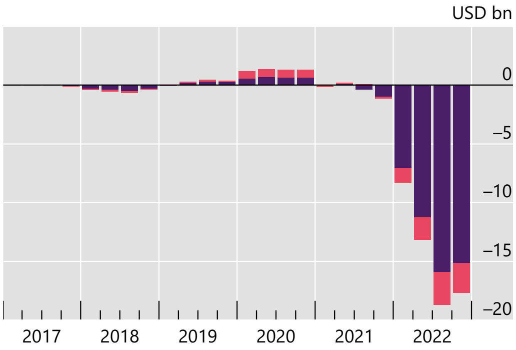
> Poor governance, inadequate risk management procedures and weak business models were among the main causes of the turmoil, suggesting that supervision can play a pivotal role.

BIS research also looked at the behaviour of bank deposits and banks' interest rate risk management, finding that information about the Silicon Valley Bank (SVB) collapse made households more inclined to withdraw deposits and reallocate them to other banks and cash. At the same time, public communication by the US Federal Reserve and the Federal Deposit Insurance Corporation was effective in reassuring depositors. During the turmoil, the source of banks' deposit funding rotated from the non-financial sector to NBFIs. In particular, dollar funding of US banks shifted to money market funds, which then increased their dollar funding of non-US banks. Concerning interest rate risk management, BIS research showed that EME banks make less use of interest rate derivatives and rely more on minimising repricing gaps between assets and liabilities than AE banks. As EME banks hold more securities, managing the interest rate risk may become more challenging.

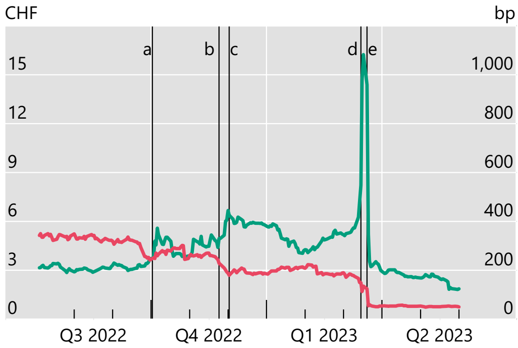
Finally, our analysis highlighted options for bank resolution that were employed at the time of the banking turmoil, emphasising in particular the use of bank transfers. In addition, it addressed the use of the minimum requirement for own funds and eligible liabilities (MREL) in the context of resolution strategies, and the loss absorption capacity of AT1 instruments.

What happened to Silicon Valley Bank and Credit Suisse before the turmoil?

A. Estimated unrealised gains/losses on SVB's investment portfolio securities



B. Credit Suisse share prices and CDS spreads



[a] First bank run.
[b] Disclosure of outflows.
[c] Chairman's comments on outflows.
[d] Second bank run with credit default swap (CDS) spreads peaking beyond 1,000 basis points.
[e] Announcement of takeover.

Sources: Report on the 2023 banking turmoil, Basel Committee on Banking Supervision, October 2023; Bloomberg.

Non-bank financial intermediation and financial stability

Over the past decade, non-bank intermediaries have played an increasing role in financial markets. BIS research has focused on the repercussions of this development for monetary transmission and for patterns of intermediation in the global financial system.

Our analysis showed that, besides banks and asset managers, insurance companies and pension funds play an increasingly important role in market-based finance, fostering the development of corporate bond markets. Insurers' increasing use of derivatives to hedge interest rate risks heightens their exposure to liquidity risks. In addition, during monetary tightening episodes money market funds attract strong inflows because they offer more competitive yields than bank deposits, which influences funding patterns. A key focus of BIS research over the year was how various groups of investors, including NBFIs, respond to changes in government bond yields, and how the marginal investor base of government bonds changes as quantitative tightening by central banks progresses.

Our research also investigated regulatory requirements applied to NBFI retail lenders and concluded that enhancing prudential requirements for these lenders would contribute to safeguarding financial stability while allowing them to continue to perform their valuable role in supplying credit to consumers and small and medium-sized enterprises.

Related to NBFIs, the use of collateral has deepened and broadened financial markets but also brought about financial stability implications. In particular, our analysis stressed that an adverse shock to the value of government paper used as collateral could trigger destabilising dynamics.

Finally, the BIS continued its research on the role of global liquidity and NBFIs. After the Great Financial Crisis, foreign currency credit – a key aspect of global liquidity – shifted towards bond markets, and more dollar credit became available to EMEs on the back of tighter bank regulation and a loose monetary stance. In addition, the global surge in inflation witnessed from mid-2022 into 2023 and the subsequent monetary tightening ushered in a contraction in foreign currency credit, primarily in dollars to EMEs.

Financial innovation and the future of the monetary system

A focus of BIS research has also been rethinking the existing pillars of the current monetary system.

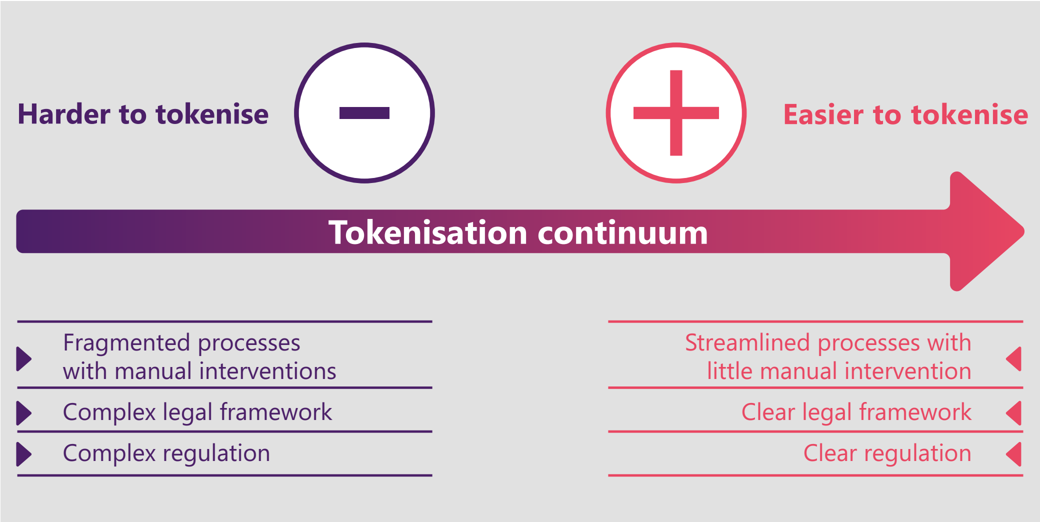
Tokenisation of money and assets has great potential. A new type of financial market infrastructure – a unified ledger – could capture the full benefits of tokenisation by combining central bank money, tokenised deposits and tokenised assets on a programmable platform that enables atomic settlements and composability, thereby expanding the universe of economic arrangements (see graph on next page). In a speech at the Bank of Korea in November 2023, BIS General Manager Agustín Carstens emphasised how the vision for the unified ledger, as articulated by the BIS in its 2023 Annual Economic Report, could serve as "a Neil Armstrong moment" in designing the future monetary system. The new digital infrastructure should include wholesale central bank digital currency (CBDC) at its core, complemented by tokenised commercial bank money, to preserve the singleness of money. Our research on new digital infrastructures continues to highlight the importance of enhancing interoperability, user-centric designs and collaboration between the public and private sectors (see Chapter 5).

> "We urgently need a Neil Armstrong moment… we need to take that 'one small step for a man, one giant leap for mankind'. In our case, this could be the successful and complete tokenisation of wholesale CBDCs and commercial bank deposits."
>
> Agustín Carstens

BIS work over the year also looked at risks in the hinterland of regulated financial activity – further exploring the serious limits and risks of decentralised finance. In particular, liquidity mechanisms supporting stablecoins' promise of settlement at par show limitations and could also increase run risks, especially in the case of large negative information shocks. Crypto-based decentralised finance's use of "oracles" to import real-world data into blockchain environments also raises important concerns. Announcements by large investors in the crypto market, celebrity endorsements for some crypto products or financial crises can result in substantial crypto price movements. Regulators have various policy options to mitigate the multiple risks crypto poses, enhance cyber security and manage cloud risk, not only to protect investors but also to facilitate new investments.

Agustín Carstens speaks at the Bank of Korea, November 2023

The tokenisation continuum



Source: "The tokenisation continuum", *BIS Bulletin*, no 72.

Our research also indicated that big techs have made substantial inroads into the provision of financial services, promoting efficiency and expanding access to credit for firms. At the same time, the business model of big techs creates new risks of market dominance, price discrimination, algorithmic discrimination and threats to consumer privacy. Privacy regulation is particularly beneficial, because it increases applicants' willingness to share their data, spurring competition in the financial sector and promoting financial inclusion. Macroeconomically, big tech credit shows a lower responsiveness to monetary policy shocks compared with traditional bank credit and tends to mitigate output volatility.

An emerging priority for the BIS is to study the implications of AI for central banking. AI affects central banks as users of technology as well as through its broader impacts on the economy and financial markets. As users, central banks have been early adopters of machine learning techniques and generative AI, such as large language models (LLMs). Nevertheless, despite their impressive capabilities, LLMs are essentially prediction machines and can sometimes fail elementary logical reasoning tasks, implying the need for human supervision.

Considering the macroeconomic impact of technological advances, early research indicates that AI investments to date are positively correlated with higher income inequality, and with shifts from medium- to high-skill jobs. Moreover, as financial technology improves, differences in financial returns and the proportion of risky assets of sophisticated versus unsophisticated investors grow. These differences are reduced only if financial technology can be accessed by everyone and if investors all have a similar capacity to use it. Access and capacity could also be quite different if services are offered in the metaverse (immersive computer-generated environments). We explore this in further detail in Chapter III of our 2024 Annual Economic Report.

Climate change and the green transition

The storms, droughts and wildfires over the past year highlighted once again the effects of climate change on economic activity and prices. BIS research showed that historically, major disasters have caused substantial output costs and inflation volatility, on top of the initial damage to property and infrastructure; and exposure to physical risks is likely to rise in the era of climate change.

In the period under review, the BIS focused on matters relevant to central banks as they pursue specific mandates of price and financial stability. A key question is how different economies' sectoral structure and comparative advantage will evolve with the energy transition. Our research found that the energy transition will have profound and varying effects across the globe. Importers of fossil fuels and exporters of key minerals stand to benefit, while fossil fuel exporters will probably lose out. Still, the medium-term transition path is uncertain.

> The energy transition will have profound and varying effects across the globe.

Another key area is what role financial institutions and capital markets play in mitigating or amplifying climate-related risks. BIS research found that banks that indicate a genuine concern about environmental risks in their environmental disclosure tend to lend less to polluting firms, while less concerned banks lend more. This work complements our earlier analysis on whether firms' performance with respect to greenhouse gas emissions affects bank lending, and how venture capital and other private investors allocate funding to technology to combat climate change.

A BIS review of empirical research concluded that while banks have started to price in climate-related risks, the evidence still points to an underestimation of those risks. In the insurance sector, there are signs that insurance coverage has become less affordable and less available in some sectors (eg property in at-risk areas), with potential spillovers to the financial system.

Likewise, while investors' growing preference to invest in lower-emission firms could put cost of capital pressures on higher-emission firms, there is still a question of whether such pressures are large enough to fundamentally change firms' behaviour – and whether they are efficient from a broader economic perspective. Efforts to channel capital directly into specific activities that support the transition – whether through private sector initiatives, blended finance or sovereign green bond markets – will also be critical. All these underscore the importance of further efforts – including AI-assisted ones – to reduce environmental data gaps along the supply chain, to facilitate more efficient search and extraction of unstructured data from existing sources and to integrate different types of data for risk analysis.

Statistical work and data analytics

BIS international banking and financial statistics are compiled in cooperation with central banks, other national authorities and international organisations. They inform and support analysis across a wide range of areas, including financial stability, international monetary spillovers and global liquidity. BIS research also makes use of the BIS Data Bank of key economic indicators shared among member central banks. The BIS's statistical offering has steadily expanded, facilitating deeper analysis of the global financial system. BIS work to compile, disseminate and analyse data is also a key element of the Innovation BIS 2025 strategy, with the aim of developing capabilities in advanced analytics to make better sense of the information collected.

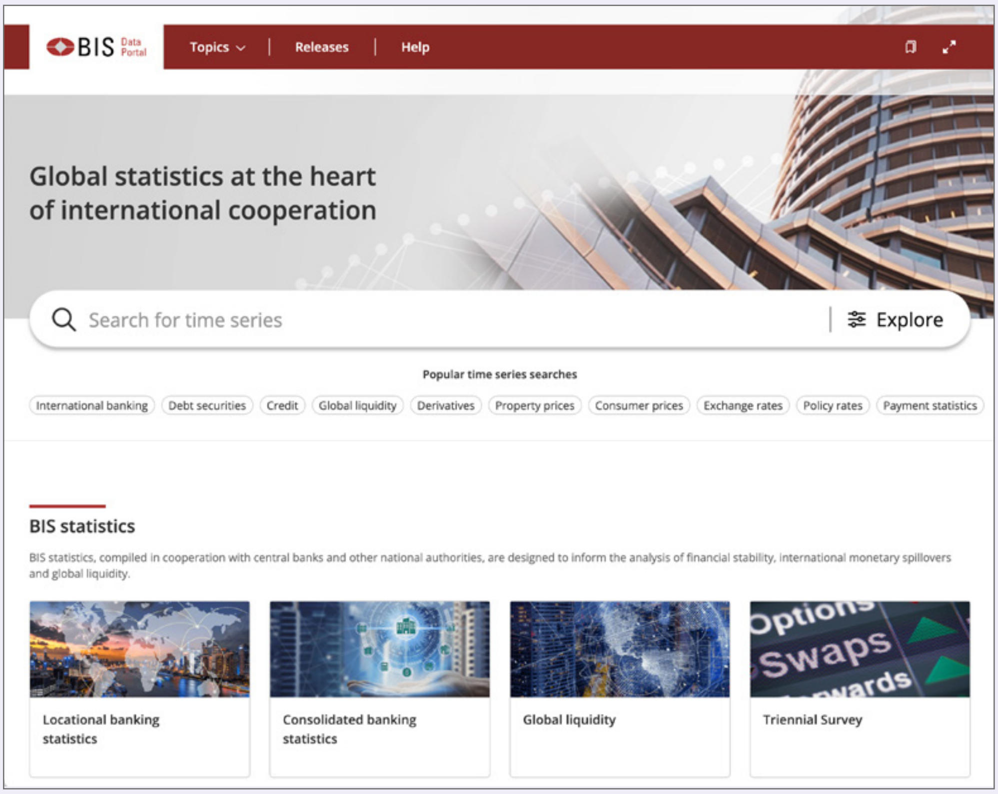
The year's highlights

A main statistical highlight of the year was the launch of the new BIS Data Portal.

Launch of the new data portal

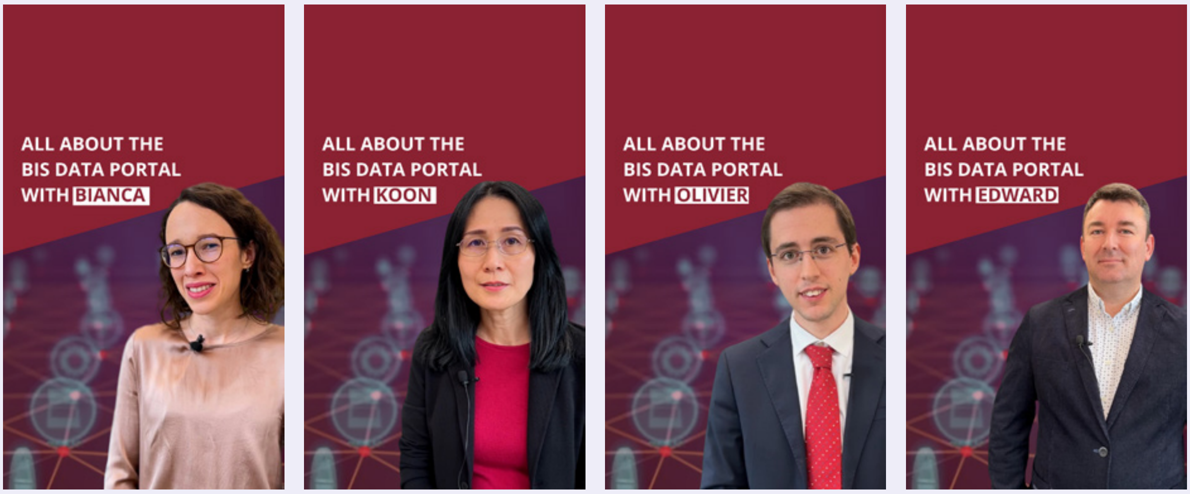
BIS Data Portal

In 2023, the BIS launched its new, innovative Data Portal to increase the outreach and impact of its statistics, by facilitating a more intuitive, accessible and engaging experience for both specialist and non-specialist users.



Embracing user-centric design principles, the portal is tailored to the user journey and enables seamless navigation though BIS statistics, from simple to complex. New tools for data discovery and exploration such as Google-like time series search and advanced search and filtering options allow all types of users to find the statistics they are looking for. Various export options empower users across the full spectrum of technical proficiency to derive meaningful data stories.

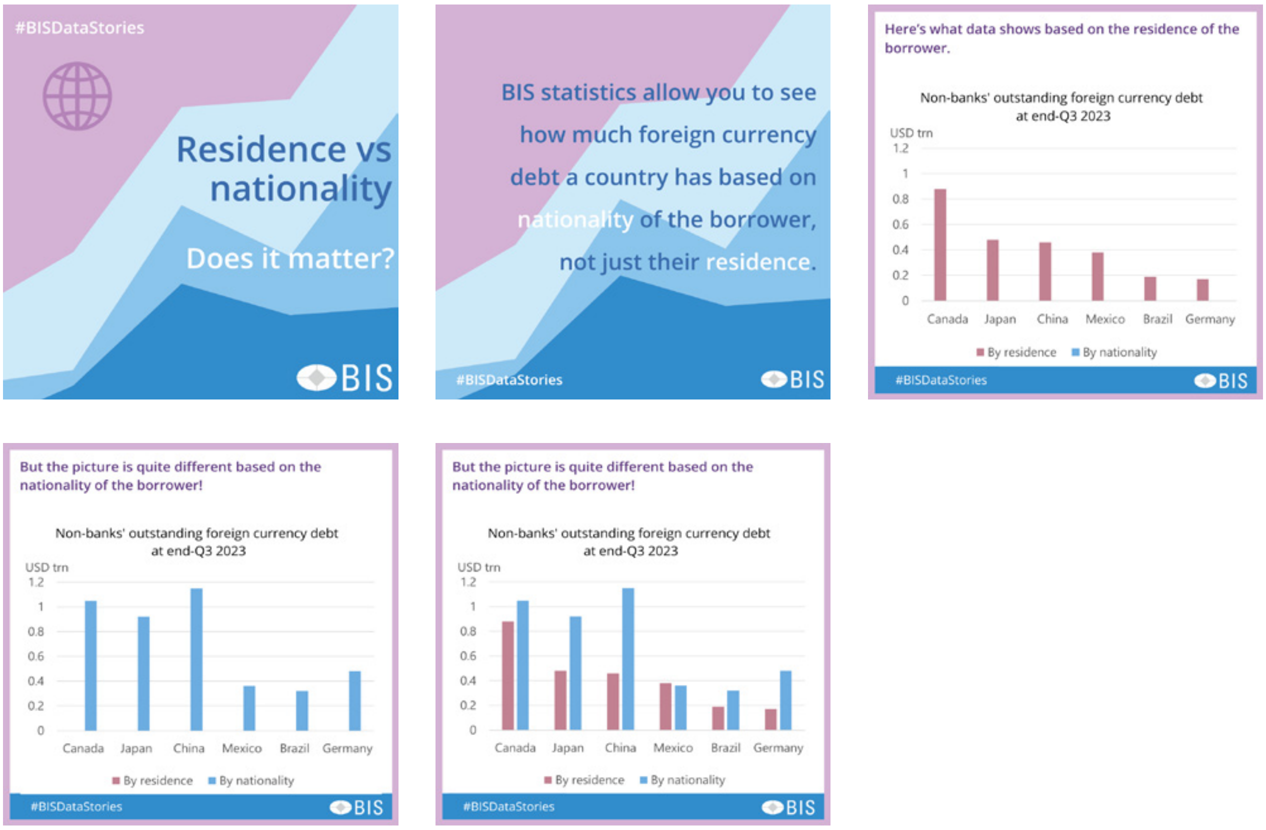
Furthermore, the use of advanced data visualisation tools, including interactive dashboards, plots and tables, has enhanced the presentation of BIS statistics, making them more accessible and comprehensible to a wider audience. This curated content is instrumental in offering immediate insights, thus significantly improving users' ability to understand and interact with the statistics. In addition, the full integration of metadata (based on the international statistical standard SDMX) provides essential context to help users interpret the data they access. It also marks a strategic step towards fostering a uniform and transparent data landscape and enhancing the efficiency and automatisation of the dissemination workflows.



Instagram campaign around the launch of the BIS Data Portal

The Data Portal project was a key milestone of the Innovation BIS 2025 programme. The portal ensures user-friendliness, security, scalability and high availability of BIS statistics – on both desktop and mobile devices. Moving forward, the portal will be further refined in response to user feedback, technological advancements and developments in the BIS statistical offering. The Bank has invested in creating new formats to make these statistics available, and the Data Portal's primary objective will remain to make BIS data more accessible, interpretable and usable for everyone.

> Approximately 140,000 users from around the globe have already accessed the new BIS Data Portal since its launch in June 2023.



Example of #BISDataStories social media campaign

Further expansion of BIS statistics

The BIS took further steps to expand its statistical offering in 2023/24, as it is completing its ambitious Innovation BIS 2025 programme. One key initiative was the dissemination of new data on debt securities issues (outstanding amounts at nominal and market value and net transactions). These statistics are split by issuer sector, currency, maturity, type of interest rate and market of issuance. A second important statistical release was the BIS Committee on Payments and Market Infrastructures (CPMI) Red Book statistics. The CPMI annually collects and publishes these statistics on payments and financial market infrastructures in its 27 member jurisdictions. They include information on the size of a country's payment industry; banknotes and coins in circulation; and payment services such as cashless payments, cash withdrawals and deposits, and debit and credit cards.

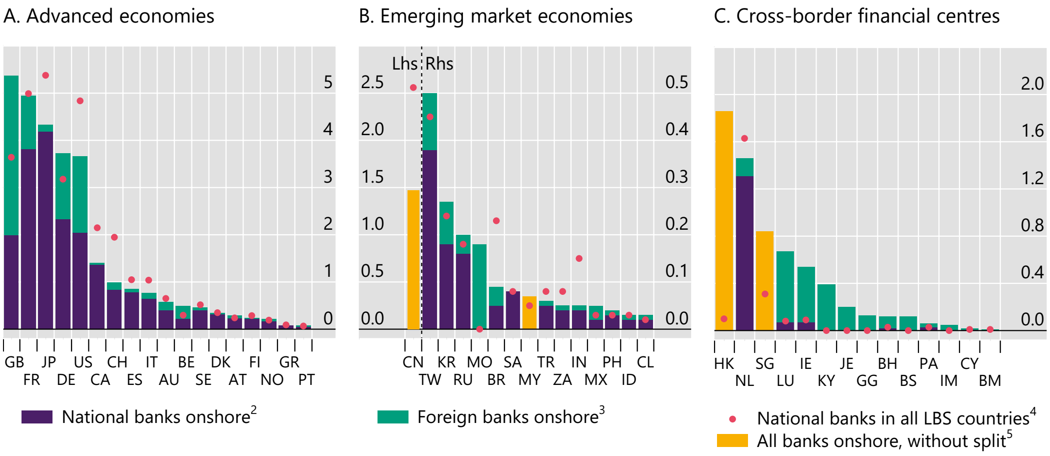
> The new data show that the use of digital payment methods continues to increase, particularly for small amounts.

The statistics show that cash withdrawals and the number of small-denomination banknotes in circulation have declined, while fast payments reached new heights and are a prominent driver of the digitalisation of countries' payment ecosystems. Even so, consumers continue to use cash to pay at home and abroad (see also pages 71–3).

The Bank also worked on facilitating users' statistical literacy with a series of primers on its statistics, with a focus on the international banking statistics. The first article in the series explained how these statistics provide country-level information from both a residence perspective, based on the location of the transacting counterparties, and a nationality perspective, which groups balance sheets according to the nationality of the parent company. The latter view is essential for addressing analytical issues related to ownership and control (see graph below). A second article highlighted one of the most unique features of BIS statistics: the currency dimension. It enabled analysis of the role of the US dollar in the global financial system, of banks' funding and rollover needs in particular currencies, and of countries' foreign currency debt amounts. Further instalments to build understanding of BIS statistics are planned for BIS Quarterly Reviews.

Cross-border claims of banks[1]

In trillions of US dollars; as of end-Q3 2023



[1] Cross-border financial centres comprise the subset of 15 jurisdictions that report the BIS locational banking statistics (LBS): BH, BM, BS, CW, CY, GG, HK, IE, IM, JE, KY, LU, NL, PA and SG. Data for Russia (RU) relate to Q4 2021.
[2] Banks headquartered and located in the country shown on the x-axis.
[3] Banks located in the country on the x-axis but headquartered elsewhere.
[4] Banks headquartered in the country on the x-axis; positions booked by offices in LBS reporting countries.
[5] All banks located in the country shown on the x-axis (split is masked).

Source: "International finance through the lens of BIS statistics: residence vs nationality", *BIS Quarterly Review, March 2024.*

Moreover, the BIS also collects granular data to better monitor the financial system. This work supports the Quantitative Impact Studies organised by Basel-based regulatory groups and published as interactive dashboards. For instance, the information collected for the Basel Committee on Banking Supervision helps to monitor existing Basel III regulations, visualise the progress on their adoption by jurisdiction and cover the impact of envisaged changes. Additionally, these dashboards include information on the list of global systemically important banks and countercyclical capital buffers.

Another source of institution-level information is managed by the Bank's International Data Hub. It stores confidential balance sheet data for systemically important banks and produces analyses on behalf of participating supervisory authorities. The Data Hub's 10th anniversary conference, organised in October 2023, was an occasion for central banks and supervisory agencies to review the insights offered by this information.

G20 Data Gaps Initiative

An important part of BIS statistical work takes place in the context of the G20 Data Gaps Initiative (DGI), the cooperation framework set up in response to the Great Financial Crisis to explore information gaps and ways to strengthen data collection. The main goal has been to enhance data availability and support the general improvement of the global statistical infrastructure. Three main factors have been instrumental here:

- the structured collaboration set up between international organisations and national statistical systems
- the close connection with current official priorities, with reporting to policymakers and prioritisation of the related statistical implications
- the peer pressure mechanism for spurring the involvement of national authorities

Following the completion of the two first phases of the DGI, members of the Inter-Agency Group on Economic and Financial Statistics (IAG) – which comprises the BIS, the ECB, Eurostat, the IMF (Chair), the OECD, the United Nations and the World Bank – with the support of the Financial Stability Board and major economies, set up a workplan for a new, third phase of the DGI. Its 14 recommendations are clustered around four statistical areas: (i) climate change; (ii) household distributional information; (iii) fintech and financial inclusion; and (iv) access to private sources of data and administrative data and data-sharing. An annual reporting framework has been established to help assess progress.

Supporting the dissemination of the Statistical Data and Metadata eXchange (SDMX) standard

The ISO SDMX standard is sponsored by the members of the IAG and, since 2023, the International Labour Organization. It is widely used by international organisations and national statistical systems to streamline the transmission of data and strengthen their production and dissemination. The BIS continued to support the global adoption of the SDMX standard in 2023/24:

- First, the SDMX Fusion Metadata Registry (FMR), a free and open source software project, was launched under the umbrella of the BIS Open Tech initiative.

- Second, the sdmx.io platform was introduced, establishing an ecosystem that offers free, open source software tools and resources, supporting various facets of official statistics.

- Third, the BIS organised a central bank survey to review SDMX development and its state of adoption. The results show that there is fast global adoption of the standard and overall satisfaction with using the SDMX tools made available by the international community. But there is still a need for developing learning initiatives and empowering the data community.

- Finally, in supporting the adoption of the standard across statistical domains, the BIS is leading the work to define a global data structure which will facilitate the global production and dissemination of consistent information on property prices.

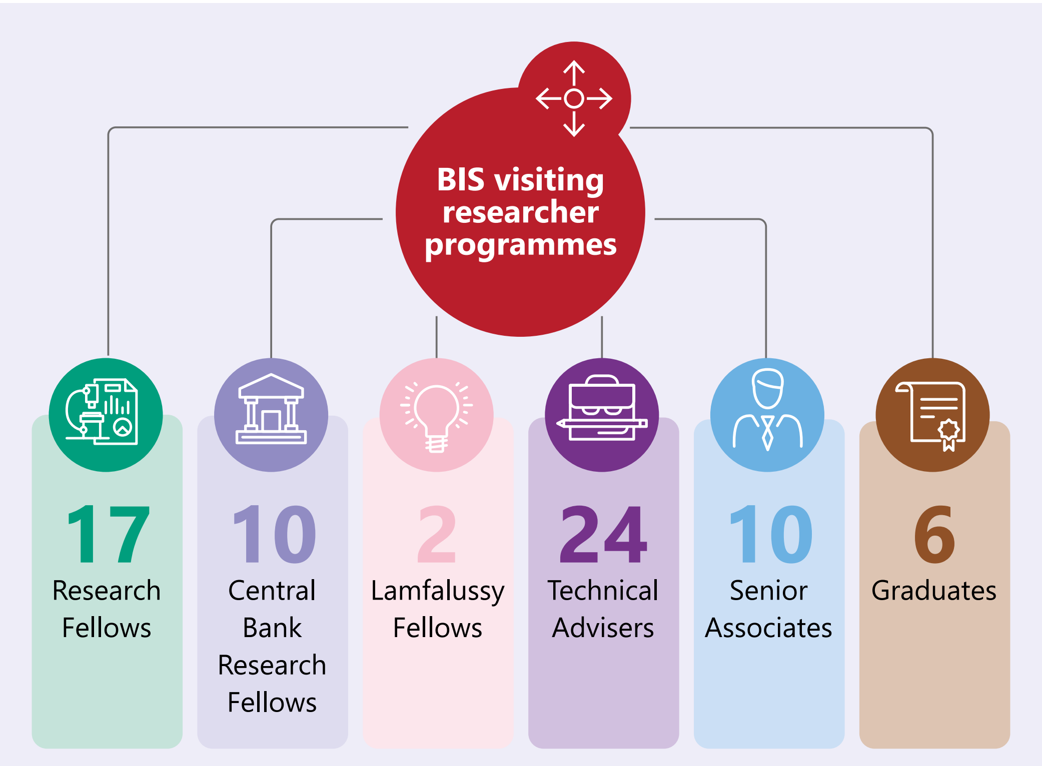
Collaboration with central bank and academic researchers around the world

The BIS fosters collaboration with shareholder central banks and the academic community to engage in debate about topics of policy relevance while sharing cutting-edge analytical tools and enhancing dissemination of BIS data.

A major channel for such collaboration is the (co-)organisation of conferences, workshops and statistical meetings. In 2023/24, the BIS organised at the headquarters in Basel its flagship Annual Conference on the topic of "Central banks, macro-financial stability and the future of the financial system". BIS economists also contributed to the organisation of nine conferences and workshops, and three statistical meetings. In addition, numerous staff members attended research events organised externally as panellists, speakers and discussants.

The BIS also welcomes regular visitors to our Basel headquarters and the Representative Offices in Mexico and Hong Kong SAR (see Chapter 3). During the past year, the BIS welcomed academics, central bank researchers, PhD students and graduates under its various visitor programmes to conduct collaborative research and to share ideas on policy-related issues of relevance to the BIS.

BIS visiting researcher programmes



3

Promoting international cooperation

The BIS acts as a global forum for dialogue and cooperation among central banks and financial supervisory authorities from around the world. In 2023/24, authorities focused on how to curb inflation and on drawing lessons from the March 2023 banking turmoil. In addition, the challenges and opportunities digitalisation poses for the global monetary and financial system remained an important topic.

A global forum for dialogue and cooperation

The BIS is committed to fostering international cooperation among central banks[1] and financial supervisory authorities from around the world, with a view to supporting their efforts to ensure monetary and financial stability. Innovation BIS 2025 has allowed the Bank to increase its global outreach by further deepening its engagement with central bank committees and hosted organisations in the context of the Basel Process. As part of this process, the BIS convenes high-level meetings of central bank Governors and financial supervisory authorities to foster dialogue and knowledge-sharing. These meetings are coordinated at a global level in Basel and complemented by regional discussions through the Bank's Representative Offices for Asia and the Pacific and for the Americas.

The Representative Offices serve as centres for BIS activities in the regions where they are based. They are uniquely positioned to address the needs of the central banks in those regions and anticipate the changes affecting them.

The Bank's Financial Stability Institute (FSI) assists central banks and financial regulatory and supervisory authorities worldwide in strengthening their financial systems by supporting the implementation of global regulatory standards and sound supervisory practices. It does so through policy work, knowledge-sharing activities and capacity-building.

The BIS hosts and supports several international committees and collaborates with international associations pursuing financial stability.

Visit of IMF Managing Director Kristalina Georgieva to the BIS, September 2023

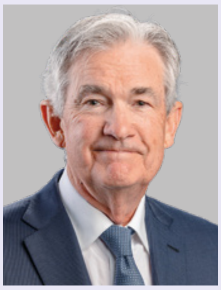
[1] The access of the Central Bank of the Russian Federation to all BIS services, meetings and other BIS activities has been suspended since end-February 2022.

Governors' meetings

All Governors and other senior officials of BIS member central banks meet approximately six times a year to discuss current economic developments and the outlook for the world economy and financial markets. They also exchange views and experiences on issues of particular interest to central banks.

The three principal bimonthly global meetings are the Global Economy Meeting (GEM), the Economic Consultative Committee (ECC) and the All Governors' Meeting. In addition, the Bank's Representative Offices convene central bank Governors from their respective regions through the Asian Consultative Council (ACC) (see page 56) and the Consultative Council for the Americas (CCA) (see page 61). The FSI's advisory board typically meets once per year.

Global Economy Meeting



Jerome H Powell
Chair of the Global Economy Meeting and the Economic Consultative Committee

The Global Economy Meeting (GEM) comprises 30 BIS member central bank Governors in major advanced economies and emerging market economies (EMEs) that jointly account for about four fifths of global GDP. The Governors of another 22 central banks attend the GEM as observers.

Chaired by Jerome H Powell, Chair of the Board of Governors of the Federal Reserve System, the GEM has two main roles:

- monitoring and assessing developments, risks and opportunities in the world economy and the global financial system
- providing oversight for three Basel-based central bank committees: the Committee on the Global Financial System (CGFS), the BIS Committee on Payments and Market Infrastructures (CPMI) and the Markets Committee. It also oversees the work of the BIS Innovation Hub (see Chapter 5)

In 2023/24, the GEM's economic discussion covered issues related to fiscal-monetary policy interactions in the fight against inflation, disinflation trajectories, labour market tightness, monetary policy and financial conditions, sectoral price dynamics in the last mile of disinflation and natural rates in the post-pandemic world.

Economic Consultative Committee

The Economic Consultative Committee (ECC) is a 19-member group that supports the work of the GEM. It is also led by the GEM Chair and comprises all Governors participating in the BIS Board meeting and the BIS General Manager. The ECC reviews reports and work programmes of the three committees mentioned above and prepares proposals for the GEM's consideration. In addition, the Chair makes recommendations to the GEM on the composition and organisation of the CGFS, the CPMI and the Markets Committee and the appointment of their

Chairs. It is also the body to which the Advisory Committee of the BIS Innovation Hub, led by the Chair of the ECC, is accountable. In addition to the guidance provided to the work of the three GEM committees, in 2023/24 the ECC discussed the following topics:

- financial vulnerabilities
- the stability of bank funding and liquidity management
- the global inflation hump
- central bank reserves and financial stability
- near-term risks to global economic resilience

All Governors' Meeting

François Villeroy de Galhau
Chair of the BIS Board of Directors and the All Governors' Meeting

The All Governors' Meeting comprises the Governors of the BIS member central banks and is chaired by the Chair of the BIS Board, François Villeroy de Galhau, Governor of the Bank of France. It convenes to discuss selected topics of general interest to its members. In 2023/24, topics discussed included:

- design of retail central bank digital currencies (CBDCs)
- artificial intelligence in central banking
- climate change and central bank mandates

Moreover, two meetings featured presentations by IMF Managing Director Kristalina Georgieva on the global financial safety net and by Her Majesty Queen Máxima of the Netherlands in her capacity as the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development, on financial inclusion and financial health.

By agreement with the GEM and the BIS Board, the All Governors' Meeting oversees the work of two groups that have a broader network or membership than the GEM. These are the Central Bank Governance Group (see page 79) and the Irving Fisher Committee on Central Bank Statistics (see page 80).

Other regular gatherings

Tiff Macklem
Chair of the Group of Central Bank Governors and Heads of Supervision

The Group of Central Bank Governors and Heads of Supervision (GHOS) meets periodically to decide on global banking regulations and oversees the work of the Basel Committee on Banking Supervision (see page 66). Chaired currently by Tiff Macklem, Governor of the Bank of Canada, the GHOS is the highest-level forum responsible for international collaboration on banking regulation and supervision.

Eddie Yue
Chair of the meeting of Governors of major emerging market economies

The central bank Governors of major EMEs typically meet during the January, May and September bimonthly meetings to discuss issues of importance to their economies. The group is chaired by Eddie Yue, Chief Executive of the Hong Kong Monetary Authority. Topics covered during the past year included:

- the stickiness of inflation
- lessons from recent experiences on exchange rates, capital flows and financial conditions in EMEs
- foreign exchange intervention amid global monetary tightening

The BIS also holds regular meetings for the Governors of central banks from small open economies. Discussion themes during the past year included:

- the distributional effects of inflation and implications for monetary policy
- the profit-price spiral and inflation
- monetary policy, banks and financial stability
- productivity developments in small, open economies and issues for monetary policy
- the macroeconomic and monetary policy outlook
- lessons from monetary policy framework reviews

During the June 2023 Annual General Meeting, the BIS held a roundtable of Governors from African central banks on the growth outlook and inflation, monetary policy, fiscal policy and debt sustainability. In addition, various meetings brought together senior central bank officials and, occasionally, representatives from other financial authorities, the private financial sector and the academic community to discuss topics of shared interest.

Financial Stability Institute

The Financial Stability Institute (FSI) plays an important role in supporting the BIS's efforts to promote international cooperation in the area of financial stability. In particular, the FSI's mandate is to support central banks and other financial authorities in the implementation of global regulatory standards and sound supervisory practices.

According to its mandate, the FSI's activities cover three main areas: policy work, policy events and training. They are complemented by specific initiatives in the areas assigned to the FSI in the Bank's Innovation BIS 2025 strategy:

- digitalising capacity-building activities
- knowledge-sharing in financial technology-related regulatory developments
- supporting authorities' efforts to enhance their tools for financial crisis management

The year's highlights

In 2023/24, the FSI undertook various projects to support international cooperation and collaboration. Much of the policy work was related to lessons from the spring 2023 banking turmoil. In addition, the FSI continued to carry out various initiatives in the area of financial technology and crisis management.

Policy work

Publications

FSI policy work aims to support the design, dissemination and implementation of sound regulatory and supervisory policies worldwide. This work consists of publications in various series covering several regulatory and supervisory issues. FSI publications are available on the FSI section of the BIS website.

In 2023/24, FSI publications covered a range of topics. Several papers focused on issues related to crisis management, including in the light of the 2023 banking turmoil. In particular, papers explored bank transfers in resolution, the use of the minimum requirement for own funds and eligible liabilities (MREL) for sale-of-business resolution strategies and the loss absorption capacity of Additional Tier 1 (AT1) instruments. The FSI also published a report describing the findings and recommendations from its cross-border banking crisis simulation exercise in sub-Saharan Africa and a report for its Crisis Management Series covering the 2008–14 banking crisis in Spain.

Other papers covered technology-related issues, such as cyber security, big techs in insurance, stablecoins, and cloud risk.

Climate-related financial risks (for instance, on the insurability tipping point) and supervisory topics (for instance, relating to banks' large exposures, non-bank retail lending and supervisory resources continued to feature prominently in FSI publications in 2023/24.

Chapter 2 discusses some of the FSI publications.

FSI regulatory session at 2023 BIS Annual General Meeting

Fintech repository

The FSI fintech repository is an online tool that provides centralised access to policy and regulatory documents related to fintech issued by BIS member central banks and supervisory authorities or published by international standard-setting bodies. It aims to provide BIS stakeholders with an easy-to-use reference to support policymaking and benchmarking. The library is updated on an ongoing basis and currently contains over 4,500 documents from 63 jurisdictions and standard-setting bodies. To date, 685 staff from over 100 financial authorities have gained access.

The repository was first released in March 2022. At that time, it covered only 33 jurisdictions. The jurisdictional coverage increased substantially, and in March 2024 a complete version was released, covering all jurisdictions with BIS member central banks. The new version also includes other enhancements to facilitate usability and to ensure that potential users are aware of what it can offer.

Crisis Simulation Exercises

A Crisis Simulation Exercise (CSE) with seven Latin American jurisdictions was completed in March 2024. This was the fourth such exercise organised and conducted by the FSI, and it drew on the experience gained in conducting similar CSEs in sub-Saharan Africa in 2023, Asia and the Pacific in 2022 and South America in 2021. While the sample countries and/or the region changes each time a CSE is conducted, they all have the same objectives: to identify relevant enhancements to the domestic crisis management frameworks and possible improvements to cross-border cooperation arrangements. Preparations for a fifth CSE are under way.

Unidroit project on bank liquidation

Work is ongoing on an FSI joint project with the International Institute for the Unification of Private Law (Unidroit) on a bank liquidation framework. A draft guide setting out best practices is scheduled to be published for consultation in mid-2024 and finalised thereafter.

Policy events

The FSI regularly organises high-level meetings, typically in cooperation with the relevant standard-setting body (eg the Basel Committee or International Association of Insurance Supervisors (IAIS)) and regional partners, as applicable. These meetings aim to offer the most senior officials from financial authorities a forum to discuss the latest regulatory developments and supervisory priorities. The FSI also offers policy implementation meetings targeted at mid-level officials, where the discussion focuses on specific regulatory or supervisory topics.

H. M. Queen Máxima of the Netherlands speaks at the FSI high-level meeting on financial inclusion, March 2024

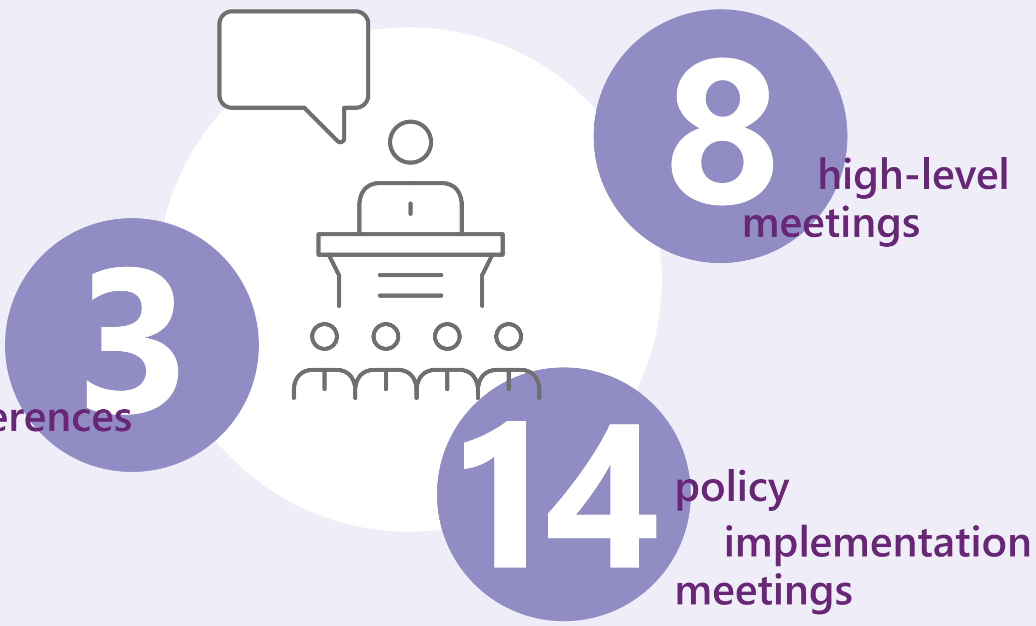
In early 2024, the FSI hosted a high-level meeting on financial inclusion, attended by Her Majesty Queen Máxima of the Netherlands, in her capacity as the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development, and chaired by the BIS General Manager. The meeting was attended by senior representatives from the financial inclusion community and global standard-setting bodies, who gave an update on their activities relevant to financial inclusion. The BIS is committed to operating as a platform for sustained and focused discussion on issues relevant to standard-setting bodies' work and financial inclusion.

As part of its regular programme of events, the FSI also co-organised three annual conferences on:

- financial inclusion, co-hosted, in 2023, with the Alliance for Financial Inclusion
- securities markets, co-hosted with the International Organization of Securities Commissions (IOSCO)
- deposit insurance and bank resolution, co-hosted with the IAIS

In 2023, the FSI for the first time co-organised a virtual seminar with the Florence School of Banking and Finance, covering issues related to bank resolution and technological innovation and bringing together experts from standard-setting bodies, relevant authorities and academia.

FSI policy events 2023/24



Training

The FSI undertakes training activities to support the capacity-building objectives of financial authorities. Training comprises FSI Connect (the FSI's e-learning platform), virtual seminars and online courses. FSI virtual seminars in 2023/24 covered topics such as risk-based supervision, Basel III implementation, insurance standards, crisis management, climate-related financial risks and financial technology.

FSI Connect

FSI Connect contains tutorials on a broad range of regulatory and supervisory topics mostly relating to global regulatory standards. In 2023/24, the FSI Connect library of tutorials was enhanced by the addition of 14 new tutorials, 15 major updates and 11 executive summaries. These tutorials covered topics such as risk-based supervision, digital assets, insurance standards, crisis management, climate-related financial risks and financial technology. As of March 2024, 11,395 authorised users from 293 institutions and 156 jurisdictions subscribed to FSI Connect.

BIS | 20 YEARS OF E-LEARNING | FSI Connect
Financial Stability Institute

FSI Connect 20th anniversary

FSI Connect is an e-learning tool designed to support capacity-building in central banks and supervisory authorities worldwide. FSI Connect was among the first e-learning tools available to financial sector authorities when it was launched in mid-2004. At that time, it focused on global regulatory standards for banks. Since then, its coverage has expanded considerably, spanning banking and insurance supervision and regulation, financial inclusion, climate and environmental risks, and other ad hoc topics such as accounting, risk management and financial market infrastructures. The FSI Connect library currently includes just over 300 tutorials. The platform is accessible to a large number of authorities. Subscriptions have also steadily evolved since launch, hovering around 11,000 over the past few years.

Taking advantage of increasingly sophisticated design options, tutorials are now provided in advanced formats, allowing for both desktop- and mobile-based learning experiences. The delivery of online courses has also been facilitated by the launch of the FSI e-learning platform in April 2022. Thanks to this, all online course content is now available through a single portal, allowing for a seamless user experience. The FSI continues to explore ways to update FSI Connect following developments in design and support technologies. Its content also continues to be expanded in line with evolving priorities in relation to regulation and supervision in the financial sector.

Online courses

The FSI has developed seven online courses:

- a course on climate-related financial risks – the Climate and Environmental Risks online course (CEROC) – developed together with the Network of Central Banks and Supervisors for Greening the Financial System (NGFS)
- the BIS Financial Innovation and Technology courses (BIS-FIT 1.0 and 2.0), run together with other units of the BIS such as the Committee on Payments and Market Infrastructures, the Cyber Resilience Coordination Centre, the Innovation Hub and the Monetary and Economic Department
- four other online courses on core aspects of banking supervision, fundamentals on insurance supervision, bank resolution and insurance capital standards

Of these seven online courses, the FSI intends to offer five every year. Due to strong interest from IAIS members, in 2023 the FSI ran an additional online course on insurance supervision in close cooperation with the IAIS secretariat.

Climate Training Alliance

The FSI has continued to enhance the Climate Training Alliance (CTA) portal since its launch in late 2022, as part of a joint initiative by the BIS, the NGFS, the IAIS and the UN-convened Sustainable Insurance Forum (SIF). In 2024, the CTA welcomed the IOSCO to the joint initiative, opening up the CTA to securities regulators globally. As of end-March 2024, 1,200 officials from more than 100 jurisdictions have access to the portal.

FSI online courses

As of March 2024, a total of 3,439 people participated in FSI training sessions (including 2,267 in online courses, and 1,172 in virtual seminars) from 336 institutions across 164 jurisdictions.

BIS-FIT 2.0
BIS Financial Innovation and Technology Online Course

369 Participants
150 Institutions
114 Jurisdictions

BROC
BIS-IMF Banking Resolution Online Course

532 Participants
150 Institutions
114 Jurisdictions

FIRST-ONE
FSI-IAIS Insurance Regulatory and Supervisory Training Online Course

260 Participants
70 Institutions
60 Jurisdictions

SIOC
Specialised Insurance Online Course

260 Participants
70 Institutions
60 Jurisdictions

SROC
BIS-IMF Banking Supervisory and Regulatory Online Course

468 Participants
120 Institutions
108 Jurisdictions

CEROC
Climate and Environmental Risks Online Course

378 Participants
84 Institutions
62 Jurisdictions

Representative Office for Asia and the Pacific

The Representative Office for Asia and the Pacific in Hong Kong SAR serves as a regional hub for BIS operations. These include economic and policy research and analysis, banking services and innovation. The Asian Office provides secretariat support to the Asian Consultative Council (ACC), which is the advisory body for the BIS in the region and comprises the Governors of the 13 BIS member central banks in Asia and the Pacific. In doing so, the Asian Office supports the work of the ACC, including in its interactions with the broader BIS community, as well as on strategic issues related to BIS activities and central bank cooperation and engagement. The ACC is currently chaired by Perry Warjiyo, Governor of Bank Indonesia, with Tao Zhang, Chief Representative, serving as its Secretary.

The year's highlights

The Asian Office marked its 25th anniversary in 2023. As the General Manager noted in his remarks in Hong Kong SAR in November 2023, the establishment of the Office marked an important step in the BIS's evolution into a truly global institution. In addition to strengthening and expanding the Bank's offering of local currency and green and sustainability products, the BIS Asian Office has enhanced its intellectual support to, and engagement with, the ACC and Asian stakeholders on issues such as macro-financial stability policies, international credit, interest rate risk management, climate and communications. The Asian Office has also taken on the role of secretariat for the meetings of Governors from EMEs, working closely with Headquarters and the Representative Office for the Americas (see Chapter 2).

BIS Management visits the Representative Office for Asia and the Pacific, November 2023

BISness podcast with BIS Chief Representative for Asia and the Pacific Tao Zhang and Hong Kong Monetary Authority Chief Executive Eddie Yue, November 2023

In November 2023, the Office hosted a Special Governors' Meeting where more than 20 central bank Governors met. They discussed structural challenges faced by Asian central banks in the evolving economic landscape and the risks and opportunities of generative artificial intelligence in the region. The event included a joint roundtable with the chief executive officers of large financial institutions and financial technology firms in the region. The discussion at that roundtable covered macroeconomic and financial sector developments, as well as housing markets and big techs and financial services in the region.

Committed to Asia

Taking advantage of its anniversary, the Office, working closely with colleagues in Basel and member central banks in the region, organised a number of high-level engagements in Asia. The BIS-HKMA high-level conference on central banking in Hong Kong in November, the high-level reserve management seminar in Vietnam in September and the seminar on fintech and financial stability hosted jointly with Hong Kong University and the Academy of Finance in Hong Kong in July drew a large number of Governors, leading academics and corporate leaders. These engagements have helped raise the BIS's visibility and profile in the region and inform debate on important policies.

Conference co-hosted by the Hong Kong Monetary Authority and the BIS, Hong Kong SAR, November 2023

High-level Reserve Management Conference, Hanoi, Vietnam, September 2023

High-level visits by BIS senior management to economies in the region, including China, Hong Kong SAR, India, Korea, Japan, Malaysia, the Philippines, Singapore and Vietnam, have also served to strengthen the collaboration between the BIS and its Asian members. These on-site visits have helped to position the BIS as a thought leader on issues such as inflation, reserve management, climate and green finance, CBDCs and the unified ledger.

In addition to enhanced engagement with Asian members, the Asian Office has also expanded outreach on macroeconomic and digital innovation issues to a wide range of stakeholders and constituencies. These included:

- regular roundtables with market analysts covering China, Japan and India
- joint events with the Executives' Meeting of East-Asia Pacific Central Banks (EMEAP), South East Asian Central Banks Research and Training Centre (SEACEN), ASEAN+3 Macroeconomic Research Office (AMRO) and the Asian Development Bank
- thematic discussions at leading regional and national gatherings such as the Boao Forum for Asia, the International Finance Forum, G20 events in India, the India in Asia Conference and the Caixin Summit

Serving Asian member central banks

The Asian Office continued the quest to provide environmentally sustainable investments across a wide range of clients in the Asia-Pacific region, and broadening the investor base of the BIS Asian Green Bond Fund. Work to enhance the offering of local currency products continued. Following the end of most Covid-era restrictions, in-person knowledge-sharing among Asian central banks and institutional clients on reserve management gained greater momentum in the region (see Chapter 4).

Leveraging the Bank's knowledge and intellectual leadership on monetary policy and central banking and in response to the evolving needs of Asian members, the Asian Office, together with the ACC, published the report *Inflation, external financial conditions and macro-financial stability frameworks in Asia-Pacific* in October 2023. A number of ACC central banks also posted the report on their websites. Among the reports led by the Office and written in collaboration with BIS colleagues and member central bank authors, the top three most read were:

- *Mapping the realignment of global value chains*
- *Interest rate risk management by EME banks*
- *Explaining monetary spillovers: the matrix reloaded*

Complementing the existing workstreams on banking and economic and policy research and analysis, the Asian Office also stepped up its engagement with Asian member central banks on three new dimensions under the ACC umbrella: climate change, communications and risk management. The first ACC head of communications meeting took place in Hong Kong in July 2023. These meetings and engagements helped bring ACC practitioners together to foster peer learning and sharing of best practices.

Building and strengthening a sense of community

As the BIS's hub in the region, the Asian Office has continued to strengthen its collaboration with various departments in Basel, the committees the BIS hosts and the Americas Office to expand the Bank's footprint in the region. Mutual visits by the two Chief Representatives to each other's offices in 2023/24 served to enhance collaboration between the two offices on policy analysis and research, banking activities and secretariat support to emerging market Governors' meetings. Leveraging the physical presence of multiple BIS Innovation Hub Centres across the world, including the centres in Hong Kong and Singapore, the Asian Office also helped to strategically position the BIS as a practical problem solver, developing technological solutions on issues related to innovation in the region.

Asian Office Chief Representative Tao Zhang and Americas Office Chief Representative Alexandre Tombini in Mexico City, April 2023

Hosted in the international financial centre of Hong Kong SAR, the staff of the Asian Office are continuously building and strengthening a sense of community through better information-sharing, stronger collaboration across teams and enhanced diversity of views and perspectives, including from central bank secondees. The Asian Office is also committed to serving the community in which it is based, and took part in various charitable efforts during the year (see Chapter 6).

Representative Office for the Americas

The BIS Representative Office for the Americas in Mexico City serves as a hub for cooperative activities of central banks in the Americas. The Office organises meetings of central bank Governors and other senior officials on a wide range of topics relevant for central banks in the region. It supports the Consultative Council for the Americas (CCA), which brings together the Governors of the nine BIS member central banks in the Americas and oversees the BIS's activities in the region. The Office's research addresses a wide range of issues related to growth and productivity, monetary policy, financial stability, innovation and the digital economy, and climate change and environmental degradation. The Office's banking activities complete the BIS's network of trading activities in all time zones, offering banking services to clients from inside and outside the region.

The year's highlights

Financial year 2023/24 saw a deepening of the BIS's cooperative activities in the Americas. The CCA met regularly to discuss economic and financial developments in the region, including the path of monetary policy and cutting-edge issues such as CBDCs and fast payment systems.

CCA consultative groups allowed central banks to explore critical topics at a more technical level. In 2023/24, a new CCA Consultative Group on Monetary Policy (CGMP) and a CCA Diversity and Inclusion Network were created. The new groups complement the work of the existing Consultative Group of Directors of Financial Stability (CGDFS), Consultative Group of Directors of Operations (CGDO), Consultative Group on Innovation and the Digital Economy (CGIDE), Consultative Group on Risk Management (CGRM) and Scientific Committee, as well as the CCA Heads of Communications Network.

Among the reports published by the Office and written in collaboration with BIS colleagues and member central bank authors during the year, the top three most read explored the implications of innovations for central banks:

- *Financial stability risks from cryptoassets in emerging market economies*, by the CGDFS
- *Central bank digital currency (CBDC) information security and operational risk to central banks*, by the CGRM
- *High-level technical requirements for a functional CBDC architecture*, by the CGIDE

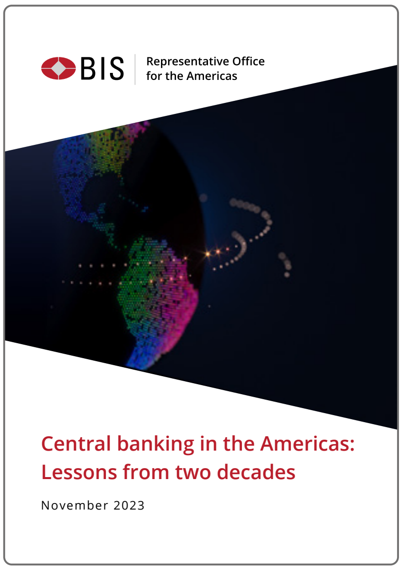
Supporting the Bank's near 24-hour delivery of financial services, the Americas Office continued to broaden services provision from and for the region. During the 2023/24 financial year, this resulted in continued growth in holdings of BIS treasury products by regional central banks, which have risen by about 30% since the creation of the regional dealing room in 2020. Assets under management from the region also grew substantially, driven by strong demand for the Bank's green BIS Investment Pools (see Chapter 4).

Committed to the Americas

To complement activities with member central banks, the CCA and Americas Office stepped up their outreach to central banks in the region that are not BIS members. A key element was the Governors of the Americas meeting in June, which brought together CCA Governors with their counterparts from other countries in the Americas and beyond to discuss growth and productivity in the Americas.

BIS staff also participated in numerous policy and academic events in the region. For example, in November 2023 the BIS was the regulatory co-host of DC Fintech

Week for the second time. Chief Representative Alexandre Tombini spoke at several high-level meetings in the Americas, including the Association of Supervisors of Banks of the Americas (ASBA)-BCBS-FSI High-level Meeting in Panama in October, the Eastern Caribbean Central Bank 40th Anniversary Conference in November and the 60th meeting of the Consejo Monetario Centroamericano in February. Staff also visited several central banks in the region and presented their work at high-profile academic conferences. The Office's Economics for the Americas (EFTA) group runs a successful seminar series that is open to central banks in the region.



Americas Office staff published high-impact research papers on monetary policy, financial stability, innovation and the digital economy, and climate change and environmental degradation. Papers were accepted for publication in top journals (see Chapter 2). The book *Central banking in the Americas: Lessons from two decades*, with contributions by Governors from all BIS member economies in the region, was downloaded over 31,000 times. It provides a useful overview of the events affecting central banking in CCA economies during the past two decades and draws lessons for the future.

A highlight was the 13th annual BIS CCA Research Conference, which took place in Ottawa in October and focused on growth, productivity and macro modelling in the Americas. Members continue to collaborate in the CCA research network on macro-financial implications of climate change and environmental degradation. The work will be presented at the 14th BIS CCA Research Conference.

The successful work of the Office was highlighted in two podcasts. Chief Representative Alexandre Tombini spoke with Chilean central bank Governor Rosanna Costa about gender gaps in economics and central banking. He spoke with Governor Roberto Campos Neto from Brazil about the work of the CCA and Brazil's G20 Presidency.

BISness podcast with BIS Chief Representative for the Americas Alexandre Tombini and Governors Rosanna Costa from Chile and Roberto Campos Neto from Brazil, March–April 2024

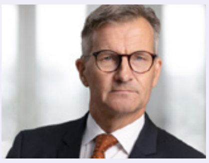
The Americas Office is located in Mexico City – the most populous city in North America and one of the most exciting. Its 33 employees, representing over 10 nationalities, bring together a wide range of backgrounds. Many of the staff have worked at central banks in the Americas or other regions, giving them a close understanding of issues faced by our members. A regular flow of visiting economists from the region's central banks helps build connections and familiarity, providing benefits for all.

While the Americas Office serves all of the Americas, it is also committed to helping the local community in which it is based. This has been done by helping build houses for low-income families, providing workshops for parents of children with visual disabilities and participating in an annual toy drive (see Chapter 6).

Governors of the Americas meeting, June 2023

International groups at the BIS

Basel Committee on Banking Supervision



Erik Thedéen
Chair of the Basel Committee on Banking Supervision

The Basel Committee on Banking Supervision (BCBS) is the primary global standard setter for the prudential regulation and supervision of banks and provides a forum for cooperation on banking supervision matters. Its mandate is to strengthen the regulation, supervision and practices of banks worldwide with the purpose of enhancing financial stability. The BCBS reports to the Group of Central Bank Governors and Heads of Supervision (GHOS), its oversight body.

The BCBS comprises 45 members from 28 jurisdictions, consisting of senior representatives of banking supervisory authorities and central banks. The Chair of the BCBS is Erik Thedéen, Governor of Sveriges Riksbank, who succeeded Pablo Hernández de Cos, whose term as the Governor of the Bank of Spain ended in June 2024. The Secretary General of the BCBS is Neil Esho.

The GHOS comprises central bank Governors and heads of non-central bank supervisory authorities from BCBS member jurisdictions. It approves the BCBS's work programme and major decisions and provides overall strategic direction to the BCBS. The Chair of the GHOS is Tiff Macklem, Governor of the Bank of Canada.

Implementation and evaluation

In September 2023, GHOS members took stock of the status of the outstanding Basel III reforms, which were finalised in 2017. Members have continued to make good progress with implementation. Around a third of BCBS member jurisdictions have implemented all, or the majority of, the standards, while two thirds plan to implement them by the end of 2024, and the remaining jurisdictions in 2025.

GHOS members unanimously reaffirmed their expectation that all aspects of the Basel III framework will be implemented in a full and consistent manner, and as soon as possible, to provide a level playing field, in terms of regulation, for internationally active banks. These banks should continue preparing for the forthcoming implementation of the standards.

The elements of the Basel III reforms that have already been implemented helped shield the global banking system and real economy from a more severe banking crisis. The banking turmoil that started in March 2023 underscored the importance of implementing the outstanding Basel III standards.

Response to the banking turmoil

The stress experienced by individual banks during the banking turmoil, while having largely distinct causes, triggered an assessment of the resilience of the broader banking system.

In response, the BCBS took stock of the regulatory and supervisory lessons of the turmoil and published its findings in October 2023. The report highlighted:

- the importance of banks' risk management practices and governance arrangements as the first and most important sources of financial and operational resilience
- the role of strong and effective supervision in overseeing the safety and soundness of banks, and the importance of supervisors acting early and effectively to identify and promptly correct weaknesses in bank practices
- the critical importance of a prudent and robust regulatory framework in safeguarding financial stability

Drawing on the findings of this report, the Committee is pursuing a series of follow-up initiatives, including:

- prioritising work to strengthen supervisory effectiveness and to identify issues that could merit additional guidance at a global level
- pursuing additional analytical work based on empirical evidence to assess whether specific features of the Basel Framework performed as intended during the turmoil, such as liquidity risk and interest rate risk in the banking book, and assessing the need to explore policy options over the medium term

Meeting of the Basel Committee on Banking Supervision, June 2023

Basel Core Principles

The BCBS revised the *Core principles for effective banking supervision* (Core Principles), with a view to reflecting supervisory insights and structural changes in banking since the last update in 2012. The Core Principles establish minimum standards for banking supervision and are universally applicable to all banks in all jurisdictions. The Committee issued revised Core Principles in April 2024.

Emerging risks and vulnerabilities

The BCBS continued to monitor and discuss the outlook for the global banking system in the light of economic and financial market developments. This included a series of horizon scanning exercises focused on the bank and supervisory implications of risks related to inflation, EMEs and cross-border booking models.

Climate-related financial risks

The BCBS continued progress on work as part of its holistic approach to addressing climate-related financial risks to the global banking system.

In November 2023, the BCBS published a consultation paper on a Pillar 3 disclosure framework for climate-related financial risks. This framework would complement, and be interoperable with, parallel disclosure initiatives being developed by the International Sustainability Standards Board and other authorities.

The BCBS also took stock of the use of climate scenario analyses by banks and supervisory authorities and agreed to further assess bank and supervisory practices in this area. It also discussed the development of potential risk management considerations associated with the transition to a low-carbon economy and related physical risks and will continue to consider these issues. These would complement previous BCBS initiatives, including the publication of supervisory principles and response to frequently asked questions.

Digitalisation of finance

The BCBS has continued to pursue a wide range of initiatives on the digitalisation of finance, including analytical, policy and supervisory-related elements. The Committee continued to examine digitalisation-related risks, including digital fraud and the provision of banking services through non-bank intermediaries ("banking as a service").

In October 2023, the BCBS issued, for consultation, a set of disclosure requirements for banks' cryptoasset exposures. In December 2023, it published a consultation paper on targeted revisions to its prudential standard for banks' exposure to cryptoassets. The Committee also continued to assess bank-related developments in cryptoasset markets, including the risks arising from banks providing cryptoasset custody services and banks as issuers of stablecoins.

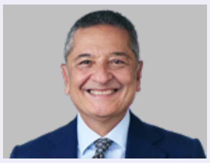
More information about the Basel Committee at www.bis.org/bcbs.

Meeting of the Basel Committee on Banking Supervision, June 2023

BCBS 50th anniversary

In April 2024, supervisors, regulators and central bankers gathered at the International Conference of Banking Supervisors to mark the Basel Committee's 50th anniversary. The participants included current and former members of the BCBS, including Secretaries General, Chairs of the Committee and Group of Central Bank Governors and Heads of Supervision. The conference provided insights into the Committee's history and significant moments, plus the main challenges seen on the horizon – not to mention the personal recollections and war stories of the men and women on the ground.

BIS Committee on Payments and Market Infrastructures



Fabio Panetta
Chair of the Committee on Payments and Market Infrastructures

The Committee on Payments and Market Infrastructures (CPMI) is the global standard-setting body for the promotion of the safety and efficiency of payment, clearing, settlement and reporting systems and other financial market infrastructures (FMIs). The CPMI also serves as a forum for central banks to monitor and analyse developments and cooperate on related oversight, policy and operational matters, including the provision of central bank services. In November 2023, Fabio Panetta, Governor of the Bank of Italy, assumed the role of CPMI Chair, succeeding Sir Jon Cunliffe, the then Deputy Governor of the Bank of England. The CPMI comprises senior officials from 28 central banks. The CPMI work programme is structured around three main areas: (i) risk management of FMIs; (ii) enhancement of cross-border payments; and (iii) digital innovation in payment, clearing and settlement. In addition, the CPMI conducts research and analysis on an ongoing basis to support the work of all three focus areas.

Advancing resilience of FMIs

Central clearing has proven to have clear benefits in times of market turmoil. Hence, CPMI and IOSCO work on central counterparty (CCP) resilience and recovery, including FMIs' practices for addressing non-default losses, is an important contribution to financial stability. Additionally, as part of their work to support the consistent and timely implementation of international standards for FMIs, CPMI-IOSCO are assessing general business risk management of FMIs. CPMI-IOSCO also engage with the Financial Stability Board on work on financial resources and tools for CCP resolution.

CPMI-IOSCO have established a new working group to further strengthen the cyber resilience of FMIs as threat environments evolve. They are also looking into issues related to FMIs' management of risks associated with the growing use of third-party service providers and outsourcing in the FMI industry.

In 2023/24, the CPMI continued to contribute to international work to strengthen the resilience of non-bank financial intermediaries. Together with BCBS and IOSCO, the CPMI undertook policy and standard-setting work on:

- increasing transparency regarding initial margin
- evaluating the responsiveness of initial margin models to market stresses
- streamlining variation margin practices

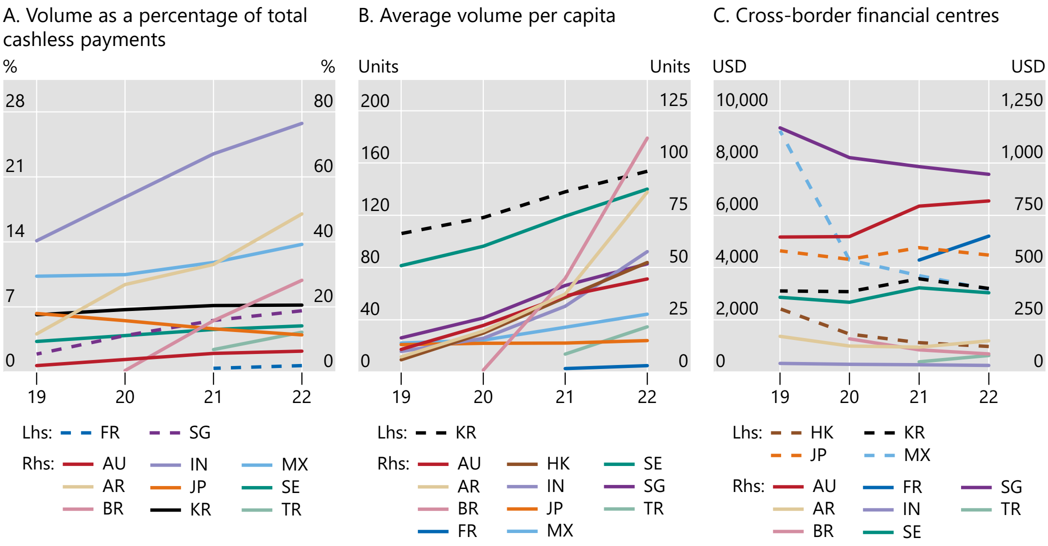
The resulting policy proposals regarding initial margins were laid out in a consultative report, and examples of effective practices for streamlining variation margin in centrally cleared markets in a discussion paper.

Making headway on safe and efficient cross-border payments

The first three years of the G20 cross-border payments programme focused on stocktaking, analysis and developing guidance. Following a strategic review, in early 2023 the Financial Stability Board, in close coordination with the CPMI and other international bodies, identified 15 priority actions.

Fast payments are enjoying increased popularity domestically (see the graph below) and also have the potential to improve cross-border payments. The CPMI has identified interlinking fast payment systems (FPS) as one of the most promising solutions for enhancing cross-border payments. To foster FPS interlinking, the CPMI is developing a governance and oversight framework. As part of that effort, the CPMI submitted an interim report to the G20. Harmonised message formats can foster interlinking and cross-border payments more broadly. Hence, the CPMI issued harmonised ISO 20022 data requirements in an October 2023 report to the G20. To foster the implementation of priority actions, in 2023 the CPMI launched a community of practice with public sector stakeholders and a task force with the private sector.

The use of fast payments continued to grow



[1] Jurisdictions represented are those with data available for at least two consecutive years during 2019–22.

[2] To remove the effect of the variability of the exchange rates over time, we used the average exchange rates over those time periods that the jurisdictions had data available to convert values expressed in domestic currency to US dollars.

Source: "Tap, click and pay: how digital payments seize the day", *CPMI Briefs*, no 3.

Digital innovation in payments, clearing and settlement

The CPMI's digital innovation work aims to identify, analyse and respond to emerging opportunities and issues related to digital innovations in payments, clearing and settlement. The current focus is on: (i) the future of payments in a tokenised financial ecosystem and (ii) the timing of international cross-border functionality in CBDC design. This work also includes risk management issues related to stablecoins, by promoting the implementation of the July 2022 CPMI-IOSCO guidance on the application of the Principles for Financial Market Infrastructures (PFMI) to stablecoin arrangements.

Research and analytical work support the CPMI in its efforts across all areas. This includes the annual collection and publication of the CPMI statistics on payments and FMIs (Red Book statistics), the cross-border payments monitoring survey and the yearly BIS CBDC survey.

More information about the Committee on Payments and Market Infrastructures at www.bis.org/cpmi/about/overview.htm.

Meeting of the Committee on Payments and Market Infrastructures, March 2024

Committee on the Global Financial System

Chang Yong Rhee
Chair of the Committee on the Global Financial System

The Committee on the Global Financial System (CGFS) monitors financial sector developments and analyses their implications for financial stability and central bank policy. The CGFS reports to the Governors of the BIS Global Economy Meeting. It is chaired by Chang Yong Rhee, Governor of the Bank of Korea. Governor Rhee succeeded Philip Lowe, who was CGFS Chair from June 2018 until the end of his term as Governor of the Reserve Bank of Australia in September 2023. The CGFS comprises senior officials from 27 central banks plus the BIS.

Areas of focus in 2023/24

Global financial vulnerabilities

In 2023/24, the CGFS continued to monitor the implications of the high interest rate environment for global financial conditions. For much of the year, volatility in core bond markets reflected market participants' reactions to a broad range of news about the monetary policy stance in advanced economies. In parallel, some EMEs took in stride their divergence from US monetary policy, while others implemented stabilising measures. The overall resilience of EMEs reflected strong fundamentals and early moves to tighten policy.

Looking ahead, CGFS members considered how the evolution of monetary policy stances could affect financial stability. A key concern was that divergence of monetary policy and economic prospects across countries could give rise to adverse spillovers and increase headwinds. Another concern had to do with the build-up of default risk in commercial real estate and in opaque corners of the financial system, such as private credit markets.

Policy analyses

CGFS members discussed experience with macroprudential policies. Such policies seek to build resilience through the financial cycle. Importantly, they help mitigate stress only to the extent that financial institutions feel comfortable to draw on macroprudential buffers accumulated in tranquil times. Careful communication of macroprudential policies is generally seen as important for ensuring their effectiveness and mitigating undesirable side effects.

Episodes of financial turmoil pointed to areas for further policy work. A general view in the CGFS is that financial intermediaries need to have operational readiness to access emergency liquidity assistance and should bear the attendant costs. For internationally active financial institutions, the coordination of liquidity provision across jurisdictions is of the essence. In addition, market information on deficiencies in banks' business models could be useful to prudential authorities.

Exposures to interest rate risk

Overall, households and non-financial corporates have coped well so far with the rise in interest rates. This is despite the fact that policy rate hikes tamed inflation stemming from supply side factors that put downward pressure on incomes and revenues. The resilience reflected the preceding lengthening of debt maturities at fixed rates, buffers of assets, and a favourable labour market and prudential measures. That said, members pointed to pockets of vulnerability to interest rate risk, especially among smaller corporates and low-income households. These pockets of vulnerability could become more general to the extent that a prolonged period of high interest rates results in thinner buffers and large volumes of debt in need of refinancing.

Policies to mitigate housing market risks

Authorities from 14 jurisdictions shared their experience with policies to mitigate the financial stability risks arising from housing markets. The CGFS report that synthesised this experience concludes that the mitigation of boom-bust cycles in these markets requires consistency across a range of policy tools, including tax, planning and land supply. Further, tools that meet objectives without requiring adjustments help to address inaction bias, while open communication about cost-benefit trade-offs enhances long-term policy support.

To promote the report and exchange views with non-CGFS central banks, other authorities and academics, the CGFS co-organised a conference with the Bank of France.

Climate risk insurance gap

The CGFS discussed the financial stability and macroeconomic implications of a persistent gap in the insurance of physical climate risks. Insurers and reinsurers have not been willing or able to provide sufficient coverage of such risks, while sovereign backstops in the face of climate-related losses can undermine public finances. Against this backdrop, a key question is whether markets for insurance linked securities could be part of the solution. Members shared views on the extent to which public authorities, including central banks, can help close the insurance gap.

OTC derivatives statistics

Under the auspices of the CGFS, central banks submit to the BIS statistics on over-the-counter (OTC) derivatives. To enhance the analytical usefulness of these data, CGFS members agreed to enhance foreign exchange (FX) derivatives statistics with additional detail on the direction of trade and the country of counterparties.

More information about the Committee on the Global Financial System at www.bis.org/cgfs.

Markets Committee

John C Williams
Chair of the Markets Committee

The Markets Committee is a forum for senior central bank officials to discuss current market conditions, market functioning and monetary policy operations. It comprises senior officials from 27 central banks. The Markets Committee is chaired by John C Williams, President and Chief Executive Officer of the Federal Reserve Bank of New York.

In 2023/24, the Markets Committee held regular meetings to analyse market developments and share experiences on ongoing monetary policy operations. A key focus was an exchange of views on the practicalities of implementing monetary tightening, including quantitative tightening, and assessing the implications and interactions with market dynamics.

Over the course of the year, the Markets Committee also undertook more analytical work. In a series of workshops, it explored conceptual considerations and estimation methodologies to better understand the demand for reserves. In March 2024, the Markets Committee published a paper on FX markets and FX interventions drawing on insights from a workshop that discussed FX market developments in 2022 and medium-term changes to the market structure. The workshop also reflected on lessons learned for FX interventions from the recent global tightening episode.

In its role as a conduit between the BIS member central bank Governors and the Global FX Committee (GFXC), the Markets Committee sent an open letter to the GFXC as input into the 2024 review of the FX Global Code. It commended the GFXC for its promotion of robust, fair, liquid and transparent FX markets and stressed the need to continue its work to ensure that the FX Global Code remains fit for purpose. In its broader support for market functioning, the Markets Committee has also agreed to monitor the evolving use of reference rates in global financial markets on a regular basis following the Financial Stability Board's work on transitioning to towards robust benchmarks in 2023.

More information about the Markets Committee at www.bis.org/about/factmktc.htm.

Central Bank Governance Group

Lesetja Kganyago
Chair of the Central Bank Governance Group

The Central Bank Governance Group (CBGG) is the forum for Governors' discussions and knowledge-sharing on governance and institutional design. It is chaired by Lesetja Kganyago, Governor of the South African Reserve Bank, and comprises Governors from eight BIS member central banks as standing members, while other Governors join discussions when the topic is of particular relevance to them. The CBGG's secretariat prepares background analyses for these meetings. It also supports the Central Bank Governance Network and acts as a clearing house among central banks for information on the governance and institutional design of BIS members.

Central Bank Governance Network

The Network is an informal mechanism to facilitate the flow of information on matters of central bank institutional design. It improves the efficiency of information-gathering among BIS member central banks on topics related to governance and organisational arrangements. Specialised surveys are conducted through Network members as needed to inform CBGG discussions.

Governance challenges for central banks

Recent CBGG discussions considered governance issues related to how central banks can best carry out their unique role in the face of a challenging economic environment and risks on the horizon. The Group discussed governance arrangements for managing interactions between price and financial stability objectives, the factors that shape interactions between central banks and governments, and governance issues and opportunities for CBDCs. The group also discussed meeting protocols for central bank policy boards and the management of reputational risk at central banks.

More information about the Central Bank Governance Group at www.bis.org/cbgov.

Irving Fisher Committee on Central Bank Statistics

Alberto Naudon
Chair of the Irving Fisher Committee
on Central Bank Statistics

The Irving Fisher Committee on Central Bank Statistics (IFC) is a forum in which central bank economists and statisticians engage with and address statistical topics related to monetary policy and financial stability. Governed by BIS member central banks, it is hosted by the BIS and works in close association with the International Statistical Institute (ISI). As an example, the IFC sponsored several sessions on behalf of the central bank community on the occasion of the 64th ISI World Statistics Congress held in 2023. The IFC has 103 members, including all BIS member central banks. It is chaired by Alberto Naudon of the Central Bank of Chile.

Organisational issues

In 2023/24, the IFC conducted a membership survey on the statistical function in central banks. In most cases, the statistics team is a separate unit. Its financial resources are relatively limited, primarily covering current operations, eg internal staff costs. Another lesson from the survey is the importance of the IFC's role as a centre for knowledge-sharing and international cooperation on statistics-related methodologies, initiatives and training. This is achieved through dedicated publications, for instance with short IFC *Guidance Notes*, as well as the use of a secured platform for sharing restricted information on the practical handling of specific issues. The IFC also hosts the historical monetary and financial statistics (HMFS) central bank network and provides training on financial accounts and official statistics.

Communication of official statistics

In March 2024, the IFC published a report analysing the recent evolution of the statistical communication function within central banks and identifying potential actions for improvement.

Micro data

A dedicated seminar was organised on the occasion of the 64th ISI World Statistics Congress to take an integrated view of the use of micro data by central banks, highlighting the analytical value and the tools and approaches needed to unlock its potential as well as the challenges it poses.

Data science

The IFC conducted an in-depth review of central bank applications supporting artificial intelligence, with a focus on natural language processing tools and large language models. It has also been organising with the Bank of Italy recurrent data science workshops to review developments in the big data ecosystem and the ongoing adoption of data analytics.

Fintech

In 2023/24, the IFC continued to work on the statistical implications of fintech developments, not least in the context of the ongoing revision of international statistical classification systems and manuals.

Sustainable finance

A dedicated IFC working group has been looking into sustainable finance data issues in recent years, especially in the G20 context to develop indicators for green finance. The IFC has also taken several initiatives to spur progress on the carbon content measurement of economic output and on addressing climate change data needs.

More information about the Irving Fisher Committee at www.bis.org/ifc.

International associations at the BIS

The following associations have secretariats at the BIS. They have their own separate legal identities and governance structures. The BIS is a member of the FSB and IAIS.

Financial Stability Board

The Financial Stability Board (FSB) promotes international financial stability by coordinating the work of national financial authorities and international standard-setting bodies as they develop regulatory, supervisory and other policies. It fosters a level playing field by encouraging consistent implementation of these policies across sectors and jurisdictions. The FSB is chaired by Klaas Knot, President of De Nederlandsche Bank.

A review of lessons from the 2023 bank failures confirmed the soundness of the international resolution framework provided by the FSB *Key Attributes of Effective Resolution Regimes for Financial Institutions*. It also highlighted areas requiring further attention to ensure the effective implementation of the international resolution framework and safeguard financial stability.

Work to enhance resilience in the non-bank sector also continued apace. The FSB issued revised policy recommendations to address liquidity mismatch in open-ended funds. As a precursor to launching policy work to address vulnerabilities associated with leverage in non-bank financial intermediation, the FSB delivered to the G20 a report examining leverage trends and associated financial stability risks.

The FSB also achieved some significant milestones in its other priority areas. The publication of global sustainability disclosure standards by the International Sustainability Standards Board was a key step in the FSB's *Roadmap for Addressing Financial Risks from Climate Change*. The FSB also finalised its global regulatory framework for cryptoasset activities, to promote comprehensive and internationally consistent regulatory and supervisory approaches for those activities. It also published its inaugural annual report on key performance indicators for meeting the targets for cross-border payments.

More information about the FSB at www.fsb.org.

International Association of Deposit Insurers

The International Association of Deposit Insurers (IADI) is the global standard-setting body for deposit insurance systems. Established in 2002, IADI helps jurisdictions to improve the effectiveness of deposit insurance systems by developing effective policies and standards, monitoring their adoption, and collecting and analysing data on deposit insurance and bank failures. The President and Chair of IADI's Executive Council is Alejandro López, Chief Executive Officer of Seguro de Depósitos Sociedad Anónima, Argentina.

In 2023/24, IADI's members adopted statutory changes that strengthen IADI's role as a standard setter and recognise the important contributions that deposit insurers make to financial stability as participants in the financial safety net and in crisis management and resolution.

In December 2023, IADI published a report on the banking turmoil of 2023, identifying potential implications and emerging policy issues for deposit insurance systems.

IADI is committed to working towards the implementation of a holistic approach to financial safety net coordination, building on close coordination among financial safety net authorities and IADI's increased engagement and cooperation with other standard-setting bodies, in particular the BCBS and the FSB.

During 2023/24, IADI continued its research, training and capacity-building activities, promoting cooperation among deposit insurers and facilitating the sharing of best practices on deposit insurance systems.

More information about IADI at www.iadi.org.

International Association of Insurance Supervisors

The International Association of Insurance Supervisors (IAIS) is the global standard setter for insurance supervision. Its aim is to promote effective and globally consistent supervision of the insurance industry to develop and maintain fair, safe and stable insurance markets. It is chaired by Shigeru Ariizumi, Vice Minister for International Affairs, Financial Services Agency of Japan.

Throughout 2023/24, the IAIS maintained a significant focus on macroprudential surveillance. It conducted its annual Global Monitoring Exercise and assessed the implementation of the IAIS Holistic Framework, endorsed by the FSB in 2022 as an effective approach to addressing potential systemic risk stemming from the insurance sector. The IAIS continues to assess the implementation of the Holistic Framework supervisory material through its Targeted Jurisdictional Assessment (TJA).

In the first quarter of 2024, the IAIS launched the final year of monitoring for the Insurance Capital Standard (ICS), with momentum building towards its adoption as a prescribed capital requirement for internationally active insurance groups (IAIGs) by end-2024. The ICS will establish a common language for supervisory discussions regarding the group solvency of IAIGs and enhance global convergence in group capital standards.

In addition, the IAIS provided extensive supervisory guidance on key themes such as climate risk, cyber risk, digital innovation, financial inclusion, conduct and culture, and diversity, equity and inclusion. A new area of focus was on natural catastrophe protection gaps and disaster resilience, culminating in a report published in November 2024 covering a call to action on the role of insurance supervisors in addressing natural catastrophe protection gaps. The IAIS also continued its efforts to facilitate cooperation amongst insurance supervisors and the exchange of supervisory information through its many forums and capacity-building programmes.

More information about the IAIS in the IAIS 2023 Year in Review.

Other areas of international cooperation

The BIS participates in international forums and collaborates with key international financial institutions. It also contributes to the activities of central banks and regional central bank organisations by participating in their events as well as hosting joint events. During the past year, the Bank co-organised events or collaborated with the following organisations:

- Arab Monetary Fund (AMF)
- ASEAN+3 Macroeconomic Research Office (AMRO)
- Asian Forum of Insurance Regulators (AFIR)
- Association of Insurance Supervisors of Latin America (ASSAL)
- Association of Southeast Asian Nations (ASEAN)
- Association of Supervisors of Banks of the Americas (ASBA)
- Center for Latin American Monetary Studies (CEMLA)
- Centre for Economic Policy Research (CEPR)
- European Banking Authority (EBA)
- European Commission
- European Investment Bank (EIB)
- European Money and Finance Forum (SUERF)
- European Stability Mechanism (ESM)
- Eurostat
- Executives' Meeting of East Asia-Pacific Central Banks (EMEAP)
- G20
- Institute of International Finance (IIF)
- Inter-American Development Bank (IDB)
- International Journal of Central Banking (IJCB)
- International Monetary Fund (IMF)
- International Organization of Securities Commissions (IOSCO)
- Joint Vienna Institute (JVI)
- Network of Central Banks and Supervisors for Greening the Financial System (NGFS)
- Organisation for Economic Co-operation and Development (OECD)
- South East Asian Central Banks (SEACEN)
- United Nation Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA)
- World Bank Group

4

The bank for central banks

The BIS provides a broad range of banking services to central banks and other official sector customers. Activities include deposit-taking, gold and foreign exchange trading services, and the management of pooled fixed income products and dedicated investment mandates. Banking staff also manage the BIS's own funds and conduct knowledge-sharing activities for the broader reserve management community.

Banking activities

BIS Banking has two major objectives: to manage the Bank's capital and to provide a broad range of banking services to central banks, monetary authorities and international organisations. As the Bank's profit centre, the Banking Department seeks to offer these services at competitive rates, while generating a sufficient level of profit to maintain the Bank's operations, provide BIS shareholders with an appropriate dividend and maintain an adequate capitalisation level.

BIS banking services are designed to meet the reserve management demands of central bank and other official sector customers. In addition to delivering on reserve managers' core objectives of safety, liquidity and return, this involves reliable execution, around-the-clock service provision and strong customer focus. The BIS's banking activities thus evolve continuously to keep pace with the reserve management community's adaptation to the changing macro-financial environment, driving a strong emphasis on product innovation and competitive pricing across the whole product range.

The BIS's banking business is underpinned by a strong capital position as well as a stringent risk management framework (see page 151). It is conducted in accordance with relevant principles and industry standards, such as the FX Global Code and Swift's Customer Security Programme, as well as best market practices and the highest ethical standards. As a key part of its institution-wide environmental sustainability agenda (see page 128), the Bank also strives to promote green finance by enabling large-scale, climate-friendly investments and by helping to establish relevant market standards for sustainability-focused financial instruments, including by offering a range of sustainable financial products to reserve managers and other BIS clients (see box on next page).

Highlights for 2023/24

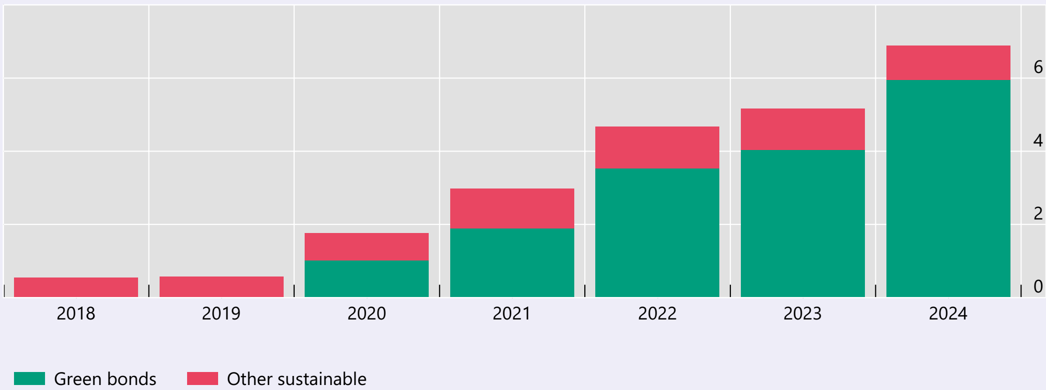
The financial year through end-March 2024 was characterised by financial markets continuously reassessing the outlook for monetary policy, seeking to anticipate the turn in the policy cycle in major global economies. With growth momentum in many of these economies holding up better than previously expected, yields initially continued their earlier upward drift, though at a much reduced pace relative to what had been observed in financial year 2022/23. Starting in October, with the peak in the policy rate cycle finally seen as coming closer, yields started to change direction, only to drift up again early in 2024 to levels somewhat higher than those at the start of the financial year.

While this resulted in a market environment that continued to be rather volatile during the period, key activity metrics point to a very successful financial year for the BIS. Supported by strong demand for the Bank's products and services, at end-March 2024 BIS total assets stood at SDR 379.2 billion, up from SDR 350.3 billion the previous year. The Special Drawing Right, or SDR, is a basket of currencies defined by the International Monetary Fund, which serves as the Bank's unit of account or "numeraire".

The expanding range of sustainable BIS banking products

Reserve managers have traditionally focused on a triad of objectives: liquidity, safety and return. Recently, however, concerns about environmental risks and large-scale climate-friendly investment needs have raised the question of whether sustainability should be added as a fourth objective. Indeed, when asked about the importance of different reserve management objectives in 2020, 2022 and 2024, respectively, more than half of the responding reserve managers indicated that sustainability was deemed at least somewhat relevant for their decisions. Thus, while safety, liquidity and return remain the most important reserve management objectives, sustainable investments have clearly gained traction.

BIS sustainable assets under management (USD billions)



Source: BIS; end-March 2024 data.

To help meet the rising demand for sustainable investments and support the adoption of best market practices for these new instruments, the BIS has developed a growing suite of investment products dedicated to sustainability objectives. In addition to the two USD- and EUR-denominated green bond BIS Investment Pools (BISIPs) launched in 2019 and 2021, respectively, this includes a USD-denominated green bond BISIP targeting issuers from the Asia-Pacific region (launched in 2022), a corporate bond BISIP managed on the basis of responsible investment guidelines (launched in 2017) and dedicated sustainable investment mandates managed for individual clients. As of the end of the financial year, assets under management across these products had reached a new record level of around $6.9 billion (SDR 5.2 billion); of these, some $5.9 billion (SDR 4.5 billion) were in green bond products (see graph). As an additional service for its green BISIP investors, the BIS also prepares dedicated annual impact reports, based on information provided by the issuers of the underlying bonds, to provide a sense of the environmental benefits that investors can expect to achieve.

As of May 2024, these asset management products have been complemented by a new sustainable medium-term instrument (MTI) that combines the features and liquidity of the BIS's Treasury products with the ability to pursue environmental sustainability objectives. Funds invested will be used to purchase or refinance a portfolio of sustainable assets (labelled bonds by supranational, sovereign and agency issuers as well as select covered and corporate bonds with credit ratings of AA+ and above) in the green, social, sustainability and sustainability-linked sectors. Just like other MTIs, the product is designed to mimic the features and market conventions of the respective government bond markets, while offering a yield pickup relative to those government bonds and being quoted at a fixed bid/offer spread.

With currency deposits reaching a new all-time high, at SDR 336.4 billion in January 2024, and third-party assets under management seeing renewed net inflows after a slowdown in 2022/23, net profits reached a strong SDR 832 million by end-March 2024. This was up from the level realised in financial year 2022/23 and significantly higher than the SDR 341 million seen in 2021/22, reflecting higher average yields and corresponding carry income than in earlier financial years. Total comprehensive income, in turn, stood at around SDR 1,539 million at end-March, significantly up from the level of the previous year and reflecting unrealised valuation gains on the Bank's gold holdings as well as the own funds fixed income portfolios.

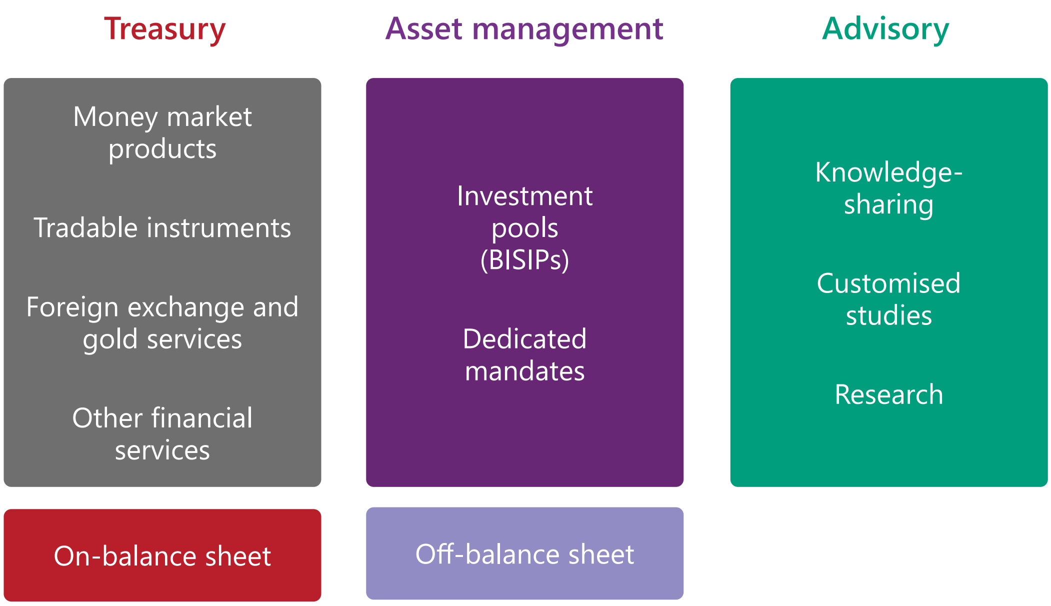
> "Close cooperation across all activity areas in Banking as well as nimble responses to central bank needs were key to achieving our strong results in 2023/24."

During the financial year, further progress was made on implementing the Banking Department's ambitious transformation agenda as part of the overall Innovation BIS 2025 strategy. With the implementation of the Bank's new investment strategy (eg the addition of various new diversifying asset classes) now complete, the focus is continuing to shift in the direction of further system upgrades. This includes major enhancement projects on electronic trading and client reporting, which are now well under way. Further progress was also made in terms of product development, with a new sustainable medium-term instrument (MTI) as a key additional Treasury product offering. This added to the existing range of sustainable products on the asset management side of the business (see box above). The Bank's asset management services, in turn, were expanded by the funding of a new BIS Investment Pool (BISIP) dedicated to CNY-denominated debt issued by Chinese policy banks.

Scope of banking services

The BIS offers a broad range of financial services to a global customer base of about 200 central banks, monetary authorities and international organisations (see infographic below). To provide these services, BIS banking operates from three interlinked dealing rooms, located in Basel, Hong Kong SAR and Mexico City (see Chapter 3). Jointly, the three locations offer services on a near 24-hour basis to all BIS clients, and help maintain close contact with reserve managers and other counterparties across the globe, and from the Asian through the European and late US trading sessions.

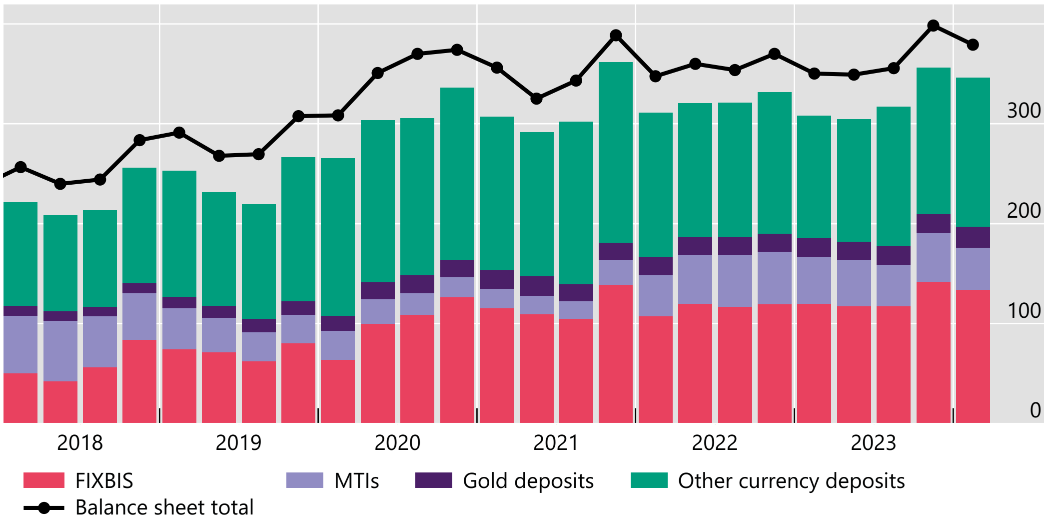
Products and services offered by the BIS Banking Department



Source: BIS.

Reflecting recent additions to the Bank's product range as well as adaptive pricing, average currency deposits (on a settlement date basis) over the financial year rose to around SDR 297.7 billion, from SDR 294.2 billion in 2022/23. After reaching a peak at SDR 336.4 billion in early January, daily currency deposits closed the year at SDR 325.2 billion as of 31 March 2024. As a result, total deposits, a broader measure covering additional placements such as gold deposits, stood at SDR 346.1 billion, from SDR 308 billion in 2023 (see graph on next page).

Balance sheet total and deposits by product



End-quarter figures, in billions of SDR.

Source: BIS.

Financial products and services

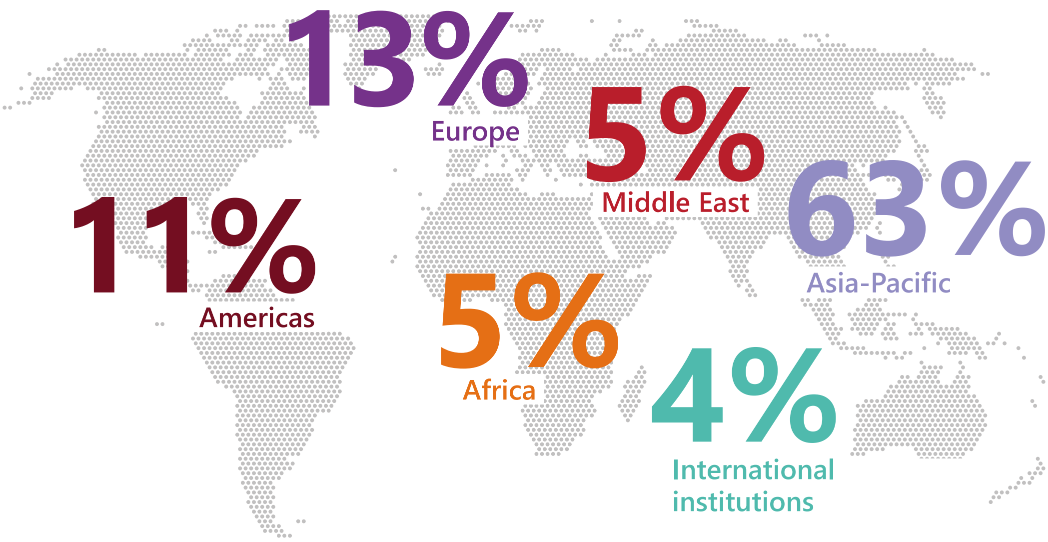
Money market and tradable instruments

BIS Treasury offers money market placements, such as sight/notice accounts and fixed-term deposits, and tradable instruments in maturities ranging from one week to five years. The latter take the form of fixed rate investments at the BIS (so-called FIXBIS), MTIs and products with embedded optionality (known as callable MTIs). All these products, which are collectively known as the Bank's borrowed funds business, are designed and priced to offer returns that are competitive with those of comparable sovereign debt instruments, while providing the high credit quality and liquidity required by the Bank's reserve management clients.

> A strong product pipeline and adaptive pricing have helped to keep deposits at near record levels.

Over the past year, the development of new customer products and the attractive pricing of existing ones have remained key priorities, helping to further increase the volume of customer placements from an already high level (see above). Underscoring the Bank's global reach, and broadly unchanged in terms of past regional patterns, some 63% of overall currency deposits came from the Asia-Pacific region, with Europe contributing another 13% and much of the remainder shared by the Americas (at 11%) and Africa and the Middle East (see graph on next page).

Geographical distribution of currency deposits



Percentage; based on balance sheet values in SDR, excluding gold; financial year-end.
Figures do not sum to 100% due to rounding.

Source: BIS.

In this context, a particular focus was placed on the expansion of the Bank's existing sustainable products into the Treasury area. After the successful launch of various MTIs referencing the new benchmark risk-free rates in 2021–23, a new USD-denominated sustainable MTI was added in May 2024, shortly after the end of the financial year (see box). In addition, work has been continuing on the introduction of products in new currencies, such as a FIXBIS denominated in the Mexican peso.

Foreign exchange and gold services

Along with its main currency deposit products, the BIS also offers foreign exchange (FX) and gold-related services that have seen significant growth in activity over recent years. As part of this business, the Bank conducts FX transactions on behalf of its central bank customers, providing access to a large and diversified liquidity pool. BIS FX services encompass spot transactions, swaps, outright forwards, options and so-called dual currency deposits.

Over recent years, advanced electronic FX trading capabilities have been developed to provide BIS customers with enhanced liquidity and transparency for their spot transactions. This includes the Bank's e-FX platform, which offers price aggregator-based trade execution capabilities to help customers implement even large spot and FX swap trades at competitive rates. In 2023/24, about 51% of customer spot deals were handled via this platform, in line with the average share over previous years.

The BIS also provides comprehensive gold-related services that include buying and selling on a spot basis and via outright forwards, swaps and options. Other gold services comprise sight accounts, fixed-term and dual currency deposits as well as physical services, such as quality upgrading, refining, safekeeping and location exchange.

In 2023/24, client activity in both the gold and FX areas benefited from volatile, but rising, gold prices as well as prolonged periods of depreciation pressures and corresponding trading activity across a range of currencies vis-à-vis the US dollar, with turning points in the respective markets reached in October 2023.

Asset management services

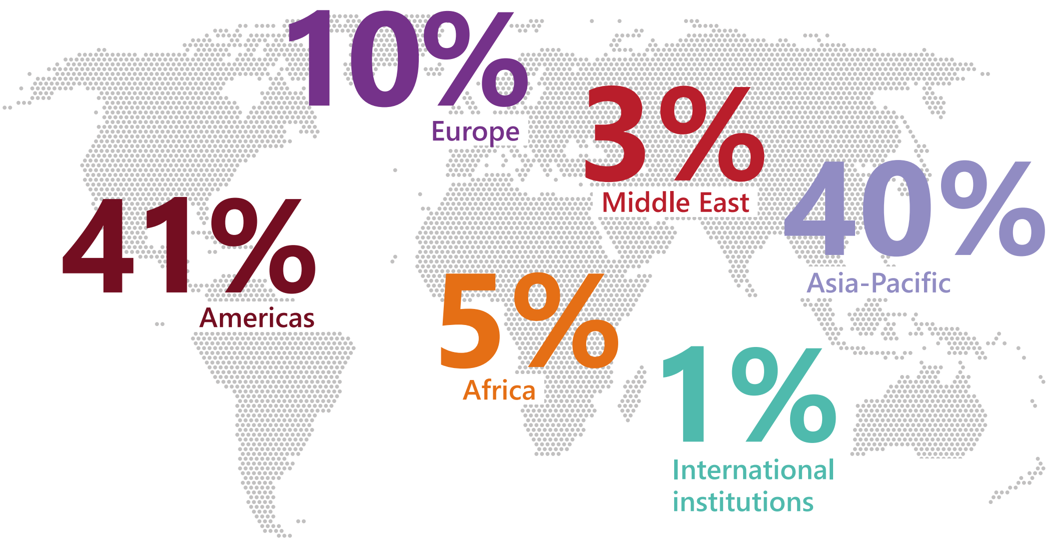
Leveraging the existing own funds management infrastructure (see below), the Bank offers two types of fee-based third-party asset management products to the reserve management community: (i) dedicated mandates tailored to clients' specific requirements; and (ii) open-ended fund structures – BIS Investment Pools or BISIPs – that allow groups of BIS customers to invest in a common pool of reserve assets. Returns are accrued for the benefit of the Bank's asset management clients and do not affect the BIS profit and loss.

> Sustainable products continued to attract strong interest, leading the renewed increase in assets under management.

Client assets across both mandates and BISIPs, which are not included in the BIS balance sheet, amounted to SDR 26.1 billion at end-March 2024. This was up from the SDR 24.3 billion recorded at the end of financial year 2022/23, and higher even than the SDR 25.4 billion established the previous year. Overall assets under management benefited from a resumption in net client inflows, supported by recovering global reserve levels, as well as more limited valuation changes from adjustments in yields.

Sustainable investment flows were particularly strong, especially among customers from the Americas (see Chapter 3), with net inflows of SDR 1.3 billion ($1.7 billion) recorded across the three green bond BISIPs. A new green bond investment mandate remains under development (see box on pages 89–90). In terms of geographical distribution, the Americas and Asia-Pacific were the regions with the highest shares of assets under management (at around 40%, respectively), followed by Europe (10%) and with most of the remainder shared by Africa and the Middle East (see graph on next page).

Geographical distribution of assets under management



Percentage; based on balance sheet values in SDR, excluding gold; financial year-end.

Source: BIS.

In addition to offering investments in core USD- and EUR-denominated sovereign bonds, the BISIP structure is a key tool for accommodating central bank interest in more diversified foreign exchange reserve portfolios in a cost-efficient fashion. As a pooled structure, BISIPs offer significant economies of scale for investments in asset classes such as US inflation-protected Treasury securities and sovereign bonds denominated in key emerging market economy currencies, including the onshore Chinese renminbi (CNY) and the Korean won (KRW). Early in 2023/24, the existing family of BISIPs was expanded with the funding of a new CNY BISIP investing in paper issued by China's three so-called policy banks. This brought the number of BISIPs to a total of 12, with an overall SDR 22 billion under management.

Other services

In addition to the products described above, the BIS offers a range of other financial services, including short-term liquidity facilities through which central banks can make drawings against high-quality collateral. Such liquidity facilities add to the crisis management toolkit available to central banks, with speed of disbursement and operational efficiency among the key advantages. BIS facilities come in two forms. One is standalone bilateral facilities, which are agreements between the BIS and individual central banks. The other is central bank liquidity facilities, which were established as a backstop mechanism in case of market liquidity stress episodes such as during the Covid-19 pandemic, and that are offered in coordination with major reserve currency-issuing central banks. The BIS continues to offer and develop such central bank liquidity facilities in most of the SDR constituent currencies.

The Bank may also act as a trustee and collateral agent in connection with international financial operations. This includes providing ancillary reserve management services, such as supporting client central banks in reviewing and assessing their reserve management practices, and customised quantitative studies and research on asset allocation topics (see also "Customer outreach" below).

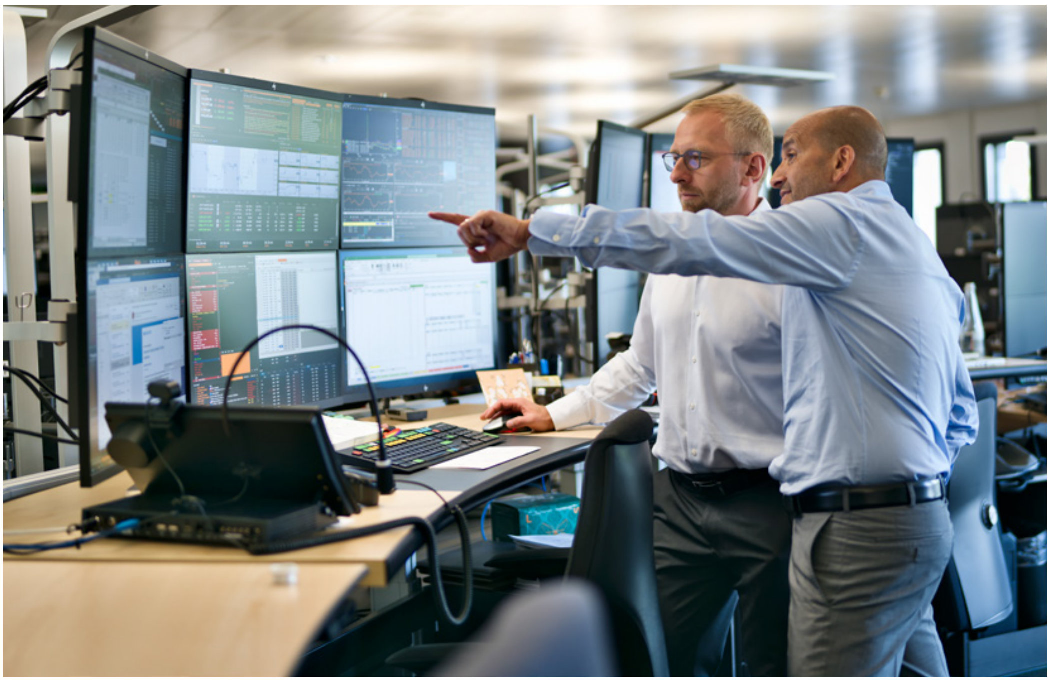
Management of the Bank's own funds

The objective of the BIS's own funds management is to maximise, within a defined set of risk constraints, the return on the Bank's equity capital. This equity capital stems from the paid-in capital of its shareholders and the retained earnings from its banking activities. At around SDR 25.1 billion as of end-March 2024, the asset side equivalent of this capital base was held in gold (102 tonnes at around SDR 5.5 billion) and high-quality, highly liquid fixed income instruments.

BIS own funds are managed by the Bank's Asset Management function (see above) and within the constraints established by the Bank's Risk Management Framework. Set by BIS Management in line with parameters established by the Board of Directors, the strategic benchmark for the Bank's fixed income investments is regularly reviewed in the context of an established strategic asset allocation process. With the SDR serving as the Bank's numeraire, the fixed income portion of the own funds is managed against a customised index comprising five groups of portfolios denominated in the SDR constituent currencies. To limit FX risk, these five currency portfolios are aligned with SDR basket weights and regularly rebalanced, with own funds fixed income returns driven mostly by interest rate risk.

> The Bank's own funds portfolio benefited from the now higher level of interest rates as well as recent diversification measures.

Reflecting the Bank's strategic objective to broaden the return drivers of the BIS own funds, recent changes to the list of eligible assets have added asset classes beyond nominal sovereign and quasi-sovereign bonds, such as US inflation-linked (Treasury Inflation Protected Securities) and US mortgage-backed securities as well as USD-, EUR- and GBP-denominated corporate and European peripheral bonds. A small allocation to unhedged local currency emerging market bonds, in turn, has introduced a tightly constrained element of FX exposure.



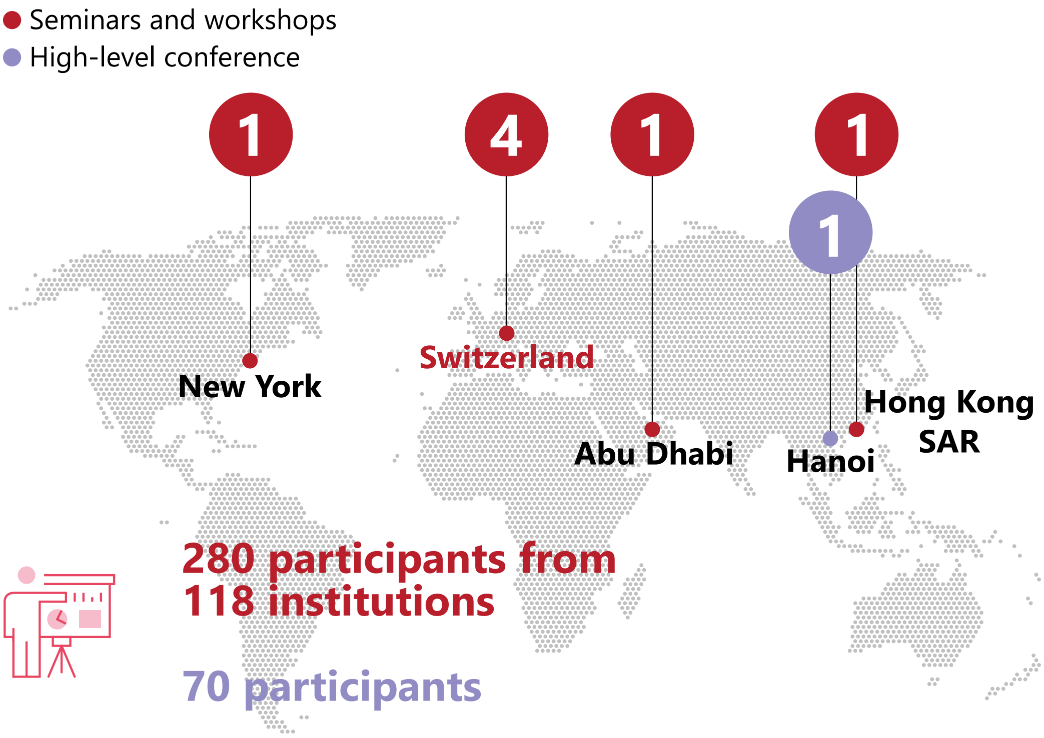
Customer outreach

The BIS Banking Department maintains an active programme of regular, bilateral client meetings as well as a schedule of larger seminar-style knowledge-sharing events. These are enhanced by more ad hoc outreach activities, such as seminars on particular topics or BIS products. BIS banking staff also regularly participate in events organised by other central banks or industry bodies. As part of the Bank's broader outreach activities, these meetings strengthen the feedback mechanism between the BIS and its banking customers, informing product development as well as service delivery. They also facilitate the exchange of information among reserve managers and promote the development of investment and risk management capabilities within the reserve management community.

Then Head of BIS Banking Peter Zoellner, Hong Kong Monetary Authority Chief Executive Eddie Yue, BIS General Manager Agustín Carstens and State Bank of Vietnam Governor Nguyễn Thị Hồng at the High-level Reserve Management Conference, Hanoi, Vietnam, September 2023

Based on the Department's regular schedule of in-person workshops and seminars, seven such events took place in 2023/24 – including an event co-organised with the Federal Reserve Bank of New York in New York, one with the Arab Monetary Fund in Abu Dhabi and an event at the BIS's regional office in Hong Kong SAR – hosting a total of 280 participants from 118 BIS client institutions. Furthermore, in response to client demand for knowledge-sharing at a more senior level, a two-day high-level reserve management conference was organised, together with the State Bank of Vietnam, for some 70 participants in Hanoi (see Chapter 3). Topics across these events included recent trends and challenges in foreign exchange reserve management, strategic asset allocation techniques and channels for the implementation of sustainable investments in reserve management.

Seminar participation numbers



Source: BIS.

As in previous years, various additional events featuring BIS banking products and selected reserve management topics were organised for regional clients, leveraging the expertise of the two regional dealing rooms in Asia and the Americas, and part of the Department's knowledge-sharing programme was offered in the form of webinars and in time frames targeting particular regions.

5 Fostering innovation

In this time of rapid and often unpredictable technological advancement, the BIS is dedicated to both enhancing current financial systems and forging new technological frontiers. The Bank has positioned itself at the forefront of financial technological innovation, bringing its central banking expertise to collaborative technological experimentation – always with the goal of supporting central banks in upholding their core mandates of monetary and financial stability.

The BIS Innovation Hub: enabling the financial system of the future

The BIS Innovation Hub supports central banks in responding to the rapid rate of technological change in the financial sector. The Innovation Hub has established itself as a global observatory of technological trends and a platform for the development of technology projects.

The Innovation Hub serves as a focal point for technological innovation in the financial sector and central banking community in two key ways:

- **Central bank collaboration and knowledge-sharing.** The BIS, with its member central banks around the world, provides a unique platform for knowledge-sharing and collaboration through technological experimentation. The BIS brings a global perspective to member central banks' local expertise.

- **Leveraging internal BIS expertise.** The Innovation Hub draws from the BIS's institutional strength: deep internal expertise. Innovation Hub project teams collaborate closely across the BIS with economists, cyber security and IT specialists, and policy advisers from hosted committees and associations.

In 2023/24, the Innovation Hub expanded its global presence with the addition of a new Hub Centre in Toronto, bringing the total number of Innovation Hub Centres to seven, including the Eurosystem (Paris/Frankfurt), Hong Kong SAR, London, Nordic (Stockholm), Singapore and Switzerland Centres. Additionally, the Innovation Hub has a strategic partnership with the US Federal Reserve System, through the New York Innovation Center of the Federal Reserve Bank of New York.

The Innovation Hub project portfolio focuses on six priority areas:

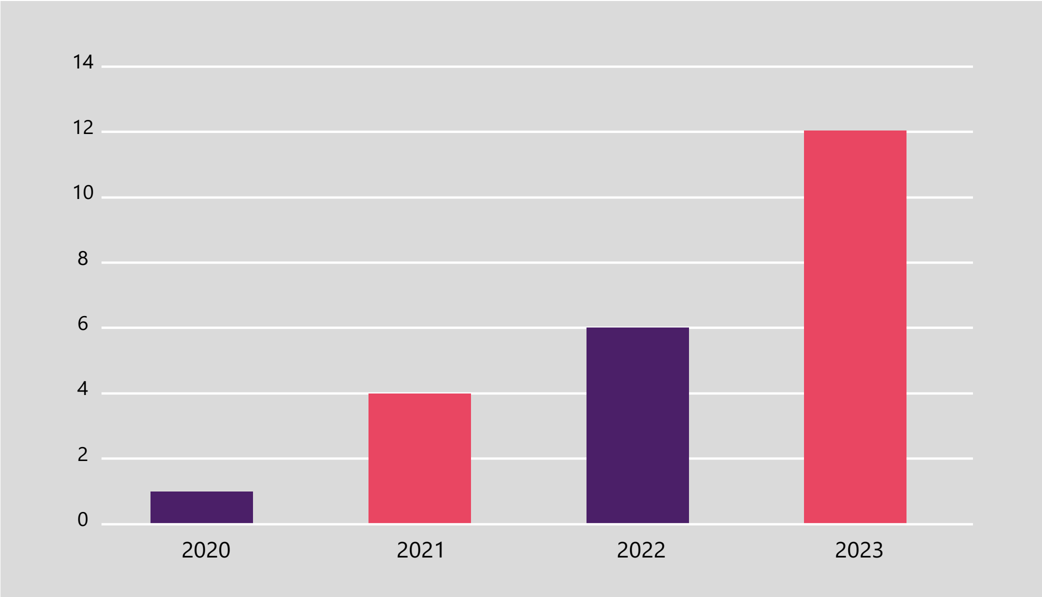
- central bank digital currencies (CBDCs)
- cyber security
- next-generation financial market infrastructures
- financial regulation, supervision and monetary policy technologies
- green finance
- open finance

For a complete list of Innovation Hub projects, see www.bis.org/about/bisih/projects.htm.

Over the past four years, the number of Innovation Hub projects has steadily increased. In 2023, the Innovation Hub completed 12 projects (see graph on next page). Presently, there are over 20 active projects in the Innovation Hub Centres.

The Innovation Hub recently completed its first cross-centre project, Project Mariana, involving the Switzerland, Singapore and Eurosystem Centres. The Innovation Hub actively identifies synergies between projects and opportunities for collaboration.

Number of completed BIS Innovation Hub projects over time



2020: Helvetia I
2021: Nexus I, mBridge I, Genesis I, Jura
2022: Helvetia II, Dunbar, Ellipse, Aurum, Genesis II, mBridge II
2023: Icebreaker, Nexus, Meridian, Polaris, Aurora, Leap I, Dynamo, Rosalind, Sela, Mariana, Atlas, Tourbillon.

Source: BIS Innovation Hub.

Technological collaboration for a future-ready global financial system

Monitoring trends and emerging technologies: The Innovation Hub, in collaboration with teams of experts across the BIS, monitors trends and emerging technologies. It keeps central banks informed of the latest technological developments, providing insights that help them to anticipate and prepare for the future.

Accelerating innovation through collaboration: The Innovation Hub provides a collaboration platform for the central banking community and partners from the public and private sectors. Its projects facilitate worldwide and multidisciplinary collaboration to produce new technological solutions that are greater than the sum of their parts.

Information- and expertise-sharing for the public good: Through the BIS Innovation Network, the Innovation Hub provides a platform for central bank experts in technology and innovation to share their expertise and exchange information on their experiments and important fintech developments.

The Innovation Hub also conducts hackathons to stimulate ideas and share expertise in the public space. Hackathons are an invitation to startups and established companies to contribute to the development of solutions that are relevant to the central bank community and serve the public good.

Central banks taking forward the work of the BIS Innovation Hub

Several projects initiated by the Innovation Hub are being adopted by central banks around the world for further development and to accommodate their specific needs:

- Five Association of Southeast Asian Nations (ASEAN) central banks are planning to use the Project Nexus model to connect their countries' fast payment systems and facilitate cross-border transactions across a region with a combined population of around 500 million.
- The Swiss National Bank, leveraging Project Helvetia, is running a pilot project with six commercial banks, circulating a real Swiss franc wholesale CBDC for settling real bond transactions.
- The Hong Kong Monetary Authority assisted the Hong Kong SAR government in issuing the first tokenised green bond based in part on the lessons learned from Project Genesis.

The year's highlights

In 2023/24, the BIS Innovation Hub increased its focus on:

- improving payment systems and experimenting with wholesale and retail CBDCs.
- shaping the future of financial regulation and supervision
- greening and securing the financial sector

Revolutionising global payments infrastructure: Project Agorá is a large-scale collaboration involving BIS Innovation Hub Centres, private banks, payment system providers, financial market infrastructure providers and seven central banks: the Bank of France (on behalf of the Eurosystem), the Bank of Japan, the Bank of Korea, the Bank of Mexico, the Swiss National Bank, the Bank of England and the Federal Reserve Bank of New York. Project Agorá aims to revolutionise global payments infrastructure by consolidating tokenised forms of both central bank and commercial bank money on a singular digital platform – a unified ledger.

Making cross-border payments more efficient: Sending money abroad is often still slow and expensive, especially for individuals. Project Nexus aims to improve the speed, cost and transparency of cross-border payments by providing a standardised, single connection that links domestic fast payment systems globally. Project mBridge seeks to reduce cross-border payment complexity and increase transparency and speed while reducing costs. The observers in this project are 24 central banks and three international organisations. It experiments with a common platform for wholesale cross-border payments using multiple CBDCs.

On retail CBDCs, five Innovation Hub projects investigated important retail aspects: cross-border arrangements (Project Icebreaker), privacy (Project Tourbillon), offline functionalities (Project Polaris), security (Project Sela) and interoperability (Project Rosalind).

Money laundering detection: With Project Aurora, the Innovation Hub is collaborating with banks and the broader financial sector, using advanced analytics and behavioural analysis to more effectively detect money laundering networks.

Monitoring cryptoasset markets for financial stability risks: Project Atlas collected data from numerous crypto exchanges and public blockchains globally. Its dashboard provides clear visualisations of international cryptoasset flows. This offers central banks vital insights into the macroeconomic significance of cryptoasset markets and decentralised finance and the potential financial stability risks they pose.

Modernising financial market infrastructures: The Innovation Hub is supporting the BIS and Inter-American Development Bank initiative to modernise financial systems in Latin America and the Caribbean. Through Project FuSSE (Fully Scalable Settlement Engine), the Innovation Hub is developing a flexible financial technology tool that can handle a growing number of transactions across various infrastructure types.

BIS-Inter-American Development Bank presentation of Project FuSSe, April 2024

Hackathons and collaborative communities: This year members of the central banking community were invited to join the Project Rosalind TechSprint (hackathon). Participants were able to quickly test potential retail CBDC applications using the Project Rosalind Sandbox. The Innovation Hub also invited central banks and regulatory authorities to further develop the Project Ellipse platform and create new applications.

Supporting global innovation initiatives: In 2023, the Innovation Hub collaborated with the Indian G20 Presidency and the United Arab Emirates COP28 Presidency to co-host global hackathons, the G20 TechSprint and the COP28 TechSprint, exploring innovative technological solutions to tackle challenges in the area of cross-border payments and sustainable finance.


BIS Innovation Hub

BIS Innovation Summit 2024

The 2024 Innovation Summit theme was "Navigating rapid innovation". The event took place at the BIS headquarters and was attended by 310 participants with various backgrounds, including attendees from central banks, regulatory agencies, technology companies, universities and international organisations. It was livestreamed for global accessibility.

The BIS Innovation Summit featured several prominent and high-level speakers who examined major trending topics, exploring how technological innovation will affect and shape the financial sector of the future. Event sessions focused on two major sub-themes:

- artificial intelligence in central banking and financial services
- unified ledgers and their components

In-person attendees also participated in technical roundtables where discussions focused on how Innovation Hub projects have started to address pressing technological issues.

Cyber Resilience Coordination Centre

The Cyber Resilience Coordination Centre (CRCC) was created as part of the Innovation BIS 2025 strategy to provide a structured approach to knowledge-sharing and collaboration among central banks. The CRCC supports central banks in their efforts to make their operations more secure and resilient in the wake of rapid innovation and change in the financial sector.

The CRCC and the Innovation Hub work synergistically. While the Innovation Hub helps central banks harness the potential of new technologies, the CRCC ensures their readiness for this technological advancement by strengthening their defences and building cyber resilience capabilities. It provides central banks with:

- benchmarking frameworks for cyber resilience self-assessment
- training and security expertise in relation to emerging financial technology trends
- fully customised incident response strategy exercises
- a collaboration platform for the exchange of best practices
- virtual access to cyber security personnel in other central banks

The year's highlights

Knowledge-sharing

Cyber Resilience Assessment

The Cyber Resilience Assessment (CRA) methodology was developed by Carnegie Mellon University's Software Engineering Institute and is based on the CERT Resilience Management Model that was first published in 2010. It focuses on the cyber resilience of a specific critical business service and the mix of strategies needed to protect and sustain the people, information, technology, facilities and assets deployed to deliver this specific service. The CRA methodology uses indicators to distinguish levels of an organisation's capability to perform activities in 10 domains for its programme planning, related management processes and periodic performance review, and how the organisation shares improvements and lessons learned.

Additional work scheduled in 2024 will modify the CRA tool and will include mapping ISO 27001, in addition to the National Institute of Standards and Technology Cybersecurity Framework, and developing an enterprise-wide CRA tool.

CRCC publications

In 2023/24, the CRCC published two research papers together with the BIS Innovation Hub's Nordic Centre and the Bank's Consultative Group on Risk Management. The papers focus on the security and risks associated with CBDCs.

BIS Cyber Resilience Coordination Centre – 2023

20 events held

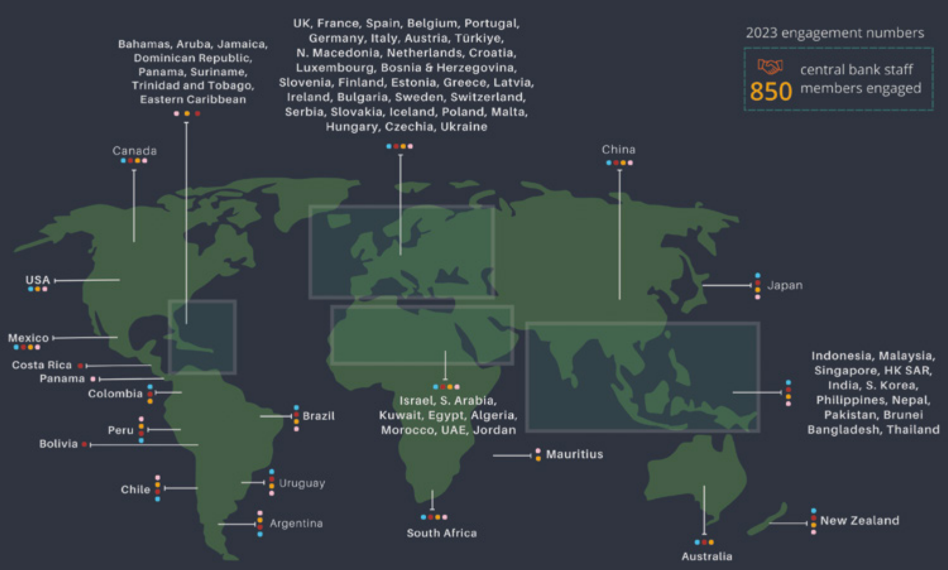
66 central banks engaged

58 BIS member central banks engaged

CRCC Global Engagement

2023 engagement numbers

850 central bank staff members engaged



GCRG · Cyber Range Exercises · Annual Seminar · Workshops and other events

Cyber Range Exercises

CRX 06 - Resilience Crossweave - Basel

Hybrid Exercise

Technical Cyber Range exercise + Executive Table-top exercise

Technical defenders & executive decision makers **70**

31 central banks

CRX 07 - APAC

20 participants

central banks **9**

5 teams

CRX 08 - Kuwait

25 participants

teams **5**

Central Bank of Kuwait sponsored Cyber Leaders Program

BIS Cyber Resilience Coordination Centre – 2023

Beacon

1 main site

6 discussion forums

280 central bank members

3000 site visits

114 individual content pages

408 participants attended 8 virtual B-Talks webinars

Securing the future monetary system – Cyber Security for CBCs

CRCC and BIS Innovation Hub – Nordic Centre joint 2-day conference

Topics covered

- Cyber threat landscape update
- Secure design, automations, risks and governance for CBCs
- Novel arack parerns tor bert that could apply to coDec
- The threat from quantum computing & roadmap for quantum safety Data privacy and compliance in CBC systems

160 participants

38 central banks

35 speakers

Cyber Security Research

2 Papers published:

- Closing the CBDC cyber threat modelling gaps
- Cybersecurity a Key Risk on CBDCs

6 Central banks and the BIS Innovation Hub Nordic Centre collaborated with CRCC on the research

14 Members from central banks, CRCC & Innovation Hub Nordic Centre worked on the papers

57 GCRG members

May GCRG meeting (Singapore)	35 participants	30 central banks
November GCRG meeting (virtual)	50 participants	33 central banks

B-Talks

The CRCC debuted its "B-Talks" monthly webinar series in February 2023. B-Talks focuses on security topics that affect the central bank community. These webinars drew participation from over 400 members across various sessions.

BIS-FIT courses

The CRCC is collaborating with the Financial Stability Institute to develop the Cyber Resilience module in the BIS online course on finance, innovation and technology (BIS-FIT) (see page 54). The module offers tutorials covering several cyber resilience topics relevant to the financial sector, such as cyber security risks in fintech and innovation, how to perform a cyber resilience assessment, cyber attacks in theory, cloud and AI risks, and external dependency management.

Collaboration

Global Cyber Resilience Group

The Global Cyber Resilience Group (GCRG) is a forum where central bank chief information security officers or their equivalent discuss both tactical and strategic cyber resilience topics. The GCRG's overall objective is to further enhance international consistency and seek ways that central banks can coordinate to increase the effectiveness and efficiency of approaches to strengthening cyber resilience. Its members are 57 BIS member central banks.

The GCRG's virtual meeting in November 2023 was attended by 50 participants from 33 central banks. Topics discussed ranged from central banks' approaches to AI, with a guest speaker on the topic, to development, security and operations (DevSecOps) implementations.

Securing the future monetary system: cyber security for CBDCs

In November 2023, the CRCC and the BIS Innovation Hub's Nordic Centre held a joint two-day conference in Basel. Topics discussed ranged from the cyber threat landscape, secure design automation, risks and governance for CBDCs to quantum computing threats and the roadmap for quantum safety, data privacy and compliance in CBDC systems. In attendance were 160 participants from 38 central banks.

Beacon

Beacon is the CRCC's flagship collaborative platform, with 336 members actively engaging with our content.

Operational readiness

Cyber range exercises

Cyber range exercises are fully customised, hands-on, interactive, realistic learning exercises for central bank security defenders and incident responders. These exercises allow participants to test their skills at defending and responding to sophisticated cyber attacks in a controlled environment, while gaining further knowledge of central banks' common business systems. Through realistic scenarios designed specifically for central banks, cyber range exercises can help improve incident handling processes, the proficiency of staff, team collaboration and inter-organisational information-sharing. This all leads to better cyber resilience across central banks.

Cyber range exercise with Bank Indonesia, July 2023

Cyber range exercise with Central Bank of Trinidad and Tobago, March 2024

Cyber range exercise with Central Bank of Kuwait, October 2023

6

The way we work

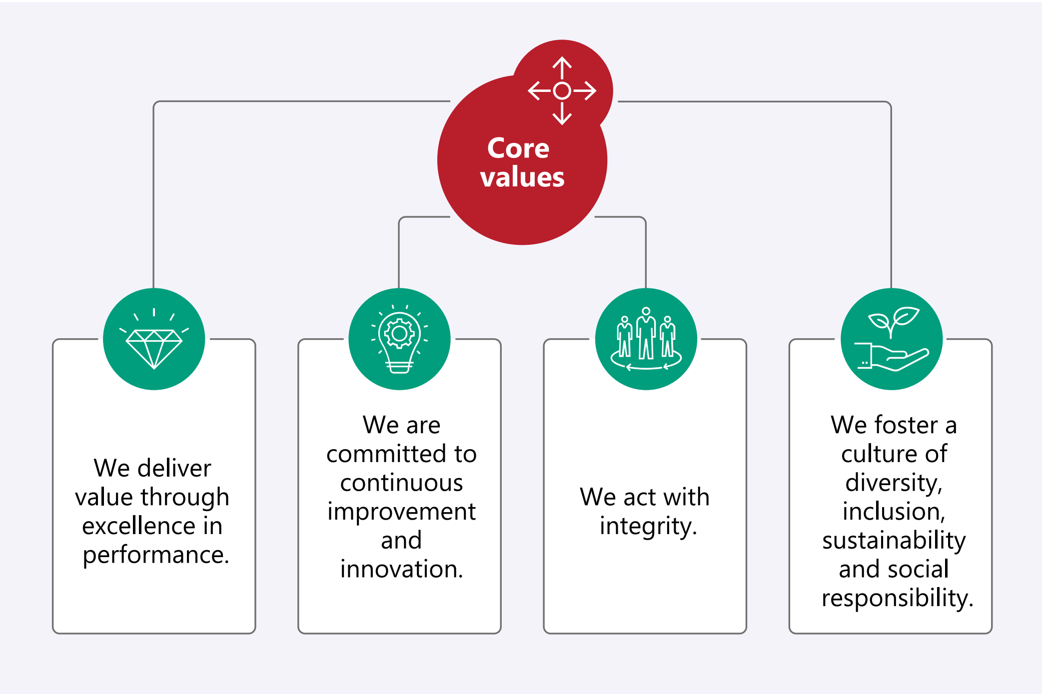
Promoting international cooperation is central to our work at the BIS, as are cooperation and collaboration among the talented people and teams who work here. A core set of values underpins our way of working, aimed at building a more innovative, inclusive and socially responsible organisation.

Living our values

The BIS continuously adapts its activities to support central banks as they face their current and future challenges, and adjusts to external developments. To this end, the BIS seeks to foster an inclusive culture of diverse thought and innovation. This enables us to build a team of professionals with a strong sense of purpose and collaborative spirit, working together to support the central banking and supervisory community.

Our values provide the foundation for a shared culture that promotes a diverse and inclusive work environment.

BIS core values



Excellence in performance

In serving the central bank community, we strive for excellence in performance. Ongoing learning and development, listening and leadership are key to this, creating a culture of forward thinking and continuous improvement.

Ongoing development

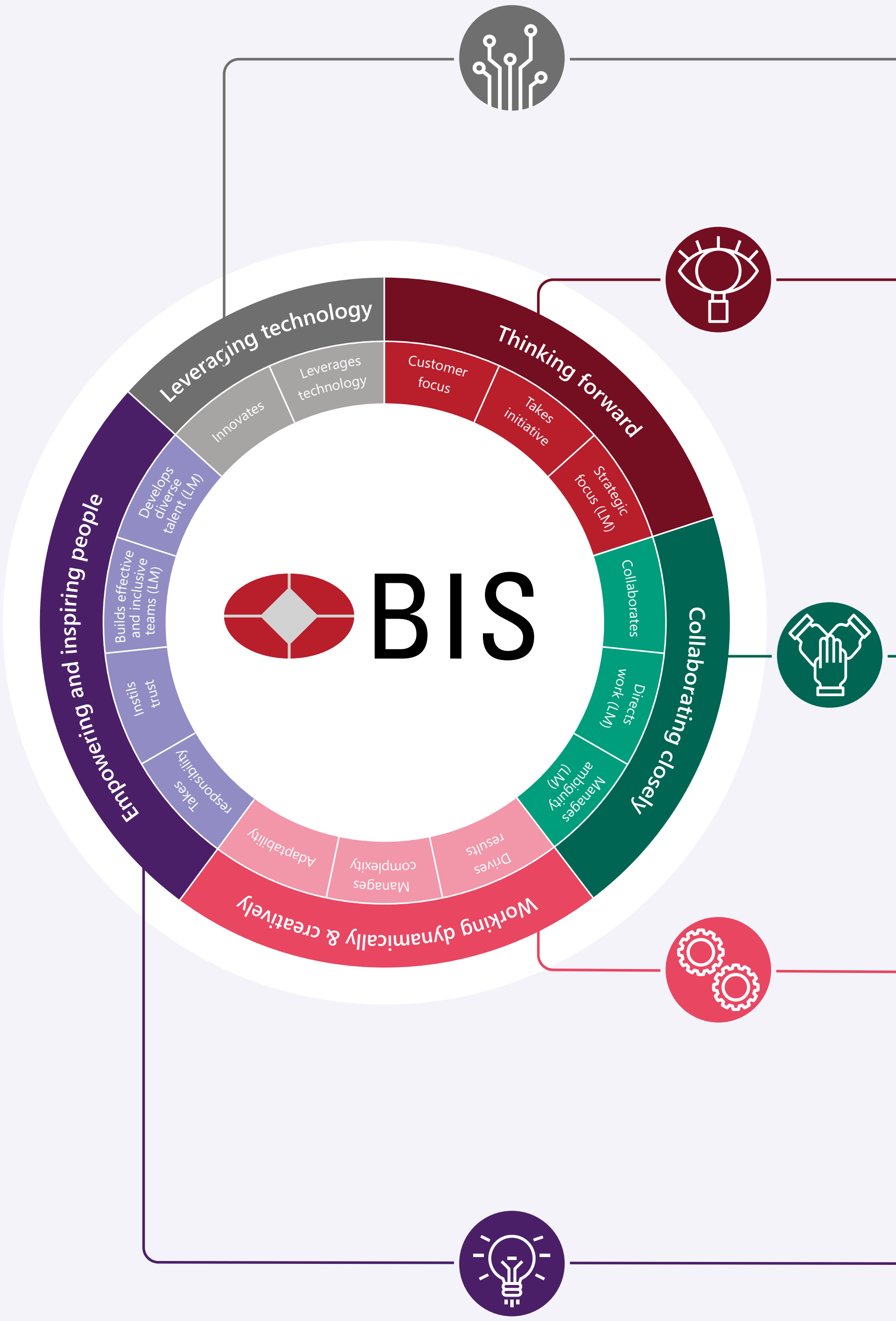
Learning and development are critical in achieving excellence in performance. The BIS competency framework helps our people easily identify the core skills, behaviours and competencies that are valued and required in their roles at the BIS. It is also used as a tool in the assessment of competencies in recruitment processes and in performance management. The framework was updated in early 2024 to align with our values of diversity and inclusion.

Our people make active use of a range of high-quality courses and e-learning tools to strengthen their skills and competencies. Key areas of recent focus include digital skills, data management and artificial intelligence (AI), while other skills, such as project and change management or communication and people skills, remain equally important. The e-learning platforms help to build skills and capabilities that will support our future work.

One of the new tools recently introduced to support the growth and development of staff is the Emerging Leader Programme. Launched last year, the programme is designed to help nominated staff members strengthen specific leadership skills and prepare for wider career paths across the Bank in the future. The first cohort successfully completed the programme in summer 2023.

BIS competency framework

The five behaviours and 15 underlying competencies that enable us to achieve our goals are the following:



Leveraging technology is embracing relevant new trends, technologies and best practices to continuously improve ways of working.

Thinking forward means anticipating future business requirements and acting proactively to meet current and emerging customer needs.

Collaborating closely involves building connections and working together to meet shared objectives. Staff establish partnerships and foster open communication and collaboration.

Working dynamically and creatively means managing execution effectively and flexibly, despite complexity and changing priorities.

Empowering and inspiring people is taking responsibility for one's own actions with honesty and respect for others, and contributing to a safe work environment.

Working in this way, with a strong sense of purpose, enabled us to attain multiple and significant achievements during financial year 2023/24 that demonstrated our commitment to our values.

Listening strategy

Understanding our people and how they experience their environment is essential in creating an inspiring and motivating place to work. We use our listening strategy to gauge staff sentiment and engagement. This helps inform our policy development and internal communication and is a key input to setting the direction of our people strategy. In 2023/24, we implemented a series of measures in response to the outcomes of Bank-wide surveys that had been conducted in the previous year, on staff engagement, hybrid working and health and well-being.

Employee health and well-being are very much at the forefront of our people agenda, and integrating well-being into the everyday employee experience has been an area of focus for the BIS. The Bank has taken a broad-based approach that includes consideration of workplace design and specific well-being initiatives and support. It has launched a comprehensive training programme on mental health and well-being issues, including mandatory training for all managers to ensure that they are well equipped to provide support to staff in need. Flexibility in working arrangements has also become a core part our operating model, with many staff enjoying the chance to work from home and, to some extent, from abroad.

Leadership Forum

Our leadership community is key as we navigate the challenges of today's world, and our leaders play a crucial role in setting a course for the organisation that delivers real value for our stakeholders. To work as a community requires that we come together to establish and reinforce relationships. In 2023, the BIS Leadership Forum brought leaders from all the Bank's locations together in Basel to exchange perspectives on leadership and its challenges in a complex world. It was an opportunity to think more broadly about how to anticipate the future and to learn and grow as leaders. This was the first such in-person event in recent years.

BIS Leadership Forum, November 2023

Innovative ways of working

In the context of the Innovation BIS 2025 strategy, we continuously strive to improve the way we work. This includes creating an environment that stimulates collaboration and encourages new ideas to come to the surface and be implemented in an agile manner. We continue to invest in our work environment to support our flexible working model as we think about the future needs of our members, the organisation and our people.

Activity-based working

Technology allows people to work from (almost) anywhere. Yet people also need and want to come together in a physical environment that is best adapted to how they work and what they are working on. Activity-based working provides just that. It offers an open and flexible environment in which work areas serving different purposes are linked harmoniously together.

This past year, one of the largest floors of the BIS headquarters building in Basel was transformed into an activity-based working space supporting a variety of working styles. The floor features collaborative areas, as well as open and closed meeting spaces, quiet zones and soundproof booths for those needing extra privacy. The space also includes a "lab", which is a dedicated area open to all teams to use on a voluntary basis, providing feedback that will help us further shape our future work environment.

Campus Development

The experience of implementing activity-based working at the BIS is valuable as the Bank embarks on the design phase of its campus development. This campus will future-proof the Bank's capacity needs and also bring people in Basel together and further encourage the sharing of perspectives. In 2023, following an international architectural competition, the Bank selected a joint design by the firms ELEMENTAL from Santiago, Chile and Nissen Wentzlaff Studio from Basel. The competition jury unanimously lauded the project for its innovative and hybrid structural concept, involving the mixed use of timber and concrete, and the "forest"-like façade – which gives the design a certain lightness and transparency. The winning design also gives strong consideration to environmental sustainability and, if constructed, would fit well into the Basel cityscape and local surroundings.

During the design phase, which commenced in late 2023, major aspects of the new building – from the structure and façade to the interior and workplace layout – will be fine-tuned and adapted as needed. Further stages of the multi-year project will be contingent on planning approval and final decision-making on construction.

Technological innovation

Technological innovation is a key component of our Innovation BIS 2025 strategy supporting all aspects of our activities. In the past year, the introduction of new mobile tools has facilitated digital productivity and created additional opportunities for collaboration. At the same time, the Bank is exploring opportunities brought about by the rapid development of generative AI, looking at its potential but also the associated risks and challenges. As a first step to incorporate this new technology, in 2023 the Bank decided to launch a two-year programme – Project Voyager – to build and integrate a portfolio of generative AI technologies into its institutional activities. Project Voyager seeks to create guidelines for the safe, secure and responsible use of AI and to develop common technology platforms, while also building our workforce skills in the use of AI.

BIS INNOVATION WEEK

At the end of September 2023, the first ever BIS Innovation Week took place at the Bank's headquarters in Basel with a series of hybrid sessions, panels and interactive demonstrations, bringing together our people from across the Bank. Over the five days, teams shared their experiences of innovation practices and new skills they have developed, providing opportunities to learn from each other. Topics included AI, BIS Open Tech, data visualisation and analytics, interdisciplinary research, green finance and agent-based market simulation.

BIS Innovation Week was a truly inspiring series of events and visibly demonstrated the power of collaboration, as many of the sessions and demonstrations were co-organised by staff from different units, departments and locations.

Sustainability, social responsibility and transparency

Environmental sustainability

We are committed to promoting environmental sustainability through our work for and with the central banking community and as part of our role as an environmentally responsible international financial institution.

The BIS's Environmental Sustainability Steering Group (ESSG) supports the implementation of the BIS's Environmental Sustainability Agenda and advises the General Manager on the development and adoption of the Bank's environmental sustainability strategy. In June 2023, the Bank's Management met with delegates of several climate action groups who were in Basel participating in a climate forum. The constructive dialogue covered the role of the BIS, financial regulation and governments in fighting the climate crisis and how to engage in a dialogue on policy issues.

The Bank's most significant work on sustainability concerns outreach and international cooperation (as described in Chapters 2, 3 and 5), as well as the provision of sustainable banking products for customers (see Chapter 4). The third Green Swan conference, which we hosted together with the Central Bank of Chile, the Network for Greening the Financial System (NGFS) and the South African Reserve Bank, was a notable highlight during 2023/24. In addition, in March 2024 the Bank was awarded *Central Banking's* annual Green Award for its key role in greening asset portfolios and supporting training, research and cooperation on environmental issues.

In November 2023, we conducted a study to identify the work needed if the Bank were to implement an international sustainability reporting framework. The Bank plans to take a key step towards this during 2024/25, by calculating its full carbon footprint in line with the requirements of the Greenhouse Gas Protocol standards. Environmental sustainability was one of the key criteria in selecting the winning design for the Bank's desire to develop a new campus, which featured the use of low-energy materials and innovative technologies to reduce its environmental footprint.

Donations and fundraising activities

In line with its social responsibility commitment, the BIS provides modest financial support for charities and selected social and cultural activities in locations where the Bank maintains business operations. The BIS also makes special donations to global charities for major disaster relief efforts, including on occasion by matching funds raised by staff.

In 2023/24, the funds of the Donations Committee were distributed internationally to the following organisations:

- **Basel:** Zoo Basel, Kunstmuseum Basel, Stiftung Sucht, Boxitos, Sahara Basel, Eingliederungsstätte Baselland ESB, Teams4Charity, Verein «eins vo fünf», ExilAktion, Schweizer Tafel, Verein Igel-Hilfe, Stiftung Kifa Schweiz, Basler Bach-Chor
- **Hong Kong SAR:** Orbis (Hong Kong) Office, Food Angel
- **Mexico City:** Museo Memoria y Tolerancia, Casa Hogar Esperanza De Una Nueva Vida I.A.P, Vida y Familia México I.A.P, Instituto Pedagógico para Problemas del Lenguaje, Construyendo, Estancia Infantil Vasco de Quiroga, Estancia Infantil Renacimiento

The Bank's staff also often play a role in supporting charitable and social causes. During the year, the BIS organised two blood donation drives for staff in Basel. And BIS staff took part in a volunteering day organised by the World Wide Fund for Nature (WWF), to clean up waste from the Rhine river shoreline in Basel.

In addition, the Bank regularly donates surplus corporate computers and mobile phones to charities.

Public outreach

In 2023, the BIS participated for the first time in Open House Basel. This architecture initiative provides free public access to over 100 outstanding historical and contemporary buildings in Basel. The iconic BIS Tower, designed and built in the 1970s by Basel architect Martin Burckhardt, elicited significant interest, with tours of the building guided by BIS staff volunteers.

In January 2024, the BIS again opened its doors to the public for the From Building to Campus exhibition. More than 1,600 visitors viewed the designs from the 11 renowned architectural firms that participated in the architectural competition to develop the new BIS Campus. The exhibition showcased the winning design by ELEMENTAL and Nissen Wentzlaff Studios and was accompanied by a competition catalogue and a video in which the architects Alejandro Aravena and Daniel Wentzlaff speak about their vision for the design (available on the BIS's YouTube channel).

From Building to Campus


From
Building
To
Campus
VISITOR

Diversity and inclusion

The BIS is committed to promoting diversity, inclusion and fairness in all dimensions.

To carry out our mission of serving central banks in the pursuit of monetary and financial stability, and of fostering international cooperation, the BIS needs people with diverse backgrounds and thinking styles from all over the world. Promoting a culture of diversity and inclusion helps to ensure the rich thinking and debate necessary to understand the complex problems the global economy faces. This way we can provide the most effective support to our member central banks. Diversity and inclusion are critical to meeting our business objectives. This is why fostering a culture of diversity and inclusion is one of the BIS core values (see Chapter 1).

The Bank-wide Diversity Steering Committee completed the first phase of its strategy in 2023. Diversity and inclusion are now also part of the BIS competency framework.

The BIS seeks to be an inspiring workplace in which people with diverse backgrounds and perspectives feel at home and can flourish. We are proud to have 66 countries represented among our staff and put strong emphasis on diversity in our hiring.

Presentation by "Find my Swiss school" on compulsory schooling in Switzerland, February 2024

An ongoing goal of the BIS is to measurably increase gender diversity. Reflecting that commitment, the Bank has set a 50/50 gender target to fill vacancies for line managers and professionals. In 2023/24, our overall distribution for recruitment of women was 40% for line managers and 30% for professionals. While this recruitment was behind our target, it is an important step in the right direction, and the BIS is committed to improving our gender balance over the years to come.

In the context of our listening strategy, we also conducted a diversity survey to better gauge and track over time how staff experience the Bank's diversity and inclusion efforts and evaluate the progress made so far. This has helped the Diversity Steering Committee to define the areas of focus for the next phase in our diversity and inclusion journey. These will include integrating diversity and inclusion in various internal processes and expanding diversity beyond gender to geography, age, talent and different ways of thinking and working. The Diversity Steering Committee has also strengthened the role of the diversity and affinity networks by integrating them in its structure.

Diversity and affinity networks

The BIS has four employee-led networks focused on encouraging employee engagement, fostering an inclusive culture and promoting awareness of issues related to diversity.

EMBRACE @BIS Affinity Network

EMBRACE@BIS celebrates and promotes ethnic and cultural diversity and representation in the BIS.

PARENTS +CARERS @BIS Affinity Network

The **Parents and Carers** network promotes connection, information exchange and knowledge-sharing among parents, carers and those supportive of parents and carers.

PRIDE @BIS Affinity Network

PRIDE@BIS provides a safe and open support network for LGBTQI+ colleagues.

WE @BIS Affinity Network

WE@BIS helps women and their allies support each other to achieve their full potential at the BIS and beyond.

Some highlights among the activities organised or supported by the diversity and affinity networks this year were:

- A conversation with Nomfundo Tshazibana, Deputy Governor of the South African Reserve Bank, on her experiences in fostering a culture of inclusiveness and cultural awareness at her institution (October 2023)

- The meeting of the Ubuntu ("Humanity") network of diversity and inclusion advisers from across international organisations, hosted by the BIS, under the theme of "driving change in D&I" (October 2023)

- A conversation with Nor Shamsiah, former Governor of the Central Bank of Malaysia, on the importance of embracing a true diversity of backgrounds and perspectives to achieve shared objectives (November 2023)

- A panel to mark International Women's Day with Alessandra Perrazzelli, Deputy Governor of the Bank of Italy, Cornelia Holthausen, Director General Macroprudential Policy and Financial Stability at the European Central Bank, Peter Routledge, Canadian Superintendent of Financial Institutions, and Cecilia Skingsley, Head of the BIS Innovation Hub (March 2024)

Conversation with South African Reserve Bank Deputy Governor Nomfundo Tshazibana, October 2023


I AM A PROUD
BLOOD DONOR

Staff

The BIS is a diverse global organisation with a truly international workforce. As of 31 March 2024, the Bank employed 659 staff members from 66 countries, excluding hosted associations. Its modest size encourages collaboration and knowledge-sharing both inside and outside the institution.

Meet our people

Bianca

Macroeconomic Analyst, Monetary and Economic Department

As a statistician in the Monetary and Economic Department at the BIS, my role involves collaborating with central banks to gather macroeconomic data, as well as compiling and publishing some of the BIS statistics. This past year I worked on the Data Portal project, a new user-centric platform that enhances the discoverability of and access to BIS statistics. This achievement was made possible through collaboration with diverse teams within the BIS and close engagement with other institutions, highlighting the collective effort that drives our success. The international environment of the BIS gives me the opportunity to work with colleagues and shareholders from around the globe, fostering a respectful and inclusive culture that I find both enriching and empowering. My work may seem like a small part of a much larger picture, yet it's gratifying to know that it enables informed decision-making that enhances global monetary and financial stability.

Martin

Member of Secretariat, Basel Committee on Banking Supervision

I work in the Basel Committee on Banking Supervision, the primary global standard setter for the prudential regulation of banks, and joined the BIS in 2004. The Committee provides a forum for cooperation on banking supervisory matters, and our task in the Secretariat is to support the work of the Committee and its groups. As Chair of the Quantitative Impact Study Group, my focus is on coordinating the Committee's data collection exercises on various aspects of the Basel Framework. We prepare analyses that are relevant for the policy development and evaluation work of the Committee as well as for other stakeholders, and we present these analyses in innovative formats. Another important part of my work is to contribute to the Committee's policy work, to coordinate its research efforts and to organise research conferences. I am fortunate to work closely with a great team with diverse backgrounds within the BIS, but also with experts from our member organisations around the globe.

Frank

Senior Engineer, Real Estate and Facility Management

As an architect and real estate professional, I work on the team which handles the refurbishment, maintenance, enhancements and studies related to our buildings. Over the last 10 years, I have had the privilege of managing several refurbishment projects in Basel and Mexico City. One notable project I completed this year was the Activity-based Working pilot. This project spanned across two office floors and involved almost 20% of our workforce. Working with a dedicated project team, we successfully created an innovative office environment that supports the BIS's new ways of working. The office space was designed with the future in mind, featuring adaptable spaces that foster creativity and collaboration and can easily adapt to evolving work dynamics. To further support our commitment to sustainability, we incorporated energy-efficient systems, used recycled materials and introduced new technology to facilitate hybrid working. I am very proud to contribute to the BIS's innovation agenda and vision, and I am happy to be part of a team that has made such a valuable impact.

Karina

Principal Dealer, Banking – Credit Markets

During the past financial year, I worked on the launch of the Treasury Department's new sustainable product, the Sustainable Medium-Term Instrument. The background work involved several teams within the department working together for several months, tackling the roadblocks together. I was responsible for the analysis of the sustainable bond landscape (green, social, sustainability and sustainability-linked bonds) and the investments within the sovereign, supranational and agency issuers. I also had the opportunity to be involved in other aspects of the project that were not directly relevant to my daily responsibilities or area of expertise. This is what I value most about working at the BIS: the possibility to expand outside the original job description and the willingness and openness of colleagues to include others in their work.

Ruth

Senior Advisor, Financial Stability Institute (FSI)

The FSI helps to promote the implementation of global regulatory standards and sound supervisory practices by central banks and financial sector authorities worldwide. We do this through a range of activities, including policy papers on regulatory and supervisory issues; outreach events such as seminars, policy meetings and conferences; and capacity development. The latter includes online courses covering core banking and insurance regulation and supervision, technology and climate-related risks. I am proud to be involved in our joint FSI-IMF online course on bank resolution. In recent years, I have also helped deliver a series of regional cross-border crisis simulation exercises that enable authorities to test their tools and coordination arrangements for managing bank failures. What I most value about my work is the opportunity to communicate with people throughout the global regulatory community. I hope our activities help to build networks that ultimately strengthen our financial systems.

Baltazar

Adviser, BIS Toronto Innovation Centre

I am happy to be part of the recently inaugurated Innovation Hub Toronto Centre. With a long career spanning both the private and public sectors, I have always been passionate about driving innovation and seeking original solutions to long-standing problems. At the Innovation Hub, my mission is to continue creating public goods that contribute to a stable and sustainable financial future globally. I am currently leading the development of Project FuSSe, an initiative focused on building components for future financial market infrastructures. This project aims to prepare these infrastructures to meet the demands of an increasingly digital economy. My greatest ambition is to work alongside my fellow Innovation Hub teammates to turn the Finternet vision into reality.

Dancy

Events and Administrative Officer, Representative Office for Asia and the Pacific

I joined the BIS's Representative Office for Asia and the Pacific in February 2023, with responsibility for organising and managing BIS-hosted events in the Asia-Pacific region. I collaborate closely with colleagues across internal departments to understand their event objectives, curate agendas and identify target participants and speakers. My responsibilities include creating event proposals, managing communication with participants and arranging the entire event organisation from start to finish. My role also involves engagement with central banks and other stakeholders, particularly when co-hosting events. It has been fulfilling to witness the positive outcomes of bringing together stakeholders from the central banking community and facilitating meaningful discussions, which play a vital role in fostering international collaboration and contributing to the mission of the BIS in promoting monetary and financial stability worldwide.

Cecilia
Senior Macroeconomic Analyst,
Representative Office for the Americas

I work in the Representative Office for the Americas in Mexico City. As part of the Economics for the Americas (EFTA) team, I assist economists in preparing data sets, graphs and analysis for policy-related questions and monitoring economic and financial developments in the region. I also contribute to background documents for central banks, and engage in research on topics related to digital economy, which gives me a great sense of purpose. Prior to joining the BIS, I worked in the Bank of Mexico and the energy sector, and I studied both applied mathematics and economics. Working in the Americas Office provides me with the opportunity to collaborate with colleagues from various central banks, fostering a rich learning experience. I am grateful for the supportive, sociable and collaborative environment. This makes my work truly enjoyable and allows me to grow both personally and professionally.

Elizabeth
Senior HR Business Partner, Human Resources

My journey at the BIS has been filled with opportunities to make a real impact on the Bank's objectives. My role strikes a balance between being a strategic partner and leading exciting projects. It provides opportunities to work with and continuously learn from a diverse group of people with rich experiences and backgrounds. I have participated in, and sometimes led, initiatives that shape the Bank's people strategy. It's about fostering a culture of continuous improvement and pushing the boundaries of what's possible. A key part of achieving our goals lies in modernising our processes, practices and tools to boost productivity and drive data-driven decision-making. We're on a mission to enhance our people practices, ensuring that our employees' journey at the Bank is engaging and fulfilling. I am currently leading a joint effort between our IT department and Human Resources to deliver future-proof and people-centric experiences. To sum it up, I am pleased to be in an environment filled with great minds and people who are also a whole lot of fun and a pleasure to work with.

7

Governance and organisation

The BIS is governed at three levels: the General Meetings of member central banks, the Board of Directors and BIS Management. Each of these bodies participates in the governance and decision-making related to BIS activities in the areas of international cooperation, policy analysis, banking operations, corporate operations and innovation.

BIS member central banks and General Meetings

Sixty-three central banks and monetary authorities are currently members of the BIS.

The BIS Annual General Meeting (AGM) is held within four months of the end of the financial year on 31 March. The AGM approves the Annual Report and the accounts of the Bank, decides on the distribution of a dividend and elects the Bank's auditor. Each of the BIS member central banks has rights of voting and representation at General Meetings.

Bank of Algeria	Algeria
Central Bank of Argentina	Argentina
Reserve Bank of Australia	Australia
Central Bank of the Republic of Austria	Austria
National Bank of Belgium	Belgium
Central Bank of Bosnia and Herzegovina	Bosnia and Herzegovina
Central Bank of Brazil	Brazil
Bulgarian National Bank	Bulgaria
Bank of Canada	Canada
Central Bank of Chile	Chile
People's Bank of China	China
Central Bank of Colombia	Colombia
Croatian National Bank	Croatia
Czech National Bank	Czechia
Danmarks Nationalbank	Denmark
Bank of Estonia	Estonia
European Central Bank	Euro area
Bank of Finland	Finland
Bank of France	France
Deutsche Bundesbank	Germany
Bank of Greece	Greece
Hong Kong Monetary Authority	Hong Kong SAR
Magyar Nemzeti Bank	Hungary
Central Bank of Iceland	Iceland
Reserve Bank of India	India
Bank Indonesia	Indonesia

Central Bank of Ireland	Ireland
Bank of Israel	Israel
Bank of Italy	Italy
Bank of Japan	Japan
Bank of Korea	Korea
Central Bank of Kuwait	Kuwait
Bank of Latvia	Latvia
Bank of Lithuania	Lithuania
Central Bank of Luxembourg	Luxembourg
Central Bank of Malaysia	Malaysia
Bank of Mexico	Mexico
Bank Al-Maghrib (Central Bank of Morocco)	Morocco
De Nederlandsche Bank	Netherlands
Reserve Bank of New Zealand	New Zealand
National Bank of the Republic of North Macedonia	North Macedonia
Central Bank of Norway	Norway
Central Reserve Bank of Peru	Peru
Bangko Sentral ng Pilipinas	Philippines
Narodowy Bank Polski	Poland
Banco de Portugal	Portugal
National Bank of Romania	Romania
Central Bank of the Russian Federation	Russia
Saudi Central Bank	Saudi Arabia
National Bank of Serbia	Serbia
Monetary Authority of Singapore	Singapore
National Bank of Slovakia	Slovakia
Bank of Slovenia	Slovenia
South African Reserve Bank	South Africa
Bank of Spain	Spain
Sveriges Riksbank	Sweden
Swiss National Bank	Switzerland
Bank of Thailand	Thailand
Central Bank of the Republic of Türkiye	Türkiye
Central Bank of the United Arab Emirates	United Arab Emirates
Bank of England	United Kingdom
Board of Governors of the Federal Reserve System	United States
State Bank of Vietnam	Vietnam

Board of Directors

The Board determines the Bank's strategic and policy direction, supervises BIS Management and fulfils specific tasks as set out in the Bank's Statutes. It meets at least six times a year. The Board elects a Chair from among its members for a three-year term and may elect a Vice-Chair. The current Board Chair is François Villeroy de Galhau, Governor of the Bank of France, who was elected in January 2022.

Changes in the Board

In July 2023, Yi Gang retired from his position as Governor of the People's Bank of China, and therefore also from the BIS Board. With effect 11 September 2023, the Board elected Pan Gongsheng, new Governor of the People's Bank of China, as a Board member for a period of three years.

In October 2023, Ignazio Visco completed his term as Governor of the Bank of Italy and thereby also left the BIS Board. Fabio Panetta, his successor as Governor at the Bank of Italy, took up his ex officio seat on the BIS Board on 1 November 2023.

Board remuneration

The AGM approves the remuneration of members of the Board of Directors, with adjustments taking place at regular intervals. The total fixed annual remuneration paid to the Board was CHF 1,086,156 as of 1 April 2024. Board members also receive an attendance fee for each Board meeting in which they participate. Assuming that the full Board is represented in all Board meetings, the annual total of these attendance fees for financial year 2023/24 amounts to CHF 1,026,504.

François Villeroy de Galhau
Chair; Bank of France, Paris

Andrew Bailey
Bank of England, London

Roberto Campos Neto
Central Bank of Brazil, Brasília

Shaktikanta Das
Reserve Bank of India, Mumbai

Pan Gongsheng
People's Bank of China, Beijing

Thomas Jordan
Swiss National Bank, Zurich

Klaas Knot
De Nederlandsche Bank, Amsterdam

Christine Lagarde
European Central Bank, Frankfurt am Main

Tiff Macklem
Bank of Canada, Ottawa

Joachim Nagel
Deutsche Bundesbank, Frankfurt am Main

Fabio Panetta
Bank of Italy, Rome

Jerome H Powell
Board of Governors of the Federal Reserve System, Washington DC

Chang Yong Rhee
Bank of Korea, Seoul

Victoria Rodríguez Ceja
Bank of Mexico, Mexico City

Erik Thedéen
Sveriges Riksbank, Stockholm

Kazuo Ueda
Bank of Japan, Tokyo

John C Williams
Federal Reserve Bank of New York, New York

Pierre Wunsch
National Bank of Belgium, Brussels

BIS Management

The management of the Bank is directed by the General Manager, who is responsible to the Board of Directors for the conduct of the Bank. The General Manager is assisted by the Deputy General Manager and advised by the Executive Committee.

The Executive Committee is chaired by the General Manager and includes the Deputy General Manager, the Heads of the four BIS departments (the Banking Department, the General Secretariat, the BIS Innovation Hub and the Monetary and Economic Department), the Economic Adviser and Head of Research, and the General Counsel.

Other BIS senior officials are the Deputy Heads of these departments, the Chair of the Financial Stability Institute, the Head of Risk Management, the Head of the BIS Representative Office for Asia and the Pacific and the Head of the BIS Representative Office for the Americas.

Changes in senior management

In September 2023, Andréa M Maechler became Deputy General Manager of the BIS, succeeding Luiz Awazu Pereira da Silva upon his retirement. Ms Maechler joined the BIS from the Swiss National Bank, where she was a member of the Governing Board.

Also in September, Gaston Gelos became Deputy Head of the Monetary and Economic Department (MED) and Head of Financial Stability Policy. He succeeded Stijn Claessens upon his retirement. He joined the BIS from the International Monetary Fund, where he served as Assistant Director in the Western Hemisphere Department and Mission Chief for Mexico.

In January 2024, it was announced that Deputy Head of Banking Luis Bengoechea would become Head of the Banking Department and a member of the Executive Committee of the BIS on 1 June 2024 for a five-year term. He succeeds Peter Zoellner upon his retirement.

Also in January, the Board agreed that upon the retirement of the current Head of the Monetary and Economic Department (MED), Claudio Borio, at the end of 2024, the current Economic Adviser and Head of Research, Hyun Song Shin, will assume the joint role of Economic Adviser and Head of MED. This will return the management structure of MED to its previous arrangement in which the Economic Adviser is also the Head of Department.

In March 2024, Deputy General Counsel Dessislava Guetcheva-Cheytanova was announced as the Bank's new General Counsel and member of the Executive Committee of the BIS. She will take up her position as General Counsel on 1 September 2024, for a five-year term, upon the retirement of Diego Devos.

Senior management remuneration

The salaries of senior officials are regularly benchmarked against compensation in comparable institutions and market segments. As of 1 July 2023, their annual remuneration, before expatriation and other applicable allowances, is based on the salary structure of CHF 712,383 for the General Manager, CHF 602,786 for the Deputy General Manager and CHF 547,987 for Heads of Department. In addition, the General Manager enjoys enhanced pension rights.

Agustín Carstens
General Manager

Andréa M Maechler
Deputy General Manager

Monica Ellis
Secretary General

Claudio Borio
Head of Monetary and Economic Department

Luis Bengoechea
Head of Banking Department

Hyun Song Shin
Economic Adviser and Head of Research

Cecilia Skingsley
Head of BIS Innovation Hub

Diego Devos
General Counsel

Bertrand Legros
Deputy Secretary General

Gaston Gelos
Deputy Head of the Monetary and Economic Department

Fernando Restoy
Chair of Financial Stability Institute

Jens Ulrich
Head of Risk Management

Alexandre Tombini
Chief Representative for the Americas

Tao Zhang
Chief Representative for Asia and the Pacific

Organisation

The BIS has four main departments. They encompass economic research, banking activities, support to central bank collaboration on technological developments impacting the financial system, and general internal support.

Departments and services

The **Monetary and Economic Department** (see Chapter 2) undertakes research and analysis to shape the understanding of policy issues concerning central banks, including innovation and monetary policy frameworks, provides committee support and organises key meetings of senior central bankers and other officials in charge of financial stability.

The **Banking Department** (see Chapter 4) provides a range of financial services to support central banks in the management of their foreign exchange and gold reserves and invests the BIS's own capital.

The **BIS Innovation Hub** (see Chapter 5) identifies and develops in-depth insights into critical trends in financial technology of relevance to central banks, explores the development of public goods to enhance the functioning of the global financial system, and serves as a focal point for a network of central bank experts on innovation.

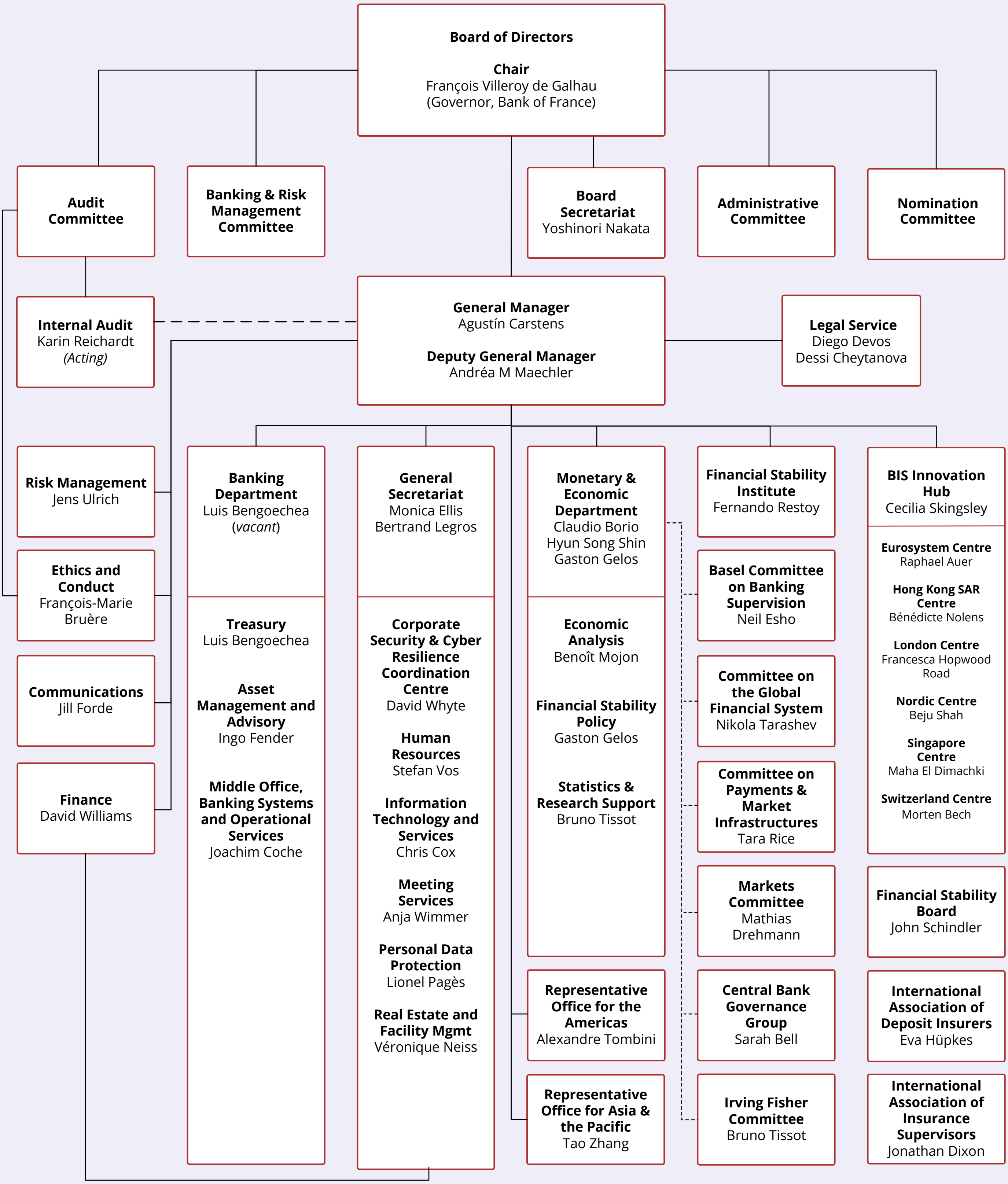
The **General Secretariat** provides the organisation with comprehensive corporate services in the areas of IT, cyber security, human resources, finance, facilities management, security and meeting services.

The BIS is further supported by the **Legal Service** and the **Risk Management, Internal Audit, Ethics and Conduct** and **Communications units.** The BIS's **Financial Stability Institute** (see Chapter 3) promotes the implementation of global regulatory standards and sound supervisory practices worldwide.

The BIS has two **Representative Offices:** one for Asia and the Pacific, located in Hong Kong SAR, and one for the Americas, located in Mexico City (see Chapter 3).

A number of **international groups** engaged in the pursuit of financial stability have their secretariats at the BIS (see Chapter 3).

Organisation of the BIS, 1 June 2024



Risk management

The BIS has risk management policies and practices in place to ensure that risks are duly identified, measured, monitored and reported. To achieve these objectives, the Bank has an independent Risk Management function covering financial and operational risks. The Risk Management function continuously monitors and manages the Bank's risks. The Head of Risk Management is part of the Management of the BIS, reports directly to the Deputy General Manager and acts as deputy in matters related to financial risk management.

In order to further enhance risk management, operational risk coordination activities were merged into the Risk Management function in 2023. The Operational Transformation and Resiliency (OTR) unit transitioned from the General Secretariat to Risk Management, and the Head of OTR now also serves as the Deputy for Risk Management. This change integrates the support model for risk management activities and aligns risk management governance within the BIS. The integration of risk management functions marks the near completion of a multi-year effort to restructure the three lines of defence model throughout all areas of the Bank.

Financial risks

The BIS manages its financial risks within a financial risk management framework established by the Board. The implementation of the framework is monitored by the Board's Banking and Risk Management Committee. Within this framework, BIS Management has established policies designed to ensure that the Bank's financial risk exposures – credit, market and liquidity risks – are identified, appropriately measured and controlled, and monitored and reported. Risk Management develops policies and proposals while monitoring adherence to defined rules and limits. It continuously assesses the Bank's capital adequacy, considering both balance sheet leverage and economic capital utilisation.

The financial risk management framework ensures that the Bank maintains a prudent risk profile, by:

- maintaining an exceptionally strong capital position;
- ensuring a high level of liquidity;
- carefully managing its market risk exposures, which include strategic positions such as the Bank's gold holdings; and
- investing its assets predominantly in high credit quality financial instruments and seeking to diversify its assets across a range of sectors.

The resulting superior financial strength and robust liquidity have allowed the BIS to navigate a challenging market environment characterised by higher inflation and monetary policy tightening, slower global growth and the repercussions of geopolitical tensions on commodity markets and global trade flows.

In 2023/24, the Bank remained flexible in its approach to managing its balance sheet and continued to support its central bank customers in responding to economic challenges.

Operational risks

The Bank's Management takes a cautious approach to operational risk management under the guidance of the Board of Directors. As the Bank continues to embrace new ways of working and technological innovation, it is taking steps to refine its approach to risk management. This is to ensure that its control environments evolve in tandem with new practices in order to sustain the Bank's operational excellence and resilience.

The three lines of defence model

As the Bank embraces a mindset of innovation and change, it is important that the BIS's control activities keep pace to ensure we protect the Bank's financial resources and reputation. With this in mind, in 2020 the BIS started an initiative to strengthen its approach to operational risk management by expanding its three lines of defence model. The Bank's Operational Risk and Resiliency Framework was revised in 2021, and in subsequent years the BIS has taken steps to expand risk management roles and increase the frequency of risk assessment and monitoring activities to ensure risk conditions are aligned with the Bank's risk appetite. Over the past year, much progress was made to expand the three lines of defence model to include compliance, people, procurement, legal and financial reporting risks, formalising risk advisory activities and making risk monitoring routine.

Risk advisory activities

A range of risk advisory activities for operational risk exist throughout the BIS in accordance with the Bank's three lines of defence approach to operational risk management. Notably, the Risk Management function, jointly with the Legal Service, provides advisory services and monitoring for compliance risk related to BIS banking services. Separately, the Ethics and Conduct unit advises on and monitors ethical conduct at the Bank (see page 156).

Resiliency

From an operational risk perspective, the Bank continues to enhance its resiliency to unexpected disruptions. Response plans now include more options for weathering unforeseen events, and preparedness exercises now include stress test scenarios to prepare for multiple events that may take place at the same time. The Bank continuously updates its business continuity plans and testing to anticipate and ensure preparedness for future events.

Audit mechanisms

All BIS operations are audited and examined regularly. The Bank's audit mechanisms include an Internal Audit unit and an independent external audit firm.

Internal Audit

The Internal Audit unit evaluates and improves the effectiveness of risk management, control and governance systems and processes. It aims to promote an effective control environment.

Internal Audit operates within a mandate established by the BIS Board of Directors, and its activities are overseen by the Board's Audit Committee. To ensure independence, the Head of Internal Audit reports functionally to the Chair of the Audit Committee of the Board and administratively to the Secretary General. Every activity and entity of the Bank, including outsourced activities, falls within the scope of Internal Audit.

To fulfil its responsibilities, Internal Audit conducts assurance and consulting engagements that lead to recommendations. These recommendations are subsequently followed up on to ensure that effective remedial actions are being taken by Management. To maintain objectivity, Internal Audit does not have operational responsibility for or authority over any of the activities audited.

Independent external auditor

In addition, the BIS engages an independent external auditor to confirm that its annual financial statements give a true and fair view of the Bank's financial position, financial performance and cash flows. For the year ended 31 March 2024, PricewaterhouseCoopers was the auditing firm chosen to audit the Bank's financial statements, which can be found in the annex at the end of this report.

In accordance with Article 46 of the BIS Statutes, the Annual General Meeting is invited to elect an independent auditor for the ensuing year and to fix the auditor's remuneration. The Board policy is to rotate the auditor on a regular basis. The financial year ended 31 March 2024 was the fifth year of PricewaterhouseCoopers' term as auditor.

Legal Service

The BIS Legal Service advises the BIS Board, Management and business areas on all legal matters relating to the Bank's activities, to ensure that the Bank acts at all times with due respect for the rule of law. It also assists in internal rule-making and maintains the Bank's central repository of internal policies, procedures and rules. In addition, it facilitates discussion and cooperation among central bank legal experts and other professionals on legal topics of common interest.

Legal conference with the General Counsels of the BIS constituency, April 2024

In addition to its main advisory role, the Legal Service contributes as a second line of defence to the identification, management and control of legal risks, including litigation, across the organisation. Jointly with Risk Management, the Legal Service contributes as a second line of defence to monitoring and providing guidance on compliance risk regarding banking activities under the applicable BIS banking rules and policies.

During 2023/24, as part of the three lines of defence model, the internal framework for managing legal and banking compliance risks was further enhanced.

In 2023/24, the Legal Service completed the implementation of host country agreements with the governments of Germany and France, which entered into force in the first quarter of 2023. This established the legal framework required for the work of the BIS Innovation Hub Eurosystem Centre, which is now fully operational. A host country agreement with the government of Canada was signed in early 2024, paving the way for the opening of the BIS Innovation Hub Toronto Centre in the course of 2024.

The Legal Service also advised and supported other key strategic developments, including the review of the Bank's allowances, the information management framework, BIS Innovation Hub projects, the development of new banking products and major projects such as those related to electronic trading platforms, the BIS Campus Development project and the development of the Bank's artificial intelligence strategy.

Ethics and conduct

The Bank's Management and Board of Directors attach the highest importance to ethics and conduct. Ethical conduct is one of the BIS's core values and therefore a key pillar of its corporate culture (see Chapter 6). The Bank's independent Ethics and Conduct function provides assurance that the activities of the BIS and its personnel are conducted in accordance with the highest ethical standards and the relevant codes of conduct. The Chief Ethics and Conduct Officer reports to the General Manager and the Deputy General Manager and also has direct access to the Board's Audit Committee.

Working with integrity

The BIS Code of Conduct requires that all BIS staff members:

- maintain the highest standards of conduct, both at and outside the Bank
- devote their working activities to the service of the Bank
- avoid possible conflicts of interest
- not accept other functions or employment unless explicitly authorised to do so by the Bank
- maintain the utmost discretion with regard to confidential information concerning the Bank

To ensure that staff adhere to the highest ethical standards, Ethics and Conduct organises mandatory training for all new staff members on the Code of Conduct and fraud awareness, as well as periodic training on those topics for all staff. A total of 405 people attended training sessions organised in 2023/24.

Safe and respectful workplace and speaking up

In October 2022, the Bank adopted a Safe and Respectful Workplace Policy, which strengthens various provisions contained in the Code of Conduct and other rules. The Bank does not tolerate any form of harassment, discrimination, abuse of authority or retaliation. The Bank's whistleblowing policy, the Safe and Respectful Workplace Policy and the Code of Conduct encourage staff to report any incidents related to such forms of improper behaviour that they notice or are subject to, thus helping to ensure that the BIS remains a respectful work environment in which every individual is treated with dignity and respect.

Managers and designated HR staff are expected to play a specific role under the Safe and Respectful Workplace Policy. They received dedicated training from an external firm as well as from Ethics and Conduct and the Legal Service in 2023/24. Designated human resources staff and 93% of line managers had attended such training as of 31 March 2024. In 2024/25, line managers will continue to be trained and further training on this topic will be offered to all staff.

The Bank also has a whistleblowing policy that encourages employees and third parties to report potential breaches of BIS rules. Further information can be found at www.bis.org.

All whistleblowers who act in good faith are granted protection against retaliation, irrespective of the outcome of the investigation conducted by the Chief Ethics and Conduct Officer. The Bank will take appropriate action if a breach of its rules is identified by the investigation.

Budget and remuneration

On an annual basis, Management prepares an overall business plan for the forthcoming financial year consistent with the strategic direction and financial framework agreed with the BIS Board of Directors. Corresponding resource requirements are assessed and plans prioritised to produce a draft budget for discussion with the Board. The agreement of the Board on the Bank's budget and related business plans is required before the start of each financial year.

The budget of the Bank comprises three key components:

- The regular administrative budget, which covers the Bank's ongoing annual expenditure, and its direct contribution to support the secretariats of the Financial Stability Board, the International Association of Insurance Supervisors and the International Association of Deposit Insurers.

- The regular capital budget, which covers annual expenditure on fixed assets (such as buildings, IT hardware and software).

- Special budgets, which are occasionally established to support large multi-year change programmes and include both administrative and capital elements. Examples of this are the budgets for the Innovation BIS 2025 strategy and the Campus Development project, which are multi-year envelopes covering all costs related to the programme as well as targeted savings.

The consolidation of these various components represents the overall budget of the Bank. Regular reporting on expenditure relative to the approved budget is provided to Management and the Board throughout the year to support oversight and monitoring.

Remuneration policy

Jobs and roles at the BIS are classified into grades associated with a structure of salary ranges. The salaries of individual staff members move within the ranges of the structure on the basis of performance.

The BIS regularly carries out comprehensive surveys to benchmark its salaries against compensation in comparable institutions and market segments.

The Annual General Meeting approves the remuneration of members of the Board of Directors, with adjustments taking place at regular intervals (see page 144).

BIS staff members have access to a contributory health insurance plan and a contributory defined benefit pension plan. Subject to certain conditions, staff members who are not nationals of the host countries where the BIS offices are located, including senior officials, are entitled to expatriation benefits as well as an education allowance for the international schooling of their children.

Taxation

Pursuant to host country agreements or legislation, BIS staff members are generally exempt from income tax on Bank salaries and allowances that would otherwise be levied by the relevant host countries. However, they remain subject to tax levied in the host countries on income from sources other than the Bank, as well as other taxes (eg wealth or property tax). The exemption from national taxation reflects a well established international practice for international organisations.

8

Financial results and profit allocation

The Bank's balance sheet and financial results are driven mainly by its banking activities and by the management of the funds associated with its shareholders' equity. The annual net profit is allocated as a dividend or transferred to a reserve fund according to the Bank's Statutes.

Portfolio organisation

The Bank's portfolios are organised into simple layers, which helps with portfolio management and supports the analysis of profit and risk. The structure of the main portfolios is as follows:

Own funds

The Bank invests most of its shareholders' equity in fixed income portfolios.

Own gold

The remainder of the Bank's shareholders' equity is invested in gold and gold loans.

Borrowed funds and borrowed gold

The BIS takes currency and gold deposits from central banks and invests the proceeds, earning a margin.

The own funds and the own gold position relate to the investment of the Bank's shareholders' equity. They are primarily accounted for as fair value through other comprehensive income assets. This means that they are presented in the balance sheet at fair value, while their contribution to the profit reflects the accrual of interest along with realised gains and losses on sales. The Bank's total comprehensive income includes their total change in fair value, including unrealised valuation movements.

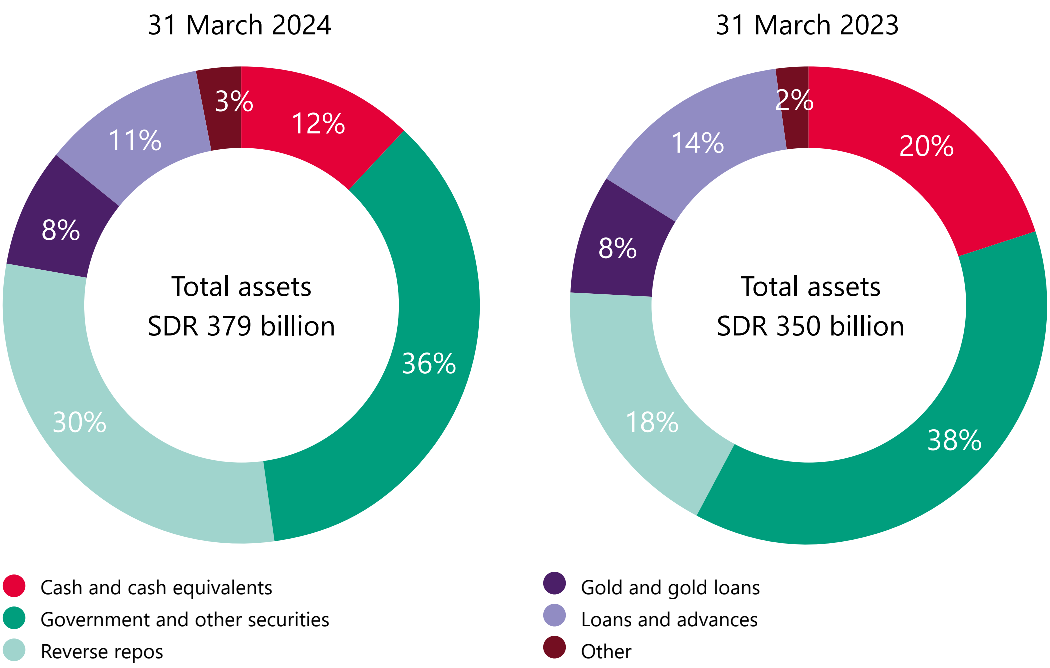
The borrowed funds and borrowed gold represent deposits from central banks and other official sector customers in currency and gold, and the investment of the proceeds and associated hedging through derivative financial instruments. These portfolios are managed on an overall fair value basis. They are primarily accounted for as fair value through profit and loss. This means that they are presented in the balance sheet at fair value and their contribution to the Bank's profit reflects the total change in value, including interest accruals and realised and unrealised valuation movements.

Apart from the portfolios mentioned above, the Bank has other portfolios and associated sources of income, which include the income from asset management services and income from foreign exchange and gold (see Chapter 4 for more details).

Balance sheet

The BIS's balance sheet total as of 31 March 2024 was SDR 379 billion. The composition of the Bank's assets is shown in the graph below.

Balance sheet asset composition



The balance sheet increased by SDR 29 billion over the year. This reflects two main effects. First, an SDR 36 billion increase in currency deposits, partially offset by an SDR 11 billion reduction in the balance sheet values for other liabilities (principally the volume of transactions awaiting settlement) and derivative liabilities. Second, total comprehensive income of SDR 1.5 billion for the year, which increased shareholders' equity to SDR 25 billion as at 31 March 2024.

Currency deposits	Gold deposits	Other liabilities	Total liabilities
SDR 325 billion	SDR 21 billion	SDR 8 billion	SDR 354 billion
31 March 2024	31 March 2024	31 March 2024	31 March 2024
SDR 289 billion	SDR 19 billion	SDR 19 billion	SDR 327 billion
31 March 2023	31 March 2023	31 March 2023	31 March 2023
+ SDR 36 billion	+ SDR 2 billion	–SDR 11 billion	+ SDR 27 billion

Financial performance

Net profit

The net profit for 2023/24 was SDR 831.5 million, comprising:

Borrowed funds total income	+	Own funds total income	+	Income on other business	−	Operating expense
SDR 820.3 million		SDR 334.4 million		SDR 52.4 million		SDR 375.6 million
reflecting the margin earned on an average currency deposit volume of SDR 298 billion				including asset management services, and foreign exchange and gold services		

The net profit for 2023/24 was SDR 152.8 million higher than the profit recorded in the prior year. This can be explained by three main factors.

First, the total income on the own funds was SDR 172.1 million higher than in 2022/23. The increase reflects a higher interest accrual from reinvestment in the higher yield environment and a positive valuation impact on financial instruments which are accounted for at fair value through profit and loss. This was partially offset by higher realised losses on sales of fair value through other comprehensive income securities.

Second, the total income on the borrowed funds was SDR 17.6 million higher compared with the prior year, reflecting a favourable margin along with positive valuation impacts of tighter spreads. In addition, the average volume of deposits was SDR 3 billion higher than in 2022/23.

Third, the operating expense was SDR 38.9 million higher than in 2022/23. Around two thirds of the increase was because the strong Swiss franc raised the SDR value of the operating expense (most of which is incurred in Swiss francs). The remaining one third of the increase reflected higher administrative expense and depreciation for the year.

Total comprehensive income

The Bank's total comprehensive income for 2023/24 was SDR 1,538.9 million. Total comprehensive income includes net profit along with three valuation changes which are reflected directly in shareholders' equity.

First, the unrealised valuation gain on own gold of SDR 661.8 million was a result of a 14% increase in the gold price.

Second, the unrealised valuation movement on own funds securities of SDR 203.6 million was due to changes in bond yields, along with a transfer to the profit and loss account when own funds securities were sold during the year.

Third, an actuarial re-measurement loss of SDR 158.0 million on the Bank's post-employment defined benefit obligations reflected the drop in long-dated Swiss franc highly rated bond yields, which led to a decrease in the discount rates used to value the obligations.

Proposed dividend

The dividend policy of the BIS has three fundamental principles:

- The Bank should maintain an exceptionally strong capital position.
- The dividend should be predictable, stable and sustainable.
- The dividend should be an annual decision reflecting prevailing financial circumstances.

The policy incorporates a normal dividend, which usually increases by SDR 10 per share per annum, with the payout ratio being between 20 and 50% in most years. A Special Dividend Reserve Fund would be drawn on to support dividend payments in years when profits are low (when the payout ratio is above 50%). Conversely, when profits are high (and the payout ratio is below 30%), the dividend policy allows for the Special Dividend Reserve Fund to be replenished by an allocation of profit. The policy also allows for the possibility of a supplementary dividend when the payout ratio is below 20%.

Consistent with the dividend policy, the Bank proposes to declare a normal dividend of SDR 295 per share for financial year 2023/24. In addition, it is proposed to pay a supplementary dividend of SDR 75 per share to reflect the strong results of the last two financial years, along with the positive outlook for the coming years. The proposed total dividend would be SDR 370 per share and would be paid on 567,125 eligible shares. The total cost of SDR 209.8 million would represent a payout ratio of 25% of net profit. A further SDR 17.0 million is proposed to be allocated to the Special Dividend Reserve Fund to support expected dividend payments over the coming three years.

Proposed allocation to reserves

In accordance with Article 51 of the BIS Statutes, the Board of Directors recommends that the General Meeting allocate the 2023/24 net profit of SDR 831.5 million in the following manner:

SDR 209.8 million to be paid out as dividend	**SDR 31.1 million** to be transferred to the General Reserve Fund	**SDR 17.0 million** to be transferred to the Special Dividend Reserve Fund	**SDR 573.6 million** to be transferred to the Free Reserve Fund

Annex

Financial statements

The BIS's financial statements for the financial year ended 31 March 2024 provide an analysis of the Bank's balance sheet and profit and loss account, together with other financial, capital adequacy and risk management disclosures. The financial statements are prepared in accordance with the Statutes and accounting policies of the Bank, and are externally audited.

Letter to shareholders

Submitted to the Annual General Meeting of the Bank for International Settlements held in Basel on 30 June 2024

Ladies and gentlemen

It is our pleasure to submit to you the financial statements of the Bank for International Settlements for the financial year ended 31 March 2024.

Pursuant to Article 49 of the Bank's Statutes, they are presented in a form approved by the General Manager, Deputy General Manager and Head of Finance on 22 May 2024, and are subject to approval by shareholders at the Annual General Meeting.

The net profit for the year was SDR 831.5 million. The Board of Directors proposes to allocate this profit as follows. First, SDR 209.8 million to pay a dividend of SDR 370 per share, comprising the normal dividend of SDR 295 and a supplementary dividend of SDR 75. Second, SDR 31.1 million to the General Reserve Fund. Third, SDR 17.0 million to the Special Dividend Reserve Fund. Fourth, SDR 573.6 million to the Free Reserve Fund.

Basel, 22 May 2024

Agustín Carstens
General Manager

Andréa M Maechler
Deputy General Manager

Contents

Balance sheet

As at 31 March

SDR millions	Note	**2024**	2023
Assets			
Cash and cash equivalents	1	46,574.8	69,707.1
Securities purchased under resale agreements	2	112,107.8	64,120.9
Loans and advances	2	42,609.2	50,003.8
Government and other securities	2	135,987.2	133,206.4
Gold and gold loans	3	30,353.9	27,681.0
Derivative financial instruments	4	6,207.5	3,332.2
Accounts receivable and other assets	5	5,092.2	2,053.3
Land, buildings and equipment	6	222.8	204.9
Total assets		**379,155.4**	350,309.6
Liabilities			
Currency deposits	7	325,150.0	288,678.0
Securities sold under repurchase agreements	8	296.1	–
Gold deposits	9	20,973.3	19,194.1
Derivative financial instruments	4	2,444.3	4,922.2
Accounts payable	10	4,043.3	13,022.7
Other liabilities	11	1,166.1	787.6
Total liabilities		**354,073.1**	326,604.6
Shareholders' equity			
Share capital	13	710.2	710.2
Less: shares held in treasury	13	(1.7)	(1.7)
Statutory reserves	14	18,787.1	18,270.0
Profit and loss account		831.5	678.7
Other equity accounts	15	4,755.2	4,047.8
Total shareholders' equity		**25,082.3**	23,705.0
Total liabilities and shareholders' equity		**379,155.4**	350,309.6

Profit and loss account

For the financial year ended 31 March

SDR millions	Note	**2024**	2023
Interest income	16	543.9	513.8
Interest expense	17	(2,589.4)	(1,209.0)
Change in expected credit loss impairment provision	18	0.6	(0.4)
Net income on financial assets and liabilities at fair value through profit and loss	19	3,188.0	1,674.8
Net interest and valuation income		**1,143.1**	979.2
Net loss on sales of currency assets at fair value through other comprehensive income	20	(42.0)	(26.8)
Net fee income	21	16.7	14.7
Net foreign exchange income	22	89.3	48.3
Total income		**1,207.1**	1,015.4
Administrative expense	23	(345.1)	(310.9)
Depreciation and amortisation	6	(30.5)	(25.8)
Operating expense		**(375.6)**	(336.7)
Net profit		**831.5**	678.7

Statement of comprehensive income

For the financial year ended 31 March

SDR millions	Note	**2024**	2023
Net profit		**831.5**	678.7
Other comprehensive income			
Items that are or may be reclassified subsequently to profit and loss			
In respect of currency assets at fair value through other comprehensive income:			
Net change in fair value during the year		162.2	(559.9)
Net change in expected credit loss impairment provision		(0.6)	0.4
Reclassification to profit and loss	20	42.0	26.8
Net movement on currency assets at fair value through other comprehensive income		**203.6**	(532.7)
In respect of gold at fair value through other comprehensive income:			
Net change in fair value during the year	15B	661.8	215.9
Reclassification to profit and loss		–	–
Net movement on gold at fair value through other comprehensive income		**661.8**	215.9
Items that will not be reclassified to profit and loss			
Re-measurement of defined benefit obligations	15C	**(158.0)**	52.1
Total comprehensive income		**1,538.9**	414.0

Statement of cash flows

For the financial year ended 31 March

SDR millions	Note	**2024**	2023
Cash flow from / (used in) operating activities			
Interest income received		413.3	387.9
Interest expense paid		(2,472.8)	(1,167.4)
Net fee income	21	16.7	14.7
Net gain on foreign exchange transactions	22	87.6	71.4
Administrative expense	23	(345.1)	(310.9)
Adjustments for non-cash flow items			
Net income on financial assets and liabilities at fair value through profit and loss	19	3,188.0	1,674.8
Net change in expected credit loss impairment provision	18	0.6	(0.4)
Net foreign exchange translation gain / (loss)	22	1.7	(23.1)
Lease interest expense	17	(0.1)	(0.1)
Change in accruals		14.0	83.0
Change in operating assets and liabilities			
Currency deposits		31,233.7	644.4
Currency banking assets		(48,756.5)	(26,505.4)
Gold deposits		1,779.2	335.3
Gold banking assets		(2,011.1)	12,192.5
Change in cash collateral balance on derivatives transactions		(23.3)	5.8
Accounts receivable and other assets		(4.9)	(4.6)
Accounts payable and other liabilities		78.4	89.6
Net derivative financial instruments		(5,330.9)	6,315.9
Net cash flow from / (used in) operating activities		**(22,131.5)**	(6,196.6)
Cash flow from / (used in) investment activities			
Change in currency investment assets		(1,093.7)	(1,463.3)
Change in securities sold under repurchase agreements in investment portfolios		296.1	–
Capital expenditure on land, buildings and equipment	6	(38.3)	(28.3)
Net cash flow from / (used in) investment activities		**(835.9)**	(1,491.6)

SDR millions	Note	**2024**	2023
Cash flow from / (used in) financing activities			
Dividends paid	24	(161.6)	(156.0)
Repayment of principal on lease liabilities		(3.3)	(3.2)
Net cash flow from / (used in) financing activities		**(164.9)**	(159.2)
Total net cash flow		**(23,132.3)**	(7,847.4)
Net effect of exchange rate changes on cash and cash equivalents		(1,740.5)	(342.4)
Net movement in cash and cash equivalents		(21,391.8)	(7,505.0)
Net change in cash and cash equivalents		**(23,132.3)**	(7,847.4)
Cash and cash equivalents, beginning of year	1	**69,707.1**	77,554.5
Cash and cash equivalents, end of year	1	**46,574.8**	69,707.1

Movements in shareholders' equity

SDR millions	Note	Share capital	Shares held in treasury	Statutory reserves	Profit and loss	Other equity accounts: Defined benefit obligations	Other equity accounts: Securities revaluation	Other equity accounts: Gold revaluation	Shareholders' equity
Balance as at 31 March 2022		**710.2**	**(1.7)**	**18,085.0**	**341.0**	**360.2**	**(166.4)**	**4,118.7**	**23,447.0**
Payment of 2021/22 dividend		–	–	–	(156.0)	–	–	–	(156.0)
Allocation of 2021/22 profit		–	–	185.0	(185.0)	–	–	–	–
Total comprehensive income	15	–	–	–	678.7	52.1	(532.7)	215.9	414.0
Balance as at 31 March 2023		**710.2**	**(1.7)**	**18,270.0**	**678.7**	**412.3**	**(699.1)**	**4,334.6**	**23,705.0**
Payment of 2022/23 dividend		–	–	–	(161.6)	–	–	–	(161.6)
Allocation of 2022/23 profit		–	–	517.1	(517.1)	–	–	–	–
Total comprehensive income	15	–	–	–	831.5	(158.0)	203.6	661.8	1,538.9
Balance as at 31 March 2024		**710.2**	**(1.7)**	**18,787.1**	**831.5**	**254.3**	**(495.5)**	**4,996.4**	**25,082.3**

Introduction

The Bank for International Settlements (BIS, "the Bank") is an international financial institution which was established pursuant to the Hague Agreements of 20 January 1930 as well as the Bank's Constituent Charter and its Statutes. The headquarters of the Bank are at Centralbahnplatz 2, 4002 Basel, Switzerland. The objectives of the BIS, as laid down in Article 3 of its Statutes, are to promote cooperation among central banks, to provide additional facilities for international financial operations and to act as trustee or agent for international financial settlements.

The financial statements were approved for issue by the General Manager, Deputy General Manager and Head of Finance on 22 May 2024 and are subject to approval by the Annual General Meeting of shareholders on 30 June 2024.

Accounting policies

The accounting policies set out below have been applied to both of the financial years presented unless otherwise stated, except for some minor amendments to reflect developments in global accounting frameworks which have no material impact on the Bank's results and financial position.

1. Critical judgments and estimates

The preparation of the financial statements requires the Bank's Management to apply judgment and to make estimates. The judgments which have the most significant effect on the financial statements concern the selection and application of accounting policies to ensure that the financial statements present a true and fair view of the financial position and performance of the Bank. The most critical accounting policies for the Bank's financial reporting are those which concern:

- the scope of the financial statements (see accounting policy 3);
- the functional and presentation currency (see accounting policy 4);
- the classification and measurement of financial instruments, and the application of these policies to the Bank's portfolios (see accounting policies 5–7); and
- accounting for gold assets and liabilities, and for the Bank's overall own gold position (see accounting policies 11 and 15).

The critical estimates having the most significant effect on the amounts recognised in the financial statements are those which concern:

- the valuation of currency deposits classified as fair value through profit and loss; and
- post-employment obligations, the estimation of which is dependent on long-term actuarial assumptions.

There are also judgments involved in making disclosures, including the methodology used to determine the fair value hierarchy disclosures.

When making estimates, Management exercises judgment based on available information. Actual results could differ significantly from these estimates.

2. Impact of climate risk on financial reporting judgments and estimates

Where appropriate, the Bank considers climate-related matters when making financial reporting judgments and estimates. While developments are monitored closely, in Management's view climate-related risks do not currently have a significant impact on the financial statements of the Bank. The items most directly impacted by climate-related matters are:

Classification of sustainability-linked financial assets

For financial assets with sustainability-linked features, the Bank determines whether the instrument passes the solely payments of principal and interest test by considering whether the features provide commensurate compensation for basic lending risks, such as credit risk. The impact was assessed to be immaterial at 31 March 2024.

Fair value measurement and Expected Credit Loss (ECL) impairment provision

Management assumes that climate change variables are best reflected in the market price of financial instruments, and in the market data and methodologies used by the Bank to estimate probabilities of default and loss given default. Consequently, Management considers that climate risk has been adequately reflected within the fair value of the Bank's assets and liabilities, and in the determination of the ECL impairment provision.

3. Scope of the financial statements

These financial statements recognise all assets and liabilities that are controlled by the Bank and in respect of which the economic benefits, as well as any rights and obligations, lie with the Bank.

As part of its activities, the Bank undertakes financial transactions in its own name but for the economic benefit of other parties, including transactions on a custodial or agency basis. These include transactions undertaken on behalf of the staff pension fund and BIS Investment Pools (BISIPs). These are reporting entities with their own financial statements, but which do not have separate legal personality from the Bank. The Bank also undertakes transactions in its name on behalf of dedicated mandates, where the Bank is the investment manager of a customer investment portfolio. Unless otherwise stated, such transactions are not included in these financial statements. Note 26 provides further information on BISIPs and dedicated mandates. Note 12 provides further information on the staff pension fund.

The Bank hosts the secretariats of three independent associations – the Financial Stability Board (FSB), the International Association of Deposit Insurers (IADI) and the International Association for Insurance Supervisors (IAIS) – and supports the activities of the BIS Sports Club. It also acts in an administrative capacity for the International Journal of Central Banking (IJCB). These five associations each have their own legal personality and financial statements, and are therefore independent of the Bank. Unless otherwise stated, the activities of these five independent associations are not included in these financial statements.

The BIS Innovation Hub is a department of the BIS that fosters international collaboration on innovative financial technology in the central banking community. All the assets and liabilities associated with the Innovation Hub are included in these financial statements, with the costs included within "Administrative expense". Cost-sharing arrangements have been established with the host central banks and in connection with certain BIS Innovation Hub projects. Contributions received under cost sharing arrangements are included within "Net fee income" on an accruals basis.

4. Functional and presentation currency

The functional and presentation currency of the Bank is the Special Drawing Right (SDR) as defined by the International Monetary Fund (IMF). The composition of the SDR is subject to periodic review. As currently calculated, one SDR is equivalent to the sum of USD 0.57813, EUR 0.37379, RMB 1.0993, JPY 13.452 and GBP 0.08087.

Monetary assets and liabilities are translated into SDR at the exchange rates ruling at the balance sheet date. Other assets and liabilities and profits and losses are translated into SDR at the exchange rates ruling at the date of the transaction. Exchange differences arising from the retranslation of monetary assets and liabilities and from the settlement of transactions are included as net foreign exchange income in the profit and loss account.

All figures in these financial statements are presented in SDR millions unless otherwise stated. Amounts are presented to the nearest SDR 0.1 million, and may be rounded up or down to reduce summation differences within disclosures or rounding differences between disclosures.

5. Recognition, de-recognition, classification and measurement of financial assets

The Bank recognises financial assets on the trade date, being the date on which the Bank commits to purchase the assets. Financial assets are de-recognised on the trade date of a sale (when the Bank commits to transfer substantially all the risks and rewards of ownership), or when the contractual cash flows from the assets have expired. On initial recognition, financial assets are classified as either:

- amortised cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit and loss (FVPL).

The classification determines the measurement of financial assets, and how this is reflected in the Bank's financial statements. The classification depends on the business model for managing the assets and on the cash flow characteristics of the assets, as described below.

Amortised cost

Financial assets can be classified as amortised cost if they are not a derivative financial asset, and the following two criteria are met:

1. the financial assets are held within a business model with the objective of holding the assets to collect the contractual cash flows; and
2. the contractual terms on the financial assets give rise to cash flows that are solely payments of principal or interest.

Amortised cost financial assets are measured in the balance sheet using the effective interest rate method, with the carrying value adjusted by the ECL for each asset. Interest is included in the profit and loss account under "Interest income" or "Interest expense" (negative interest) on an accruals basis. The movement in the ECL impairment provision on these assets is recognised in the profit and loss account under "Change in expected credit loss impairment provision".

Fair value through other comprehensive income (FVOCI)

Financial assets can be classified as FVOCI if they are not a derivative financial asset, and the following two criteria are met:

1. the financial assets are held within a business model with the objective of collecting the contractual cash flows or potentially selling the assets; and
2. the contractual terms on the financial assets give rise to cash flows that are solely payments of principal or interest. A contractual cash flow characteristic does not affect the classification of the financial asset if it could have only a de-minimis effect on the contractual cash flows of the financial asset, or if it could have an effect that is more than de-minimis but the characteristic is not genuine because it relates to circumstances that are extremely rare, highly abnormal and very unlikely to occur.

FVOCI financial assets are measured in the balance sheet at fair value. In addition, an amortised cost book value is calculated using the effective interest rate method, including an adjustment for the ECL impairment provision of each asset. Changes in the book value (due to the accrual of interest) are included as "Interest income" or "Interest expense" (negative interest) in the profit and loss account. Unrealised valuation movements, adjusted by the ECL impairment provision, are recognised through the "Securities revaluation account" in other comprehensive income (OCI). Interest revenue, the movement in ECL impairment provision and foreign exchange gains or losses are recognised in the profit and loss account. Upon disposal of the assets, gains or losses are recognised in the profit and loss account as "Net gain on sales of financial assets at fair value through other comprehensive income".

Fair value through profit and loss (FVPL)

All other financial assets are classified as FVPL. These include:

- derivative financial assets;
- assets that are held for trading, or that are held within a business model that is managed on a fair value basis; and
- assets which contain contractual terms that give rise to cash flows that are not solely payments of principal or interest.

In addition, the Bank chooses to classify financial assets as FVPL if the use of the classification removes or significantly reduces an accounting mismatch. Any such classification is made on the date of initial recognition and is irrevocable.

FVPL financial assets are measured in the balance sheet at fair value. The accrual of interest and all realised and unrealised movements in fair value are included within "Net income on financial assets and liabilities at fair value through profit and loss".

Reclassification

Groups of financial assets are reclassified if there is a fundamental change to the way they are managed. Reclassifications are applied prospectively from the date of change, with no restatement of previously recognised gains, losses or interest. Financial assets which are classified as FVPL in order to remove or significantly reduce an accounting mismatch cannot be reclassified.

Impairment of financial assets

The Bank assesses impairment on financial assets which are classified as either FVOCI or amortised cost, and also for loan commitments. Impairment is assessed from the date of initial recognition using a three-stage model.

Stage 1 applies to financial assets on which there has not been a significant increase in credit risk since initial recognition. The ECL impairment provision is calculated on a 12-month forward-looking basis.

Stage 2 applies to financial assets on which there has been a significant increase in credit risk since initial recognition. The ECL impairment provision is calculated taking into account the full expected life of the financial asset.

Stage 3 applies to financial assets which are considered to be credit-impaired. The ECL impairment provision is calculated on a lifetime basis, but the effective interest rate on the financial asset is recalculated based on the amortised cost (including the ECL).

The key inputs into the measurement of the ECL impairment provision are:

- The probability of default (PD), which represents the estimated likelihood of a borrower defaulting on its financial obligation over a specific time period. PDs are regularly re-estimated using a combination of internal and external data, along with judgment.
- Loss-given-default (LGD) is the proportion of an exposure that is lost as a result of a counterparty default. LGD estimates are informed by observed external LGD data.
- Exposure at default (EAD) is the magnitude of the exposures in the event of a default and is determined based on the future expected cash flows discounted at the effective interest rate. The EAD reflects the offsetting effects of any collateral received.

The ECL impairment provision is presented in the balance sheet as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the asset;
- for financial assets measured at FVOCI: within the “Securities revaluation account” in other equity accounts; and
- for loan commitments: as a provision within “Loans and advances”.

6. Recognition, de-recognition, classification and measurement of financial liabilities

The Bank recognises financial liabilities on the trade date, being the date on which the Bank commits to issue the liabilities. Financial liabilities are de-recognised on the trade date of a repurchase (when the Bank commits to buy back the financial liability), or when the contractual cash flows from the financial liabilities have expired. On initial recognition, financial liabilities are classified as either:

- fair value through profit and loss; or
- amortised cost.

The classification determines the measurement of financial liabilities, and how this is reflected in the Bank’s financial reporting. The classification depends on the characteristics of the liabilities, as described below.

Fair value through profit and loss (FVPL)

Financial liabilities are classified as FVPL if they are derivative financial liabilities, or are held for trading. In addition, the Bank chooses to classify financial liabilities as FVPL if the use of the classification removes or significantly reduces an accounting mismatch. Any such classification is made on the date of initial recognition and is irrevocable.

FVPL financial liabilities are measured in the balance sheet at fair value. The accrual of interest and all realised and unrealised movements in fair value are included within "Net income on financial assets and liabilities at fair value through profit and loss".

Amortised cost

All other financial liabilities are classified as amortised cost.

Amortised cost financial liabilities are measured in the balance sheet using the effective interest rate method. Interest is included in the profit and loss account under "Interest expense" or "Interest income" (negative interest) on an accruals basis. Any gains or losses on redemption are recognised in the profit and loss account.

7. The application of the classification and measurement approach to the Bank's portfolios

All very short-dated financial assets (cash and cash equivalents) and liabilities (sight and notice deposit accounts) are classified as amortised cost. The classification of other financial assets and liabilities is determined by the Bank's asset and liability portfolio structure. The Bank's assets and liabilities are organised into four sets of portfolios.

Currency banking portfolios (borrowed funds)

The Bank operates a currency banking book (comprising currency deposit liabilities, and related assets and derivatives). The Bank acts as a market-maker in its currency deposit liabilities. As a result of this activity, the Bank incurs realised profits or losses when these liabilities are repurchased from customers. Under the Bank's accounting policies, some of these financial instruments would be classified as FVPL, while others would be classified as FVOCI or amortised cost. In accordance with the Bank's risk management policies, the market risk inherent in this activity is managed on an overall fair value basis. As such, the realised and unrealised profits or losses on currency deposit liabilities are largely offset by realised and unrealised losses or profits on the related assets and derivatives. To reduce the accounting inconsistency that would otherwise arise from recognising realised and unrealised profits and losses on different bases, the Bank chooses to classify all financial assets and liabilities (other than those which are very short-dated) in its currency banking portfolios as FVPL.

Gold banking portfolio (borrowed gold)

The Bank operates a gold banking book (comprising gold deposit liabilities and related gold loan assets). All gold loan and deposit financial assets and liabilities in this portfolio are classified as amortised cost.

Currency investment portfolios (own funds)

The Bank's investment portfolios comprise assets, liabilities and derivatives relating principally to the investment of the Bank's shareholders' equity.

The Bank invests most of its shareholders' equity in financial instruments. Most of the currency financial assets in investment portfolios (other than those which are very short-dated) are classified as FVOCI. Any related currency financial liabilities (including securities sold under repurchase agreements) are classified as amortised cost.

In addition, the Bank invests some of its shareholders' equity in portfolios that are managed with a mandate which permits active trading. The financial instruments in these portfolios (other than those which are very short-dated) are classified as FVPL currency assets and liabilities.

Gold investment portfolio (own gold)

The Bank invests some of its shareholders' equity in gold and gold loans. These assets are classified as amortised cost. The Bank's overall own gold position is treated as an FVOCI asset (as further described in accounting policy 11 below).

Accounting policies 8 to 15 below describe the application of these accounting policies to individual items in the balance sheet.

8. Cash and cash equivalents

Cash and cash equivalents consist of cash and sight and notice accounts with banks, which are very short-term financial assets that typically have notice periods of three days or less. Cash and cash equivalents are classified as amortised cost.

9. Securities purchased under resale agreements

Securities purchased under resale agreements ("reverse repurchase agreements") are collateralised loan transactions through which the Bank lends cash and receives an irrevocable commitment from the counterparty to return the cash, plus interest, at a specified date in the future. As part of these agreements, the Bank receives collateral in the form of securities to which it has full legal title, but must return equivalent securities to the counterparty at the end of the agreement, subject to the counterparty's repayment of the cash. As the Bank does not acquire the risks or rewards associated with ownership of these collateral securities, they are not recognised as assets in the Bank's balance sheet. The collateralised loans relating to securities purchased under resale agreements are recognised as assets, and are classified as either FVPL (currency banking portfolios) or FVOCI (currency investment portfolios).

10. Loans and advances, and government and other securities

Loans and advances comprise fixed-term loans to commercial banks, and advances under committed and uncommitted standby facilities which the Bank provides for its customers. Government and other securities are debt securities issued by governments, international institutions, other public sector institutions, commercial banks and corporates. They include treasury bills, commercial paper, certificates of deposit, fixed and floating rate bonds, covered bonds and asset-backed securities.

These financial assets are classified as either FVPL (currency banking portfolios) or FVOCI (currency investment portfolios).

11. Gold and gold loans

Gold comprises gold bar assets held in custody at central banks and sight accounts denominated in gold. Gold loans comprise fixed-term gold loans. Gold and gold loans are classified as amortised cost, and are included in the balance sheet at their weight in gold (translated at the gold market price and USD exchange rate into SDR) plus accrued interest.

Gold loans are recognised on a trade date basis. Purchases and sales of gold bar assets are recognised on a settlement date basis, with forward purchases or sales treated as derivatives prior to settlement date.

The Bank trades most of its gold swaps under its derivative ISDA contracts, and accounts for them in a similar manner to currency swaps. As such, gold balances in the balance sheet include gold received (and exclude gold paid) in respect of gold swap contracts.

The treatment of realised gains or losses on gold transactions, and unrealised gains or losses on the retranslation of the net gold position, depends on the management objective for which the gold is held, as described below:

Gold banking portfolio (borrowed gold)

Gains or losses on the retranslation of the net position in gold in the banking portfolio are included under "Net foreign exchange income" as net translation gains or losses.

Gold investment portfolio (own gold)

The Bank's overall own gold position is treated as an FVOCI asset.

Unrealised gains or losses on the Bank's gold investment assets over their deemed cost are included in the gold revaluation account, which is reported under the balance sheet heading "Other equity accounts". The movement in fair value is included in the statement of comprehensive income under the heading "Gold at fair value through other comprehensive income – net change in fair value during the year".

All of the Bank's gold investment assets were held on 31 March 2003 (when the Bank changed its functional and presentation currency from the gold franc to the SDR). The deemed cost of these assets is approximately SDR 151 per ounce, based on the value of USD 208 per ounce that was applied from 1979 to 2003 following a decision by the Bank's Board of Directors, translated at the 31 March 2003 exchange rate.

Realised gains or losses on disposal of gold investment assets are included in the profit and loss account as "Net gain on sales of gold investment assets".

12. Derivative financial instruments

Derivatives are used either to manage the Bank's market risk or for trading purposes. The Bank trades most of its gold swaps under its derivative ISDA contracts, and accounts for them in a similar manner to currency swaps. Derivatives are classified as FVPL, and are included in the balance sheet as either assets or liabilities, depending on whether the contract has a positive or a negative fair value for the Bank.

13. Currency deposits

Currency deposits comprise sight and notice deposit accounts along with BIS deposit instruments.

Sight and notice deposit accounts are very short-term monetary liabilities that typically have notice periods of three days or less. They are classified as amortised cost.

BIS deposit instruments comprise currency deposit products offered by the Bank to its customers. They are classified as FVPL.

Some BIS deposit instruments contain embedded derivative financial instruments, such as currency or call options. These embedded derivatives are also classified as FVPL, and are included within the currency deposits balance sheet value.

14. Securities sold under repurchase agreements

Securities sold under repurchase agreements ("repurchase agreements") are collateralised deposit transactions through which the Bank receives cash and provides an irrevocable commitment to return the cash, plus interest, at a specified date in the future. As part of these agreements, the Bank transfers legal title of collateral securities to the counterparty. At the end of the contract, the counterparty must return equivalent securities to the Bank, subject to the Bank's repayment of the cash. As the Bank retains the risks and rewards associated with ownership of these securities, they continue to be recognised as assets in the Bank's balance sheet. The collateralised deposits are recognised as liabilities and are classified as either FVPL (currency banking portfolios) or amortised cost (currency investment portfolios).

15. Gold deposits

Gold deposits comprise unallocated sight account and fixed-term deposits of gold from central banks.

Unallocated gold deposits provide customers with a general claim on the Bank for delivery of gold of the same weight and quality as that delivered by the customer to the Bank, but do not provide the right to specific gold bars. All unallocated gold deposits (whether sight or fixed-term) are classified as amortised cost. Unallocated gold sight account deposits are included in the balance sheet on a settlement date basis at their weight in gold (translated at the gold market price and the USD exchange rate to SDR). Unallocated fixed-term deposits of gold are included in the balance sheet on a trade date basis at their weight in gold (translated at the gold market price and the USD exchange rate to SDR) plus accrued interest.

Allocated (or "earmarked") gold deposits provide depositors with a claim for delivery of the specific gold bars deposited by the customer with the Bank on a custody basis. Beneficial ownership and risk remain with the customer. As such, allocated gold deposit liabilities and the related gold bar assets are not included in the Bank's balance sheet and are disclosed as off-balance sheet items.

16. Securities lending

The Bank participates in securities lending transactions in which it lends debt securities in exchange for a fee. The transactions are conducted under standard agreements employed by financial market participants. The securities which have been transferred are not de-recognised from the balance sheet since the risks and rewards of ownership are not transferred, even if the borrower has the right to sell or re-pledge the securities. Such Bank-owned securities transferred to a borrower are presented in the balance sheet as part of "Government and other securities".

17. Determination of fair value of financial instruments

The majority of the Bank's financial instruments are classified as either FVPL or FVOCI, and hence are included in the balance sheet at fair value. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market (or, in its absence, the most advantageous market to which the Bank has access at that date).

The Bank considers published price quotations in active markets as the best evidence of fair value. Where no reliable price quotations exist, the Bank determines fair values using a valuation technique appropriate to the particular financial instrument. Such valuation techniques may involve using market prices of recent arm's length market transactions in similar instruments or may make use of financial models such as discounted cash flow analyses and option pricing models. Where financial models are used, the Bank aims to make maximum use of observable market inputs as appropriate, and relies as little as possible on its own estimates. The Bank values its positions at their exit price, so that assets are valued at the bid price and liabilities at the offer price. Derivative financial instruments are valued on a bid-offer basis, with valuation reserves, where necessary, included in derivative financial assets and liabilities.

18. Interest income and interest expense

Interest income and interest expense relate to financial instruments which are classified as either FVOCI or amortised cost. Interest income includes negative interest on liabilities, while interest expense includes negative interest on assets and interest on lease liabilities.

Interest income and interest expense are recognised in the profit and loss account using the effective interest rate method. Interest income is calculated by applying the effective interest rate to the gross carrying amount of an asset, except for assets which are purchased (or subsequently become) credit-impaired (impairment stage 3). For financial assets purchased as credit-impaired, the original credit adjusted effective interest rate is applied to the amortised cost of the financial asset. For financial assets which subsequently become credit-impaired, interest income is calculated by applying the effective interest rate to the amortised cost value of the asset.

19. Accounts receivable and accounts payable

Accounts receivable and accounts payable are principally short-term amounts relating to the settlement of financial transactions. They are recognised on a trade date basis and subsequently accounted for at amortised cost until their settlement.

20. Land, buildings and equipment

Expenditure on land, buildings and equipment is recognised as an asset in the balance sheet where it is probable that the Bank will obtain future economic benefits. Buildings and equipment assets are depreciated on a straight line basis over the estimated useful lives of the assets concerned, as follows:

- buildings – 50 years;
- building installations and machinery – 15 years;
- information technology equipment – 4 years;
- other equipment – 4 to 10 years; and
- computer software intangible assets – 4 years.

The Bank's land is not depreciated. Right-of-use assets are depreciated on a straight line basis over the lease term. The Bank undertakes an annual review of impairment of land, buildings and equipment. Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down to the lower value.

21. Leases

In the course of its business, the Bank enters into lease contracts, and contracts that contain lease components. On initial recognition of such contracts, the Bank calculates a right-of-use asset and a lease liability, both of which are based on the present value of lease payments. The Bank's incremental borrowing rate (or, if applicable, the interest rate implicit in the lease) is used as the discount rate for determining the present value. The right-of-use asset is included under "Land, buildings and equipment", and is depreciated on a straight line basis over the term of the lease. It is reviewed for impairment annually. The lease liability is included under "Other liabilities", and is reduced when the Bank makes payments under the lease. Interest expense is calculated based on the outstanding lease liability and the discount rate.

The Bank leases certain premises under contracts that can contain non-lease components (such as maintenance). The Bank does not separate such components from the lease payments, and therefore the right-of-use asset and lease liability are based on the total lease payment.

22. Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of events arising before the balance sheet date and it is probable that economic resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Best estimates and assumptions are used when determining the amount to be recognised as a provision.

23. Taxation

The Bank's special legal status in Switzerland is set out principally in its Headquarters Agreement with the Swiss Federal Council. Under the terms of this document, the Bank is exempted from virtually all direct and indirect taxes at both federal and local government level in Switzerland. Similar tax exemptions have been established by the government of the People's Republic of China with respect to Hong Kong SAR, and the governments of France, Germany, Mexico, Singapore, Sweden and the United Kingdom. Income and gains received by the Bank may be subject to tax imposed in other countries. Tax expense is recognised under "Net fee income".

24. Post-employment benefit obligations

The Bank operates three post-employment benefit arrangements, respectively, for staff pensions, Directors' pensions and staff medical benefits. An independent actuarial valuation is performed annually for each arrangement. The staff pension arrangement is funded (ie it has specifically allocated assets); the other two arrangements are unfunded.

Staff pensions

The liability in respect of the staff pension arrangement is based on the present value of the defined benefit obligation less the fair value of the pension fund assets, both at the balance sheet date. The defined benefit obligation is calculated using the projected unit credit method. The present value of the defined benefit obligation is determined from the estimated future cash outflows. The rate used to discount the cash flows is determined by the Bank based on the market yield of highly rated corporate debt securities in Swiss francs which have a duration approximating that of the related liability.

The amount charged to the profit and loss account represents the sum of the current service cost of the benefits accruing for the year under the scheme, and interest at the discount rate on the net of the defined benefit obligation less the fair value of the pension fund assets. Past service costs from plan amendments are immediately recognised through profit and loss. Gains and losses arising from re-measurement of the obligations, such as experience adjustments (where the actual outcome is different from the actuarial assumptions previously made) and changes in actuarial assumptions, are charged to other comprehensive income in the year in which the re-measurement is applied. They are not reclassified to profit and loss in subsequent years.

Directors' pensions and staff post-employment medical benefits

The defined benefit obligation, the amount charged to the profit and loss account, and the gains and losses arising from re-measurement in respect of the Bank's other post-employment benefit arrangements are calculated on a similar basis to that used for the staff pension arrangement.

25. Presentation of financial statements

Balance sheet

The Bank presents its balance sheet in order of the liquidity of each line item.

Statement of cash flows

The Bank's statement of cash flows is prepared using an indirect method. It is based on the movements in the Bank's balance sheet, adjusted for changes in financial transactions awaiting settlement.

Notes to the financial statements

1. Cash and cash equivalents

Cash and cash equivalents comprise sight accounts at central and commercial banks, as well as notice accounts at commercial banks and international financial institutions. Included within the cash balances is cash collateral received from counterparties in relation to derivatives transactions. Cash balances are analysed in the table below:

As at 31 March

SDR millions	**2024**	2023
Balance at central banks	45,013.2	68,069.6
Balance at commercial banks	30.3	85.2
Total cash and sight accounts	**45,043.5**	68,154.8
Notice accounts	1,531.3	1,552.3
Total cash and cash equivalents	**46,574.8**	69,707.1

2. Currency assets

Currency assets comprise the following products:

Securities purchased under resale agreements are collateralised loan transactions. During the term of the agreement, the Bank monitors the fair value of the loan and related collateral securities, and may call for additional collateral (or be required to return collateral) based on movements in their market value.

Loans and advances comprise fixed-term loans to commercial banks and advances. Advances are drawings of committed and uncommitted standby facilities which the Bank provides for its customers.

Government and other securities are debt securities issued by governments, international institutions, other public sector institutions, commercial banks and corporates. They include treasury bills, commercial paper, certificates of deposit, fixed and floating rate bonds, covered bonds, inflation-linked securities and asset-backed securities.

The following tables analyse the Bank’s holdings of currency assets in accordance with their classification.

As at 31 March 2024

SDR millions	FVPL	FVOCI	**Total**
Securities purchased under resale agreements	**111,811.7**	**296.1**	**112,107.8**
Loans and advances	**42,609.2**	**–**	**42,609.2**
Government and other securities			
Sovereigns and central banks	89,509.5	15,743.4	105,252.9
Other	28,557.0	2,177.3	30,734.3
Total government and other securities	**118,066.5**	**17,920.7**	**135,987.2**
Total currency assets	**272,487.4**	**18,216.8**	**290,704.2**

As at 31 March 2023

SDR millions	FVPL	FVOCI	**Total**
Securities purchased under resale agreements	64,120.9	–	64,120.9
Loans and advances	50,003.8	–	50,003.8
Government and other securities			
Sovereigns and central banks	92,073.5	15,415.8	107,489.3
Other	23,779.3	1,937.8	25,717.1
Total government and other securities	115,852.8	17,353.6	133,206.4
Total currency assets	229,977.5	17,353.6	247,331.1

Government and other securities classified as FVPL as at 31 March 2024 include SDR 868.0 million (2023: SDR 552.4 million) of securities that are part of the currency investment portfolios (own funds) that have been classified as FVPL because the portfolio mandate permits active trading.

The Bank lends some of its securities in exchange for a fee. The amount of government and other securities which were transferred in securities lending transactions (and were not subject to de-recognition from the balance sheet to the extent of the Bank's continuing involvement) was SDR 103.2 million as at 31 March 2024 (2023: SDR 73.8 million).

The Bank gives or pledges as collateral some of its debt securities in certain derivative and repurchase agreement transactions. For more detail, see the "Risk management" section, note 3C, "Credit risk mitigation".

3. Gold and gold loans

As at 31 March

SDR millions	**2024**	2023
Gold investment assets	5,501.4	4,839.5
Gold banking assets	24,852.5	22,841.5
Total gold and gold loan assets	**30,353.9**	27,681.0
Comprising:		
Gold bars	29,488.3	26,650.6
Sight accounts denominated in gold	363.8	14.9
Gold loans	501.8	1,015.5

The Bank's gold investment assets are included in the balance sheet at their weight in gold (translated at the gold market price and USD exchange rate into SDR) plus accrued interest on gold loans. The excess of this value over the deemed cost value is included in the gold revaluation account, which is reported under the balance sheet heading "Other equity accounts".

Included in "Gold banking assets" is SDR 3,878.1 million (72 tonnes) of gold that the Bank holds in connection with gold swap contracts (2023: SDR 3,646.4 million; 77 tonnes).

4. Derivative financial instruments

The main types of derivative instruments used by the Bank are as follows:

Currency and gold options are contractual agreements under which the seller grants the purchaser the right, but not the obligation, to either buy (call option) or sell (put option), by or on a set date, a specific amount of a currency or gold at a predetermined price. In consideration, the seller receives a premium from the purchaser.

Currency and gold swaps, cross-currency swaps and interest rate swaps are contractual agreements to exchange cash flows related to currencies, gold or interest rates (for example, fixed rate for floating rate). Cross-currency interest rate swaps involve the exchange of cash flows related to a combination of interest rates and foreign exchange rates. Except for certain currency and gold swaps and cross-currency interest rate swaps, no exchange of principal takes place.

Currency and gold forwards are contractual agreements involving the exchange of foreign currencies or gold at a future date.

Futures contracts are primarily bond and interest rate futures, which represent contractual agreements to receive or pay a net amount based on changes in bond prices or interest rates at a future date. Also included under this line are two other types of contracts which are traded in smaller volumes by the BIS. First, equity futures, which are traded for the management of the staff pension fund only. These are contractual agreements to receive or pay a net amount based on changes in equity index levels at a future date. Second, options on futures, which are contractual agreements that confer the right, but not the obligation, to buy or sell a futures contract at a predetermined price during a specified period of time. All types of futures contracts are settled daily with the exchange. Associated margin payments are settled by cash or marketable securities.

TBAs ("to be announced") are forward contracts for investment in mortgage-backed securities, whereby the investor acquires a portion of a pool of as yet unspecified mortgages, which will be announced on a given delivery date. The Bank classifies these financial instruments as derivatives because it typically opens and closes the positions before the delivery date.

The Bank enters into derivatives transactions for its own benefit, and also on behalf of customers, investment entities operated by the Bank, and the staff pension fund. Over-the-counter (OTC) derivatives transactions are legally documented under the Bank's derivative master contracts, and are subject to its collateralisation processes (and netting rules in the event of default of one of the parties). The Bank recognises all derivatives transacted in its name. Where the economic benefit lies with a customer, an investment entity or the staff pension fund, the Bank recognises both the original derivative contract and an exactly offsetting derivative contract with the beneficial party.

As at 31 March	2024			2023		
	Notional amounts	Fair values		Notional amounts	Fair values	
SDR millions		Assets	Liabilities		Assets	Liabilities
Cross-currency swaps	2,580.3	31.9	(63.6)	1,778.6	7.9	(46.1)
Currency and gold forwards	13,834.7	27.6	(12.9)	6,688.5	17.0	(37.0)
Currency and gold options	761.0	2.0	(2.0)	1,039.2	0.2	(0.2)
Currency and gold swaps	282,269.3	4,759.8	(1,026.3)	277,226.7	1,698.4	(3,155.0)
Futures contracts	2,093.4	0.2	(0.1)	1,368.5	0.7	(0.6)
Interest rate swaps	447,344.2	1,385.6	(1,339.2)	478,047.9	1,607.5	(1,683.1)
TBAs	135.3	0.4	(0.2)	85.6	0.5	(0.2)
Total derivative financial instruments	**749,018.2**	**6,207.5**	**(2,444.3)**	766,235.0	3,332.2	(4,922.2)

5. Accounts receivable and other assets

As at 31 March

SDR millions	2024	2023
Financial transactions awaiting settlement	5,061.6	2,028.0
Other assets	30.6	25.3
Total accounts receivable and other assets	**5,092.2**	2,053.3

"Financial transactions awaiting settlement" relate to short-term receivables, typically due in three business days or less, where transactions have been effected but cash has not yet been received.

6. Land, buildings and equipment, and depreciation and amortisation

For the financial year ended 31 March

							2024	2023
SDR millions	Land	Buildings and installations	IT and other equipment	Computer software intangible assets	Assets under construction	Right-of-use assets	Total	Total
Historical cost								
Balance at beginning of year	**46.4**	**311.4**	**22.7**	**96.4**	**23.6**	**14.2**	**514.7**	496.0
Capital expenditure	–	–	–	–	38.3	–	38.3	28.3
Transfers from assets under construction	–	11.7	4.1	20.1	(35.9)	–	–	–
Change in right-of-use assets	–	–	–	–	–	10.1	10.1	0.5
Disposals and retirements	–	(0.4)	(1.3)	(10.2)	–	–	(11.9)	(10.1)
Balance at end of year	**46.4**	**322.7**	**25.5**	**106.3**	**26.0**	**24.3**	**551.2**	514.7
Accumulated depreciation and amortisation								
Balance at beginning of year	**–**	**229.7**	**13.8**	**55.3**	**–**	**11.0**	**309.8**	294.1
Depreciation and amortisation	–	10.5	1.8	15.1	–	3.1	30.5	25.8
Disposals and retirements	–	(0.4)	(1.3)	(10.2)	–	–	(11.9)	(10.1)
Balance at end of year	**–**	**239.8**	**14.3**	**60.2**	**–**	**14.1**	**328.4**	309.8
Net book value at end of year	**46.4**	**82.9**	**11.2**	**46.1**	**26.0**	**10.2**	**222.8**	204.9

Changes in right-of-use assets includes new lease transactions along with amendments of existing leases. Assets under construction are not subject to depreciation until they are completed, put into service and transferred to the appropriate asset category.

The Bank's practice is to retire assets from the fixed asset register, generally when their age reaches twice their estimated useful life. Due to retirement of assets, SDR 11.9 million has been removed from the historical cost and from accumulated depreciation for the year ended 31 March 2024 (2023: SDR 9.8 million).

7. Currency deposits

Currency deposits comprise the following products:

Sight and notice deposit accounts are very short-term financial liabilities, typically having a notice period of three days or less.

Medium-Term Instruments (MTIs) are fixed rate investments at the Bank issued with initial maturities of between one and five years.

FIXBIS are fixed rate investments at the BIS for any maturities between one week and one year.

FRIBIS are floating rate investments at the BIS with maturities of one year or longer for which the interest rate is reset in line with prevailing market conditions.

Fixed-term deposits are fixed rate investments at the BIS, typically with an initial maturity of less than one year.

Dual-currency deposits (DCDs) are fixed-term deposits that are repayable on the maturity date either in the original currency or at a fixed amount in a different currency at the option of the Bank. The balance sheet total for DCDs includes the fair value of the embedded foreign exchange option. These deposits all mature during April or May 2024 (2023: during April 2023).

The Bank acts as the sole market-maker in certain of its currency deposit liabilities and has undertaken to repay some of these financial instruments at fair value, in whole or in part, at one to three business days' notice.

The amount the Bank is contractually obliged to pay at maturity in respect of its FVPL currency deposits that were outstanding at 31 March 2024 (including total future expected interest payments) is SDR 261,692.3 million (2023: SDR 244,831.9 million).

Sight and notice deposit accounts are classified as amortised cost, while all other deposits are classified as FVPL.

As at 31 March 2024

SDR millions	FVPL	Amortised cost	**Total**
Repayable at one to three days' notice			
Sight and notice deposit accounts	–	65,160.5	65,160.5
Medium-Term Instruments (MTIs)	42,529.5	–	42,529.5
Fixed Rate Investments at the BIS (FIXBIS)	133,784.7	–	133,784.7
	176,314.2	65,160.5	**241,474.7**
Other currency deposits			
Floating Rate Investments of the BIS (FRIBIS)	1,549.2	–	1,549.2
Fixed-term deposits	82,060.1	–	82,060.1
Dual-currency deposits (DCDs)	66.0	–	66.0
	83,675.3	–	**83,675.3**
Total currency deposits	259,989.5	65,160.5	**325,150.0**

As at 31 March 2023

SDR millions	FVPL	Amortised cost	**Total**
Repayable at one to three days' notice			
Sight and notice deposit accounts	–	50,253.9	50,253.9
Medium-Term Instruments (MTIs)	46,778.9	–	46,778.9
Fixed Rate Investments at the BIS (FIXBIS)	119,738.6	–	119,738.6
	166,517.5	50,253.9	**216,771.4**
Other currency deposits			
Floating Rate Investments of the BIS (FRIBIS)	1,350.4	–	1,350.4
Fixed-term deposits	70,515.0	–	70,515.0
Dual-currency deposits (DCDs)	41.2	–	41.2
	71,906.6	–	**71,906.6**
Total currency deposits	238,424.1	50,253.9	**288,678.0**

8. Securities sold under repurchase agreements

As at 31 March

SDR millions	**2024**	2023
Amortised cost	296.1	–
Fair value through profit and loss	–	–
Total securities sold under repurchase agreements	**296.1**	–

Further information on the collateral related to the repurchase agreements is provided in the "Risk management" section, note 3C, "Credit risk mitigation".

9. Gold deposits

Gold deposit liabilities placed with the Bank originate entirely from central banks.

10. Accounts payable

"Accounts payable" consists of financial transactions awaiting settlement, relating to short-term payables where transactions have been effected but cash has not yet been transferred.

11. Other liabilities

As at 31 March

SDR millions	**2024**	2023
Post-employment benefit obligations		
Staff pensions	416.3	257.6
Directors' pensions	13.0	11.7
Medical benefits	528.1	457.0
Lease liabilities	10.5	3.5
Other liabilities	198.2	57.8
Total other liabilities	**1,166.1**	787.6

12. Post-employment benefit obligations

The Bank operates three post-employment arrangements:

- A defined benefit pension arrangement for its staff in the event of retirement, disability or death. The arrangement also applies to the staff of the three independent associations hosted by the Bank (the FSB, the IADI and the IAIS). Under this arrangement, benefits accrue according to years of participation and pensionable remuneration. These benefits are paid out of a pension fund without separate legal personality. Contributions are made to this fund by the Bank and by staff. The fund is the beneficial owner of assets on which it receives a return. These assets are administered by the Bank for the sole benefit of the participants in the arrangement. Except as shown in this note, and as described in note 4, "Derivative financial instruments", these assets are not recognised as assets of the Bank. The Bank remains ultimately liable for all benefits due under the arrangement. The defined benefit obligation and the related expense for the staff pension plan includes amounts related to an unfunded legacy arrangement for cleaning staff. The disbursements for this arrangement are not paid out of the assets in the fund, as described above.
- An unfunded defined benefit arrangement for its Directors, whose entitlement is based on a minimum service period of 49 months.
- An unfunded post-employment medical benefit arrangement for its staff and their dependents. Employees who leave the Bank after becoming eligible for early retirement benefits from the pension arrangement are eligible for post-employment medical benefits. The arrangement also applies to the staff of the three independent associations hosted by the Bank (the FSB, the IADI and the IAIS).

All three arrangements operate in Swiss francs (CHF) and are valued annually by an independent actuary. During 2024/25, the Bank expects to make contributions of CHF 51.2 million (2023/24: CHF 50.8 million of actual contribution) to its post-employment benefit arrangements.

All matters of a general policy nature arising in connection with the management of the assets of the pension fund are dealt with by the Pension Fund Committee. The committee is chaired by the Deputy General Manager, and includes members of senior management, along with staff representatives and external pension experts. The Pension Fund Committee determines the investment policies of the fund, sets its risk tolerance, and establishes the long-term strategic allocation policy on the basis of regular asset and liability management studies. It also supervises the arrangements made by the Bank in this regard, including selecting external investment managers. The Pension Fund Committee assesses the funding position of the pension fund using a through-the-cycle discount rate and, if necessary, makes recommendations on changes to the contribution rate of the Bank to ensure the long-term actuarial equilibrium of the Pensions System, including a sufficient safety margin.

A. Amounts recognised in the balance sheet

As at 31 March	Staff pensions		Directors' pensions		Post-employment medical benefits	
SDR millions	**2024**	2023	**2024**	2023	**2024**	2023
Present value of obligations	(1,777.6)	(1,568.9)	(13.0)	(11.7)	(528.1)	(457.0)
Fair value of fund assets	1,361.3	1,311.3	–	–	–	–
Net liability at end of year	**(416.3)**	(257.6)	**(13.0)**	(11.7)	**(528.1)**	(457.0)

B. Present value of defined benefit obligations

The reconciliation of the opening and closing amounts of the present value of the benefit obligations is as follows:

As at 31 March	Staff pensions		Directors' pensions		Post-employment medical benefits	
SDR millions	**2024**	2023	**2024**	2023	**2024**	2023
Present value of obligations at beginning of year	(1,568.9)	(1,569.8)	(11.7)	(10.9)	(457.0)	(476.1)
Employee contributions	(12.3)	(11.0)	–	–	–	–
Benefit payments	68.6	63.6	0.6	0.5	4.9	4.5
Service cost, including past service cost	(53.2)	(54.2)	(0.4)	(0.5)	(15.7)	(17.2)
Interest cost	(32.0)	(18.7)	(0.2)	(0.1)	(9.5)	(6.0)
Re-measurements:						
Experience adjustments	0.3	(36.9)	–	(1.1)	3.8	2.9
Changes in demographic assumptions	–	(15.2)	–	–	–	(2.2)
Changes in financial assumptions	(135.3)	133.8	(0.9)	0.9	(41.8)	55.8
Foreign exchange differences	(44.8)	(60.5)	(0.4)	(0.5)	(12.8)	(18.7)
Present value of obligations at end of year	**(1,777.6)**	(1,568.9)	**(13.0)**	(11.7)	**(528.1)**	(457.0)

The following table shows the weighted average duration of the defined benefit obligations for the Bank's three post-employment benefit arrangements:

As at 31 March	Staff pensions		Directors' pensions		Post-employment medical benefits	
Years	**2024**	2023	**2024**	2023	**2024**	2023
Weighted average duration	**16.4**	15.7	**13.4**	12.7	**23.7**	22.9

C. Amounts recognised in the profit and loss account

For the financial year ended 31 March	Staff pensions		Directors' pensions		Post-employment medical benefits	
SDR millions	**2024**	2023	**2024**	2023	**2024**	2023
Service cost	(53.2)	(54.2)	(0.4)	(0.5)	(15.7)	(17.2)
Interest cost on net liability	(4.9)	(2.3)	(0.2)	(0.1)	(9.5)	(6.0)
Amounts recognised in operating expense	**(58.1)**	(56.5)	**(0.6)**	(0.6)	**(25.2)**	(23.2)

D. Amounts recognised in other comprehensive income

For the financial year ended 31 March	Staff pensions		Directors' pensions		Post-employment medical benefits	
SDR millions	**2024**	2023	**2024**	2023	**2024**	2023
Return on plan assets in excess of opening discount rate	3.9	(99.6)	–	–	–	–
Experience adjustments	0.3	(36.9)	–	(1.1)	3.8	2.9
Changes in demographic assumptions	–	(15.2)	–	–	–	(2.2)
Changes in financial assumptions	(135.3)	133.8	(0.9)	0.9	(41.8)	55.8
Foreign exchange gain / (loss)	7.7	10.4	(0.1)	(0.2)	4.4	3.5
Amounts recognised in other comprehensive income	**(123.4)**	(7.5)	**(1.0)**	(0.4)	**(33.6)**	60.0

E. Analysis of movement on fair value of fund assets for staff pensions

The reconciliation of the opening and closing amounts of the fair value of fund assets for the staff pension arrangement is as follows:

For the financial year ended 31 March

SDR millions	**2024**	2023
Fair value of fund assets at beginning of year	1,311.3	1,361.6
Employer contributions	37.6	33.6
Employee contributions	12.3	11.0
Benefit payments	(68.6)	(63.6)
Interest income on plan assets	27.1	16.4
Return on plan assets in excess of opening discount rate	3.9	(99.6)
Foreign exchange differences	37.7	51.9
Fair value of fund assets at end of year	**1,361.3**	1,311.3

F. Composition and fair value of assets for the pension fund

The table below analyses the assets of the pension fund and the extent to which the fair values of those assets have been calculated using quoted prices in active markets. The pension fund does not invest in financial instruments issued by the Bank.

As at 31 March		**2024**			2023	
SDR millions	Quoted in active market	Unquoted	Total	Quoted in active market	Unquoted	Total
Cash (including margin accounts)	3.9	–	3.9	39.4	–	39.4
Debt securities	344.7	–	344.7	348.5	–	348.5
Fixed income funds	289.3	–	289.3	190.4	–	190.4
Equity funds	387.1	–	387.1	397.7	–	397.7
Real estate funds	–	149.5	149.5	–	177.3	177.3
Infrastructure funds	–	118.1	118.1	–	89.5	89.5
Commodity investments	67.0	–	67.0	64.8	–	64.8
Derivative financial instruments	–	1.7	1.7	1.5	2.2	3.7
Total	**1,092.0**	**269.3**	**1,361.3**	1,042.3	269.0	1,311.3

G. Principal actuarial assumptions used in these financial statements

As at 31 March	2024	2023
Applicable to staff pension arrangement		
Discount rate	1.50%	2.00%
Assumed average salary increase rate	2.45%	2.45%
Applicable to post-employment medical benefit arrangement		
Discount rate	1.50%	2.00%
Long-term medical cost inflation assumption	3.25%	3.45%
Applicable to Directors' pension arrangement		
Discount rate	1.45%	2.00%
Assumed Directors' pensionable remuneration increase rate	1.25%	1.25%
Applicable to staff and Directors' pension arrangements		
Assumed increase in pensions payable	1.25%	1.25%

The mortality assumptions used for all three arrangements as at 31 March 2024 were based on the BVG 2020 table with generational projection CMI 2019 and a long-term improvement rate of 1.25% (2023: same mortality assumptions). The assumed increases in staff salaries, Directors' pensionable remuneration and pensions payable incorporate a long-term inflation assumption of 1.25% at 31 March 2024 (2023: 1.25%).

H. Life expectancies

The life expectancies, at age 65, used in the actuarial calculations for the staff pension arrangement are:

As at 31 March

Years	2024	2023
Current life expectancy of members aged 65		
Male	21.9	21.8
Female	23.6	23.5
Life expectancy of members aged 65 projected forward in 10 years' time		
Male	22.7	22.6
Female	24.4	24.3

I. Sensitivity analysis of significant actuarial assumptions

The Bank is exposed to risks from these obligations and arrangements, including investment risk, interest rate risk, foreign exchange risk, longevity risk and salary risk.

Investment risk is the risk that plan assets will not generate returns at the expected level.

Interest rate risk is the exposure of the post-employment benefit obligations to adverse movements in interest rates, including credit spreads. A decrease in interest rates will increase the present value of these obligations. However, in the case of the staff pension arrangement this may be offset, either fully or partly, by an increase in value of the interest-bearing securities held by the fund.

Foreign exchange risk is the exposure of the post-employment benefit obligations to adverse movements in exchange rates between the Swiss franc, which is the operating currency of the post-employment benefit arrangements, and the SDR, which is the functional currency of the Bank.

Longevity risk is the risk that actual outcomes differ from actuarial estimates of life expectancy.

Salary risk is the risk that higher than expected salary rises increase the cost of providing a salary-related pension.

The table below shows the estimated impact on the defined benefit obligations resulting from a change in key actuarial assumptions:

As at 31 March	**Staff pensions** Increase / (decrease) in defined benefit obligation	
SDR millions	**2024**	2023
Discount rate		
Increase by 0.5%	(135.1)	(114.5)
Decrease by 0.5%	154.7	130.2
Rate of salary increase		
Increase by 0.5%	37.3	29.8
Decrease by 0.5%	(35.6)	(28.2)
Rate of pension payable increase		
Increase by 0.5%	112.0	94.1
Decrease by 0.5%	(101.3)	(86.3)
Life expectancy		
Increase by 1 year	58.7	50.2
Decrease by 1 year	(60.4)	(50.2)

As at 31 March	**Directors' pensions** Increase / (decrease) in defined benefit obligation	
SDR millions	**2024**	2023
Discount rate		
Increase by 0.5%	(0.8)	(0.7)
Decrease by 0.5%	0.9	0.8
Rate of pension payable increase		
Increase by 0.5%	0.8	0.7
Decrease by 0.5%	(0.8)	(0.6)
Life expectancy		
Increase by 1 year	0.7	0.6
Decrease by 1 year	(0.7)	(0.6)

As at 31 March	Post-employment medical benefits Increase / (decrease) in defined benefit obligation	
SDR millions	**2024**	2023
Discount rate		
Increase by 0.5%	(57.6)	(48.4)
Decrease by 0.5%	67.6	56.7
Medical cost inflation rate		
Increase by 1.0%	113.7	95.5
Decrease by 1.0%	(85.0)	(71.8)
Life expectancy		
Increase by 1 year	45.9	38.8
Decrease by 1 year	(43.3)	(36.6)

The above estimates were arrived at by changing each assumption individually, holding other variables constant. They do not include any correlation effects that may exist between variables.

13. Share capital

The Bank's share capital consists of:

As at 31 March

SDR millions	**2024**	2023
Authorised capital: 600,000 shares, each of SDR 5,000 par value, of which SDR 1,250 is paid up	3,000.0	3,000.0
Issued capital: 568,125 shares	2,840.6	2,840.6
Paid-up capital (25%)	**710.2**	710.2

As at 31 March 2024 the number of member central banks was 63 (2023: 63).

The number of shares eligible for dividend is:

As at 31 March	**2024**	2023
Issued shares	568,125	568,125
Shares held in treasury	(1,000)	(1,000)
Outstanding shares eligible for dividend	**567,125**	567,125

Shares held in treasury consist of 1,000 shares of the Albanian issue which were suspended in 1977.

14. Statutory reserves

The Bank's Statutes provide for application of the Bank's annual net profit, by the Annual General Meeting at the proposal of the Board of Directors, to three specific reserve funds: the legal reserve fund, the general reserve fund and the special dividend reserve fund; the remainder of the net profit after payment of any dividend is generally allocated to the free reserve fund.

Legal reserve fund. This fund is currently fully funded at 10% of the Bank's paid-up capital.

General reserve fund. After payment of any dividend, 5% of the remainder of the Bank's annual net profit currently must be allocated to the general reserve fund.

Special dividend reserve fund. A portion of the remainder of the annual net profit may be allocated to the special dividend reserve fund, which shall be available, in case of need, for paying the whole or any part of a declared dividend. Dividends are normally paid out of the Bank's net profit.

Free reserve fund. After the above allocations have been made, any remaining unallocated net profit is generally transferred to the free reserve fund.

Receipts from the subscription of the Bank's shares are allocated to the legal reserve fund as necessary to keep it fully funded, with the remainder being credited to the general reserve fund.

The free reserve fund, general reserve fund and legal reserve fund are available, in that order, to meet any losses incurred by the Bank. In the event of liquidation of the Bank, the balances of the reserve funds (after the discharge of the liabilities of the Bank and the costs of liquidation) would be divided among the Bank's shareholders.

The table below analyses the movements in the Bank's statutory reserves over the last two years:

SDR millions	Legal reserve fund	General reserve fund	Special dividend reserve fund	Free reserve fund	Total statutory reserves
Balance at 31 March 2022	**71.0**	**4,104.3**	**484.0**	**13,425.7**	**18,085.0**
Allocation of 2021/22 profit	–	9.3	–	175.7	185.0
Balance at 31 March 2023	**71.0**	**4,113.6**	**484.0**	**13,601.4**	**18,270.0**
Allocation of 2022/23 profit	–	25.9	34.9	456.3	517.1
Balance at 31 March 2024	**71.0**	**4,139.5**	**518.9**	**14,057.7**	**18,787.1**

As at 31 March 2024, statutory reserves included share premiums of SDR 1,385.1 million (2023: SDR 1,385.1 million).

In accordance with Article 51 of the Bank's Statutes, the following profit allocation will be proposed at the Bank's Annual General Meeting for the 2023/24 profit:

SDR millions	**2024**
Net profit	**831.5**
Proposed dividend:	
SDR 370 per share on 567,125 shares	(209.8)
Profit available for allocation	**621.7**
Proposed transfers to reserves:	
General reserve fund	(31.1)
Special dividend reserve fund	(17.0)
Free reserve fund	(573.6)
Balance after allocation to reserves	**–**

15. Other equity accounts

Other equity accounts comprise the revaluation accounts for FVOCI assets (gold and currency investment assets) as well as the re-measurement gains or losses on defined benefit obligations.

As at 31 March

SDR millions	**2024**	2023
Securities revaluation account	(495.5)	(699.1)
Gold revaluation account	4,996.4	4,334.6
Re-measurement of defined benefit obligations	254.3	412.3
Total other equity accounts	**4,755.2**	4,047.8

A. Securities revaluation account

This account contains the difference between the fair value and the amortised cost of the Bank’s currency investment assets classified as FVOCI.

For the financial year ended 31 March

SDR millions	**2024**	2023
Fair value of assets	18,216.8	17,353.6
Historical cost	18,715.2	18,056.2
Securities revaluation account (excluding ECL)	**(498.4)**	(702.6)
Of which:		
Gross gains	52.7	20.8
Gross losses	(551.1)	(723.4)
ECL impairment provision	**2.9**	3.5
Securities revaluation account	**(495.5)**	(699.1)

B. Gold revaluation account

This account contains the difference between the book value and the deemed cost of the Bank's gold investment assets. All of the Bank's gold investment assets were held on 31 March 2003 (when the Bank changed its functional and presentation currency from the gold franc to the SDR). The deemed cost of these assets is approximately SDR 151 per ounce, based on the value of USD 208 per ounce that was applied from 1979 to 2003 following a decision by the Bank's Board of Directors, translated at the 31 March 2003 exchange rate. The movement in the gold revaluation account was as follows:

For the financial year ended 31 March

SDR millions	**2024**	2023
Balance at beginning of year	4,334.6	4,118.7
Gold price movement	661.8	215.9
Balance at end of year	**4,996.4**	4,334.6

C. Re-measurement of defined benefit obligations

This account contains the gains and losses from re-measurement of the Bank's post-employment benefit obligations.

For the financial year ended 31 March

SDR millions	**2024**	2023
Balance at beginning of year	412.3	360.2
Net movement on the re-measurement of defined benefit obligations		
Staff pensions	(123.4)	(7.5)
Directors' pensions	(1.0)	(0.4)
Post-employment medical benefits	(33.6)	60.0
	(158.0)	52.1
Balance at end of year	**254.3**	412.3

16. Interest income

For the financial year ended 31 March

SDR millions	**2024**	2023
Assets classified as amortised cost		
Cash and cash equivalents	174.2	228.8
Gold loan and sight accounts denominated in gold	0.8	1.1
	175.0	229.9
Financial assets classified as FVOCI		
Securities purchased under resale agreements	2.4	–
Government and other securities	366.5	268.0
	368.9	268.0
Interest income on liabilities classified as amortised cost	**–**	15.9
Total interest income	**543.9**	513.8

17. Interest expense

For the financial year ended 31 March

SDR millions	**2024**	2023
Liabilities classified as amortised cost		
Currency deposits: sight and notice deposit accounts	(2,500.7)	(1,060.4)
Securities sold under repurchase agreements	(2.3)	–
Interest on lease liabilities	(0.1)	(0.1)
	(2,503.1)	(1,060.5)
Interest expense on assets classified as amortised cost or FVOCI	**(86.3)**	(148.5)
Total interest expense	**(2,589.4)**	(1,209.0)

18. Change in ECL impairment provision

The Bank assesses impairment of financial assets which are classified as either FVOCI or amortised cost, and also in relation to loan commitments. The Bank takes a prudent stance on investments and managing its credit exposures. It monitors its exposures on an ongoing basis. It uses its standard credit risk methodology for assessing ECL and related key inputs for its ECL calculation, including estimates for probability of default, loss given default and exposure at default for individual exposures. No significant changes in estimation techniques were made during the reporting period.

Estimating ECL involves judgement. While there were a limited number of internal rating downgrades over the last financial year, the overall credit quality of the portfolio has remained robust. The review of credit exposures in scope of the ECL calculation concluded that all credit exposures were assessed to be in stage 1 during the financial year ended 31 March 2024, unchanged from 31 March 2023.

For the financial year ended 31 March

SDR millions	**2024**	2023
Financial assets classified as amortised cost	–	–
Financial assets classified as FVOCI	0.6	(0.4)
Change in ECL impairment provision	**0.6**	(0.4)

19. Net income on financial assets and liabilities at fair value through profit and loss

For the financial year ended 31 March

SDR millions	**2024**	2023
Financial assets		
Securities purchased under resale agreements	3,098.8	902.3
Loans and advances	2,448.1	1,128.5
Government and other securities	2,178.6	(23.3)
	7,725.5	2,007.5
Financial liabilities		
Currency deposits	(11,670.5)	(4,908.0)
	(11,670.5)	(4,908.0)
Derivative financial instruments	**7,133.0**	4,575.3
Net income on financial assets and liabilities at FVPL	**3,188.0**	1,674.8

The net income on financial assets and liabilities at fair value through profit and loss comprises the accrual of effective interest, along with realised and unrealised valuation movements, as further analysed in the following table:

For the financial year ended 31 March

SDR millions	**2024**	2023
Financial assets		
Interest	7,320.4	2,748.9
Realised and unrealised valuation movements	405.1	(741.4)
	7,725.5	2,007.5
Financial liabilities		
Interest	(11,317.5)	(5,230.3)
Realised and unrealised valuation movements	(353.0)	322.3
	(11,670.5)	(4,908.0)
Derivative financial instruments		
Interest	7,162.7	4,117.2
Realised and unrealised valuation movements	(29.7)	458.1
	7,133.0	4,575.3
Net income on financial assets and liabilities at FVPL	**3,188.0**	1,674.8

20. Net loss on sales of currency assets at FVOCI

For the financial year ended 31 March

SDR millions	**2024**	2023
Disposal proceeds	2,620.6	3,381.7
Amortised cost	(2,662.6)	(3,408.5)
Net loss on sales of currency assets at FVOCI	**(42.0)**	(26.8)
Of which:		
Gross realised gains	9.5	14.2
Gross realised losses	(51.5)	(41.0)

21. Net fee income

For the financial year ended 31 March

SDR millions	**2024**	2023
Third-party asset management net fee income	17.2	18.3
Contributions received under cost sharing arrangements	5.7	3.2
Other income	3.0	3.4
Withholding taxes	–	(2.7)
Other fees and expenses	(9.2)	(7.5)
Net fee income	**16.7**	14.7

22. Net foreign exchange income

For the financial year ended 31 March

SDR millions	**2024**	2023
Net gain on foreign exchange transactions	87.6	71.4
Net foreign exchange translation gain / (loss)	1.7	(23.1)
Net foreign exchange income	**89.3**	48.3

23. Administrative expense

The following table analyses the Bank's administrative expense in Swiss francs (CHF), the currency in which most expenditure is incurred:

For the financial year ended 31 March

CHF millions	**2024**	2023
Board of Directors		
Directors' fees	2.1	2.1
Pensions to former Directors	0.8	0.8
Travel and other costs	0.9	1.4
	3.8	4.3
Management and staff		
Remuneration	149.7	147.4
Pensions	67.4	68.7
Other personnel-related expense	57.9	53.9
	275.0	270.0
Office and other expense	**114.0**	104.9
BIS administrative expense	**392.8**	379.2
Direct contributions to hosted international organisations	15.2	15.0
Total administrative expense in CHF millions	**408.0**	394.2
Total administrative expense in SDR millions	**345.1**	310.9

The average number of full-time equivalent senior officials and officials employed on behalf of the Bank during the financial year ended 31 March 2024 was 631 (2023: 616). In addition to the above regular BIS staff, the Bank accommodates up to 17 graduates a year and supports secondments from other organisations. The Bank also employs a small number of cleaners (currently one). The cost of all employees employed on behalf of the Bank is included within management and staff expense.

The Bank hosts the secretariats of three independent associations – the FSB, the IADI and the IAIS. The Bank makes a financial contribution to support these international associations including paying some salaries and post-employment costs. These amounts are shown under "Direct contributions to hosted organisations". The staff employed on behalf of the independent associations are not included within the average number of employees quoted above. The Bank also provides indirect support for these organisations, in the form of logistical, administrative and staffing-related support. The cost of this support is included within the Bank's regular administrative expense categories.

24. Dividend per share

For the financial year ended 31 March	2024	2023
Net profit for the financial year (SDR millions)	831.5	678.7
Weighted average number of shares eligible for dividend	567,125.0	567,125.0
Proposed dividend per share (SDR per share)	370.0	285.0
Total proposed dividend (SDR millions)	**209.8**	161.6

The Bank's dividend policy requires that the dividend be set at a sustainable level which should vary over time in a predictable fashion. The policy also requires that the dividend reflects the Bank's capital needs and its prevailing financial circumstances, with a pay-out ratio of between 20% and 50% in most years. The Special Dividend Reserve Fund could also be drawn on to help smooth the flow of dividends to shareholders if the pay-out ratio were to be above 50%.

In line with the Bank's dividend policy, it is proposed to declare a normal dividend for 2023/24 of SDR 295 per share, SDR 10 per share higher than the normal dividend for the previous year. In addition, it is proposed to pay a supplementary dividend of SDR 75 per share. The proposed total dividend of SDR 370 per share represents a pay-out ratio of 25% of net profit (2023: 24%).

25. Exchange rates

The following table shows the principal exchange rates and prices used to translate balances in foreign currency and gold into SDR:

	Spot rate as at 31 March		Average rate for the financial year	
	2024	2023	**2024**	2023
USD	0.755	0.743	0.751	0.755
EUR	0.816	0.809	0.815	0.786
JPY	0.0050	0.0056	0.0052	0.0056
GBP	0.954	0.919	0.944	0.910
RMB	0.104	0.108	0.105	0.110
CHF	0.838	0.814	0.848	0.791
Gold (per ounce)	1,671.4	1,470.1	1,494.1	1,362.3

26. Off-balance sheet items

The following items are not included in the Bank's balance sheet:

As at 31 March

SDR millions	**2024**	2023
Gold bars held under earmark arrangements	20,641.5	17,934.8
Nominal value of securities:		
Securities held under safe custody arrangements	3,698.0	2,899.0
Net asset value of portfolio management mandates:		
BISIPs	22,427.0	20,838.5
Dedicated mandates	3,638.1	3,469.4

Gold bars held under earmark arrangements comprise specific gold bars which have been deposited with the Bank on a custody basis. They are included in the table above at their weight in gold (translated at the gold market price and the USD exchange rate into SDR). As at 31 March 2024, gold bars held under earmark amounted to 384 tonnes of gold (2023: 379 tonnes).

Portfolio management mandates include BISIPs and dedicated mandates.

BISIPs are a range of open-ended investment funds created by the Bank. BISIPs do not have a separate legal personality from the Bank, but are a series of separate reporting entities, each with its own financial statements. The Bank has an agency relationship with BISIPs. Transactions are conducted in the name of the BIS, and investments are held by a custodian appointed by the BIS, but all of the economic benefit lies with the BISIP customers. The Bank does not invest for its own account in BISIPs. Because the Bank does not participate in the risks or rewards of BISIPs, the financial instruments transacted on behalf of BISIPs are excluded from the BIS balance sheet, and are reported as off-balance sheet items.

Dedicated mandates are portfolios which are managed by the Bank in accordance with investment guidelines set by the customer. Transactions are conducted in the name of the customer, investments are held by a custodian appointed by the customer, and all of the economic benefit lies with the customer. Because the Bank does not participate in the risks or rewards of dedicated mandates, the financial instruments transacted on behalf of dedicated mandates are excluded from the BIS balance sheet, and are reported as off-balance sheet items.

The Bank transacts derivative financial instruments on behalf of BISIPs and dedicated mandates. Such derivatives are governed by the Bank's ISDA contracts, and are subject to the netting and offsetting arrangements specified in those contracts. In certain circumstances, derivatives transacted on behalf of BISIPs and dedicated mandates could be offset against other derivatives transacted by the BIS on behalf of the Bank, the staff pension fund, other BISIPs or other dedicated mandates. For this reason, all derivatives transacted by the Bank are included in the Bank's balance sheet. Such derivatives transacted on behalf of BISIPs and dedicated mandates are reported at fair value in the BIS balance sheet, along with an equal and offsetting transaction between the Bank and BISIP or dedicated mandate.

For both BISIPs and dedicated mandates, the Bank is remunerated by a management fee which is included under "Net fee income" in the profit and loss account.

27. Commitments

As at 31 March 2024, there were no outstanding committed facilities that were collateralised (2023: nil) or uncollateralised (2023: SDR 222.9 million).

The BIS is committed to supporting the operations of the three independent associations – the FSB, the IADI and the IAIS. In each case, the Bank has a separate agreement specifying the terms of support and the length of the commitment. In accordance with these agreements, the Bank was the legal employer of 85 staff members (2023: 81) working in the secretariats of the hosted international organisations.

28. Fair value hierarchy

The Bank categorises its financial instrument fair value measurements using a hierarchy that reflects the observability of inputs used in measuring that value. A valuation level is assigned according to the least observable input that is significant to the fair value measurement in its entirety. An input is determined to be significant if its contribution to the value of the financial instrument is greater than 5%. Market liquidity is a consideration in determining whether an input is observable, and hence its fair value hierarchy level. The fair value hierarchy used by the Bank comprises the following levels:

Level 1 – Instruments valued using unadjusted quoted prices in active markets for identical financial instruments.

Level 2 – Instruments valued with valuation techniques using inputs which are observable for the financial instrument either directly (ie as a price) or indirectly (ie derived from prices for similar financial instruments). This includes observable interest and foreign exchange rates, spreads and volatilities. It also includes instruments valued using unadjusted quoted prices in less active markets.

Level 3 – Instruments valued using valuation techniques where the significant inputs are not observable in financial markets. This includes illiquid prices and spreads derived from illiquid prices. It also includes instruments valued using unadjusted quoted prices in illiquid markets.

As at 31 March 2024

SDR millions	Level 1	Level 2	Level 3	**Total**
Financial assets classified as FVPL				
Securities purchased under resale agreements	–	111,811.7	–	111,811.7
Loans and advances	–	42,609.2	–	42,609.2
Government and other securities	72,522.2	44,548.6	995.7	118,066.5
Derivative financial instruments	2.8	6,204.7	–	6,207.5
Financial assets classified as FVOCI				
Securities purchased under resale agreements	–	296.1	–	296.1
Government and other securities	16,880.1	935.8	104.8	17,920.7
Total financial assets accounted for at fair value	**89,405.1**	**206,406.1**	**1,100.5**	**296,911.7**
Financial liabilities classified as FVPL				
Currency deposits	–	(259,989.5)	–	(259,989.5)
Derivative financial instruments	(2.4)	(2,441.9)	–	(2,444.3)
Total financial liabilities accounted for at fair value	**(2.4)**	**(262,431.4)**	**–**	**(262,433.8)**

As at 31 March 2023

SDR millions	Level 1	Level 2	Level 3	Total
Financial assets classified as FVPL				
Securities purchased under resale agreements	–	64,120.9	–	64,120.9
Loans and advances	–	50,003.8	–	50,003.8
Government and other securities	66,669.1	46,967.7	2,216.0	115,852.8
Derivative financial instruments	2.2	3,330.0	–	3,332.2
Financial assets classified as FVOCI				
Government and other securities	16,283.3	977.2	93.1	17,353.6
Total financial assets accounted for at fair value	82,954.6	165,399.6	2,309.1	250,663.3
Financial liabilities classified as FVPL				
Currency deposits	–	(238,424.1)	–	(238,424.1)
Derivative financial instruments	(1.5)	(4,920.7)	–	(4,922.2)
Total financial liabilities accounted for at fair value	(1.5)	(243,344.8)	–	(243,346.3)

A. Transfers between levels in the fair value hierarchy

Of the debt securities categorised as level 1 as at 31 March 2024, SDR 1,233.7 million related to assets that were categorised as level 2 as at 31 March 2023. Of the debt securities categorised as level 2 as at 31 March 2024, SDR 837.6 million related to assets that were categorised as level 1 and SDR 75.6 million related to assets that were categorised as level 3 as at 31 March 2023. Of the debt securities categorised as level 3 as at 31 March 2024, SDR 114.3 million related to assets that were categorised as level 2 as at 31 March 2023.

The transfer of financial assets between levels 1, 2 and 3 reflected specific market conditions existing at the reporting dates that affected the observability of the inputs used in measuring fair value. No financial liabilities or other types of financial asset were transferred between the fair value hierarchy levels.

B. Assets and liabilities categorised at fair value level 3

As at 31 March 2024, a small percentage of the Bank's financial instrument valuations were produced using valuation techniques that utilised significant unobservable inputs. These financial instruments are categorised as level 3. For these instruments, the determination of fair value requires subjective assessment and judgment depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on Management's own judgments about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Both observable and unobservable inputs may be used to determine the fair value of positions that have been classified within level 3. As a result, the unrealised gains and losses for assets and liabilities within level 3 presented in the tables below may include changes in fair value that were attributable to both observable and unobservable inputs.

The financial instruments categorised as level 3 comprise illiquid bonds. As at 31 March 2024, the Bank categorised SDR 1,100.5 million of securities as level 3 in the fair value hierarchy. All these securities were valued by a discounted cash flow model based on individual bond spreads to a yield curve.

As at 31 March 2024

SDR millions	FVPL	FVOCI	**Total**
Balance at the beginning of the year	**2,216.0**	**93.1**	**2,309.1**
Purchases	429.6	104.8	534.4
Maturities and sales	(1,704.8)	(93.1)	(1,797.9)
Transfers in	114.2	–	114.2
Transfers out	(73.0)	–	(73.0)
Valuation impact recognised in net profit	13.7	–	13.7
Balance at end of the year	**995.7**	**104.8**	**1,100.5**
Unrealised gains / (losses) relating to assets still held as at the reporting date	(6.7)	(0.3)	(7.0)

As at 31 March 2023

SDR millions	FVPL	FVOCI	Total
Balance at the beginning of the year	5,113.4	179.7	5,293.1
Purchases	2,003.2	61.1	2,064.3
Maturities and sales	(4,852.4)	(175.1)	(5,027.5)
Transfers in	–	32.0	32.0
Transfers out	(40.6)	(4.6)	(45.2)
Valuation impact recognised in net profit	(7.6)	–	(7.6)
Valuation impact recognised in other comprehensive income	–	–	–
Balance at end of the year	2,216.0	93.1	2,309.1
Unrealised gains / (losses) relating to assets still held as at the reporting date	(20.1)	0.1	(20.0)

C. Quantitative disclosures of valuation techniques

The following tables provide the representative range of minimum and maximum values and the associated weighted averages of each significant unobservable input for level 3 assets by the related valuation technique most significant to the related financial instrument.

As at 31 March 2024

	Fair value *SDR millions*	Valuation technique	Unobservable input	Minimum value of input	Maximum value of input	Weighted average of input	Unit	Relationship of unobservable input to fair value
Debt securities	1,100.5	Discounted cash flow based on spread to yield curve	Bond spreads	-40.0	73.0	35.4	Basis-points	A change in the spreads of 100 basis-points would increase / decrease the fair value by SDR 15.4 million
Total level 3 assets at fair value	**1,100.5**							

As at 31 March 2023

	Fair value *SDR millions*	Valuation technique	Unobservable input	Minimum value of input	Maximum value of input	Weighted average of input	Unit	Relationship of unobservable input to fair value
Debt securities	1,666.0	Price	Bond prices	99.5	100.8	100.0	Points	A change in the prices of 1 point would increase / decrease the fair value by SDR 16.4 million
Debt securities	643.1	Discounted cash flow based on spread to yield curve	Bond spreads	2.4	70.0	28.9	Basis-points	A change in the spreads of 100 basis-points would increase / decrease the fair value by SDR 10.0 million
Total level 3 assets at fair value	2,309.1							

D. Financial instruments not measured at fair value

In accordance with its accounting policies, the Bank accounts for certain financial instruments at amortised cost. Using the same valuation techniques as used for fair valued financial instruments, Management estimates that the fair values of these financial instruments would be materially the same as the carrying values shown in these financial statements for both 31 March 2024 and 31 March 2023. If the valuation of these instruments were categorised using the fair value hierarchy, the valuation of gold loans and securities sold under repurchase agreements would be considered level 2. All other amortised cost financial instruments would be considered level 1.

E. Impact of changes in the Bank's creditworthiness

The fair value of the Bank's liabilities may be affected by any change in its creditworthiness. If the Bank's creditworthiness deteriorated, the value of its liabilities would decrease, and the change in value would be reflected as a movement in other comprehensive income. The Bank regularly assesses its creditworthiness as part of its risk management processes. The Bank's assessment of its creditworthiness did not indicate a change which could have had an impact on the fair value of the Bank's liabilities during the period under review.

F. Valuation of financial assets and liabilities

The Bank is the sole market-maker in certain of its currency deposit products, while in other currency deposit products there is no active market. As such, judgment is involved in determining the appropriate assumptions to derive the fair value of currency deposits. The Bank uses valuation techniques to estimate the fair value of its currency deposits. These valuation techniques comprise discounted cash flow models and option pricing models. The discounted cash flow models value the expected cash flows of financial instruments using discount factors that are partly derived from quoted interest rates (eg rates on derivatives) and partly based on assumptions about spreads at which each product would be repurchased from customers. For short-term products, repurchase spreads are based on recent market transactions. For MTIs, repurchase spreads are based on those used when the deposit was sold to the customer. If a deposit was sold with an enhanced rate, the enhancement is reflected in the valuation spread as it would be applied if the Bank were to buy back the deposit from the customer. The option pricing models include assumptions about volatilities that are derived from market quotes. The valuation of OTC derivatives is also subject to judgment.

Stressed market conditions can increase the degree of judgment involved in the valuation of the Bank's financial assets and liabilities. In such circumstances, the Bank reconsiders some of its valuation processes, and applies judgment in determining the appropriate valuation methods and inputs for each financial instrument. Level 1 observable prices may not always be available for some financial assets, and these may instead be valued using a discounted cash flow model based on a spread to a standard market yield curve. Such valuations are level 2 or level 3, and require estimation of appropriate valuation parameters. Changes in estimates of these parameters could significantly affect the reported fair values. The valuation impact of a 1 basis point parallel upward change in the underlying yield curve assumptions of key financial instruments is shown in the table below:

For the financial year ended 31 March

SDR millions	**2024**	2023
Securities purchased under resale agreements	(0.4)	(0.4)
Loans and advances	(1.0)	(1.4)
Government and other securities	(15.1)	(12.7)
Currency deposits	12.2	11.8
Derivative financial instruments	(0.6)	(1.7)

The accuracy of the Bank's valuations is ensured through an independent price verification exercise performed by the valuation control function within the Finance unit.

29. Interest rate benchmark reform

The Bank has implemented changes to its IT systems, processes and valuation models to reflect the Libor reform, and has developed new customer products. This included the introduction of derivative products and customer products linked to the risk-free rates that replaced Libor as market benchmarks. Libor-referencing legacy derivatives and MTIs that were affected by the index cessations were either terminated or updated to reference the new risk-free rates ahead of the discontinuation. The interest rate benchmark reform had no material impact on these financial statements.

30. Geographical analysis

A. Total liabilities

As at 31 March

SDR millions	**2024**	2023
Africa and Europe	82,445.9	105,652.0
Asia-Pacific	221,160.1	172,395.7
Americas	38,207.8	38,652.0
International organisations	12,259.3	9,904.9
Balance at end of year	**354,073.1**	326,604.6

B. Off-balance sheet items

As at 31 March

SDR millions	2024			2023		
	Gold bars held under earmark arrangements	Nominal value of securities	Net asset value of portfolio management mandates	Gold bars held under earmark arrangements	Nominal value of securities	Net asset value of portfolio management mandates
Africa and Europe	8,447.4	–	4,295.3	7,429.9	–	4,328.5
Asia-Pacific	5,999.9	3,698.0	11,180.0	5,056.7	2,899.0	10,984.4
Americas	6,194.2	–	10,589.9	5,448.2	–	8,995.0
Total	**20,641.5**	**3,698.0**	**26,065.1**	17,934.8	2,899.0	24,307.9

The geographical distribution in the above table reflects the geographical origin of the underlying investors in the above off-balance sheet items, and not the geographical location of the investment assets.

C. Committed facilities

As at 31 March

SDR millions	**2024**	2023
Asia-Pacific	–	222.9
Total	**–**	222.9

31. Related parties

The Bank considers the following to be its related parties:

- the members of the Board of Directors;
- the senior officials of the Bank;
- close family members of the above individuals;
- the Bank's post-employment benefit arrangements; and
- central banks whose Governor is a member of the Board of Directors and institutions that are connected with these central banks.

A listing of the members of the Board of Directors and senior officials is shown in the sections of the Annual Report entitled "Board of Directors" and "BIS Management". The Bank provides services to the pension fund on a free-of-charge basis, including investment management, accounting, reporting, valuation and monitoring. Note 12 provides further details of the Bank's post-employment benefit arrangements.

A. Related party individuals

Note 23 provides details of the total compensation of the Board of Directors.

The total compensation of the senior officials recognised in the profit and loss account amounted to:

For the financial year ended 31 March

CHF millions	**2024**	2023
Salaries, allowances and medical benefits	8.9	10.4
Post-employment benefits	2.8	2.8
Total compensation	**11.7**	13.2
SDR equivalent in millions	9.9	10.4

The Bank offers personal deposit accounts for staff members and Directors. The accounts bear (or charge) interest at a rate equivalent to the rate applied by the Swiss National Bank on its sight deposits. The movements and total balance on personal deposit accounts relating to members of the Board of Directors and the senior officials of the Bank were as follows:

For the financial year ended 31 March

CHF millions	**2024**	2023
Balance at beginning of year	5.8	5.1
Deposits taken and other inflows	1.0	0.7
Withdrawals and other outflows	–	–
Balance at end of year	**6.8**	5.8
SDR equivalent in millions	5.7	4.7
Of which: Interest income on deposits in CHF millions	**0.1**	–
SDR equivalent in millions	0.1	–

Balances related to individuals who are appointed as members of the Board of Directors or as senior officials of the Bank during the financial year are included in the table above as other inflows. Balances related to individuals who ceased to be members of the Board of Directors or senior officials of the Bank during the financial year are included in the table above as other outflows.

In addition, the Bank operates a blocked personal deposit account for certain staff members who were previously members of the Bank's savings fund, which closed on 1 April 2003. The terms of these blocked accounts are such that staff members cannot make further deposits or withdrawals and the balances are paid out when they leave the Bank. The accounts bear (or charge) interest at a rate equivalent to the rate applied by the Swiss National Bank on its sight deposits plus 1%. The total balance of blocked accounts at 31 March 2024 was SDR 4.2 million (2023: SDR 4.4 million). They are reported under the balance sheet heading "Currency deposits".

B. Related party institutions

The Bank pays a dividend to its shareholders, as described in note 24. The dividends paid to related party shareholders in the financial year ended 31 March 2024 (for the financial year 2022/23) was SDR 99.5 million. In the previous financial year, the Bank paid a dividend of SDR 96.0 million to related party shareholders.

The BIS provides banking services to its customers, which are predominantly central banks, monetary authorities and international financial institutions. In fulfilling this role, the Bank, in the normal course of business, enters into transactions with customers that are related parties (as defined above). These transactions include making advances, and taking currency and gold deposits. It is the Bank's policy to enter into transactions with related party customers on similar terms and conditions to transactions with other, non-related party customers. The following tables show balances relating to these transactions, which the Bank believes are representative of the general level of business undertaken with related party customers during the year.

Balances with related party customers

As at 31 March	**2024**			2023		
	Balance sheet total	Balance with related parties		Balance sheet total	Balance with related parties	
	SDR millions	*SDR millions*	*%*	*SDR millions*	*SDR millions*	*%*
Assets						
Cash and cash equivalents	46,574.8	**45,008.0**	96.6	69,707.1	68,065.0	97.6
Securities purchased under resale agreements	112,107.8	**17,489.4**	15.6	64,120.9	13,484.4	21.0
Government and other securities	135,987.2	**26,991.9**	19.8	133,206.4	33,945.9	25.5
Gold and gold loans	30,353.9	**29,990.1**	98.8	27,681.0	27,666.0	99.9
Derivative financial instruments	6,207.5	**11.8**	0.2	3,332.2	0.6	–
Other assets	30.6	**2.0**	6.5	25.3	1.4	5.5
Liabilities						
Currency deposits	(325,150.0)	**(149,755.9)**	46.1	(288,678.0)	(111,712.8)	38.7
Gold deposits	(20,973.3)	**(16,127.2)**	76.9	(19,194.1)	(14,184.9)	73.9
Other liabilities	(1,166.1)	**(0.2)**	–	(787.6)	–	–
Derivative financial instruments	(2,444.3)	**(1.8)**	0.1	(4,922.2)	(50.3)	1.0

Main profit and loss items arising from transactions with related party customers

For the financial year ended 31 March	**2024**			2023		
	Profit and loss total	Balance with related parties		Profit and loss total	Balance with related parties	
	SDR millions	*SDR millions*	*%*	*SDR millions*	*SDR millions*	*%*
Interest income	543.9	**96.5**	17.7	513.8	201.7	39.3
Interest expense	(2,589.4)	**(1,779.1)**	68.7	(1,209.0)	(850.1)	70.3
Net change in ECL impairment provision	0.6	**–**	–	(0.4)	–	–
Net income on financial assets and liabilities at FVPL						
Financial assets	7,725.5	**1,237.4**	16.0	2,007.5	816.4	40.7
Financial liabilities	(11,670.5)	**(4,239.4)**	36.3	(4,908.0)	(1,731.6)	35.3
Derivative financial instruments	7,133.0	**26.1**	0.4	4,575.3	35.9	0.8

32. Contingent liabilities

In the opinion of its Management, the Bank had no significant contingent liabilities at 31 March 2024 (2023: nil).

Capital adequacy

1. Capital adequacy framework

As an international financial institution that is overseen by a Board composed of Governors of major central banks and that has no national supervisor, the Bank is committed to maintaining its superior credit quality and financial strength, in particular in situations of financial stress.

The Bank assesses its capital adequacy on a continuous basis. Its capital planning process focuses on two elements: an economic capital framework and a financial leverage framework. The disclosures in this section relating to financial leverage, as well as credit, market and operational risk are based on the Bank's own assessment of capital adequacy derived in accordance with these two BIS frameworks.

Regulatory capital ratios are not used as indicators of BIS capital adequacy because key aspects of the business model for the BIS banking activities are not adequately captured. In the main, these relate to the high level of solvency targeted by the Bank as well as the way regulatory capital ratios reflect portfolio concentrations and interest rate risk.

To facilitate comparability, the Bank has implemented a framework that is consistent with guidance issued by the Basel Committee on Banking Supervision (BCBS). Following this, the Bank discloses a Common Equity Tier 1 capital ratio (Pillar 1), risk-weighted assets and more detailed related information. During financial year ended 31 March 2024, the Bank evolved its risk-weighted asset calculations from internal models to Basel III standardised approaches across all risk types. Additional disclosures have been included in these financial statements for consistency with Basel III disclosure requirements for regulatory risk calculations where applicable, reflecting the scope and nature of the Bank's business activities. The comparative disclosures for 31 March 2023, have been restated to the new basis.

The Bank maintains a capital position substantially in excess of the regulatory minimum requirement in order to ensure its superior credit quality.

2. Economic capital

The Bank's economic capital methodology relates its risk-bearing capacity to the amount of economic capital needed to absorb potential losses arising from its exposures. Consistent with guidance from the BCBS, the risk-bearing capacity is defined as Common Equity Tier 1 capital which is based on components of the Bank's shareholders' equity (as reduced by prudential adjustments).

Common Equity Tier 1 capital includes the profit and loss account. It is adjusted by the Bank's current estimate of the amount of the profit and loss account that will be paid as a dividend (the "dividend adjustment"), to ensure that Common Equity Tier 1 capital includes only the component of the profit and loss account that is expected to be allocated to statutory reserves.

As at 31 March

SDR millions	**2024**	2023
Share capital	710.2	710.2
Statutory reserves per balance sheet	18,787.1	18,270.0
Less: shares held in treasury	(1.7)	(1.7)
Share capital and reserves	**19,495.6**	18,978.5
Securities revaluation account	(495.5)	(699.1)
Gold revaluation account	4,996.4	4,334.6
Re-measurement of defined benefit obligations	254.3	412.3
Other equity accounts	**4,755.2**	4,047.8
Expected loss[1]	(2.9)	(3.5)
Intangible assets	(63.2)	(57.4)
Prudential adjustments	**(66.1)**	(60.9)
Profit and loss account	**831.5**	678.7
Proposed dividend adjustment	**(209.8)**	(161.6)
Common Equity Tier 1 capital	**24,806.4**	23,482.5

[1] Since 31 March 2024, CET1 capital is calculated under the Basel III standardised approach using the accounting expected credit loss (ECL). Figures for March 2023 (originally calculated using the regulatory expected loss of the internal ratings-based approach) have been restated.

As part of the capital planning process, Management allocates economic capital to risk categories within the Bank's risk-bearing capacity. Allocations are made to each category of financial risk (ie credit and market risk) as well as to operational risk. To provide an additional margin of safety capital is also assigned to a minimum cushion of capital that is not utilised by risk categories ("minimum capital cushion"). The difference between the Bank's risk-bearing capacity and the total economic capital utilisation is termed "available economic capital" and is available for further risk-taking.

Reflecting the high level of solvency targeted by the Bank, the economic capital framework measures economic capital to a 99.99% confidence level assuming a one-year horizon. The Bank's economic capital framework is subject to regular review and calibration.

The following table summarises the Bank's economic capital allocation and utilisation as well as the resulting available economic capital:

As at 31 March

	2024		2023	
SDR millions	Allocation	Utilisation	Allocation	Utilisation
Credit risk	8,900.0	7,657.5	8,900.0	7,372.8
Market risk	5,800.0	5,537.4	5,300.0	4,733.3
Operational risk	850.0	850.0	850.0	850.0
Minimum capital cushion[1]	3,721.0	3,721.0	3,522.4	3,522.4
Total economic capital (A)	**19,271.0**	**17,765.9**	18,572.4	16,478.5
Common Equity Tier 1 capital (B)[1]		**24,806.4**		23,482.5
Available economic capital (B) – (A)		**7,040.5**		7,004.1

[1] Since 31 March 2024, CET1 capital is calculated under the Basel III standardised approach using the accounting expected credit loss (ECL). Figures for March 2023 (originally calculated using the regulatory expected loss of the internal ratings-based approach) have been restated.

3. Financial leverage

The Bank complements its capital adequacy assessment with a financial leverage framework using a ratio that compares the Bank's Common Equity Tier 1 capital with its total exposure. The exposure measure also includes the fair value of assets of the pension fund, as well as regulatory exposure adjustments relating to committed and uncommitted facilities, repurchase agreements and derivatives.

The following table shows the calculation of the Bank's financial leverage ratio:

As at 31 March

SDR millions	**2024**	2023
Common Equity Tier 1 capital (A)[1]	**24,806.4**	23,482.5
Total balance sheet assets	**379,155.4**	350,309.6
Derivatives	5,238.5	2,146.1
Securities purchased under resale agreements	–	–
Committed and uncommitted facilities	4,981.9	4,214.4
Pension fund assets	1,361.3	1,311.3
Exposure adjustments	**11,581.7**	7,671.8
Total BIS exposure (B)	**390,737.1**	357,981.4
BIS leverage ratio (A) / (B)	**6.3%**	6.6%

[1] Since 31 March 2024, CET1 capital is calculated under the Basel III standardised approach using the accounting expected credit loss (ECL). Figures for March 2023 (originally calculated using the regulatory expected loss of the internal ratings-based approach) have been restated.

4. Common Equity Tier 1 capital ratio

The economic capital framework and the financial leverage framework described above are the main tools used for assessing the Bank's capital adequacy. Risk-weighted assets, minimum capital requirements and the Common Equity Tier 1 capital ratio are disclosed to facilitate comparability. Guidance issued by the BCBS includes several alternative approaches for calculating risk-weighted assets and the corresponding minimum capital requirements. In principle, the minimum capital requirements are determined by taking 8% of the risk-weighted assets. The Bank has adopted an approach that is consistent with the Basel III standardised approach for the calculation of risk-weighted assets for credit risk, market risk and operational risk. The sections on credit risk, market risk and operational risk provide further details on the assumptions underlying these calculations.

The following table provides information on risk-weighted assets and related minimum capital requirements:

As at 31 March

SDR millions	2024 Amount of exposure	2024 Risk-weighted assets	2024 Minimum capital requirement	2023 Amount of exposure	2023 Risk-weighted assets	2023 Minimum capital requirement
Credit risk[1]	**256,239.0**	**36,562.4**	**2,925.0**	270,972.4	36,067.7	2,885.4
Exposure to sovereigns, banks and corporates	244,133.7	31,070.6	2,485.6	265,256.6	33,599.1	2,687.9
Securitisation exposures	29.5	368.5	29.5	16.3	204.2	16.3
Counterparty credit risk	12,075.9	3,511.7	280.9	5,699.5	1,565.5	125.2
Credit valuation adjustment	–	1,611.6	128.9	–	698.9	55.9
Market risk[1]	**1,322.4**	**16,530.2**	**1,322.4**	1,265.0	15,812.0	1,265.0
Gold price risk	1,100.4	13,755.4	1,100.4	967.9	12,098.6	967.9
Foreign exchange risk	222.0	2,774.8	222.0	297.1	3,713.4	297.1
Operational risk[1]	**253.8**	**3,172.6**	**253.8**	147.5	1,844.3	147.5
Total	**257,815.3**	**56,265.1**	**4,501.2**	272,384.9	53,724.0	4,297.9

[1] Since 31 March 2024, the minimum capital requirements for credit, market and operational risk are calculated using the Basel III standardised approach. Figures for March 2023 have been restated to reflect the Basel III standards.

The Common Equity Tier 1 capital ratio is set out in the following table:

As at 31 March

SDR millions	**2024**	2023
Total Common Equity Tier 1 capital (A)[1]	**24,806.4**	23,482.5
Total risk-weighted assets (B)[2]	**56,265.1**	53,724.0
Common Equity Tier 1 capital ratio (A) / (B)	**44.1%**	43.7%

[1] Since 31 March 2024, CET1 capital is calculated under the Basel III standardised approach using the accounting expected credit loss (ECL). Figures for March 2023 (originally calculated using the regulatory expected loss of the internal ratings-based approach) have been restated.

[2] Since 31 March 2024, the minimum capital requirements for credit, market and operational risk are calculated using the Basel III standardised approach. Figures for March 2023 have been restated to reflect the Basel III standards.

Risk management

1. Risks faced by the Bank

The Bank supports its customers, predominantly central banks, monetary authorities and international financial institutions, in the management of their reserves and related financial activities.

Banking activities form an essential element of meeting the Bank's objectives and ensure its financial strength and independence. The BIS engages in banking activities that are customer-related as well as activities that are related to the investment of its shareholders' equity, each of which may give rise to financial risk comprising credit risk, market risk and liquidity risk. The Bank is also exposed to operational risk.

Within the risk frameworks defined by the Board of Directors, the Management of the Bank has established risk management policies designed to ensure that risks are identified, appropriately measured, controlled, monitored and reported.

2. Risk management approach and organisation

The Bank maintains superior credit quality and adopts a prudent approach to financial risk-taking, by:

- maintaining an exceptionally strong capital position;
- investing its assets predominantly in high credit quality financial instruments;
- seeking to diversify its assets across a range of sectors;
- adopting a conservative approach to its tactical market risk-taking and carefully managing market risk associated with the Bank's strategic positions, which include its gold holdings; and
- maintaining a high level of liquidity.

A. Organisation

The General Manager is responsible to the Board for the management of the Bank, and is assisted by the Deputy General Manager. The Deputy General Manager is responsible for the Bank's independent risk management function. The General Manager and the Deputy General Manager are supported by senior management advisory committees.

The key advisory committees are the Executive Committee and the Finance Committee. Both committees are chaired by the General Manager and include other senior members of the Bank's Management. The Executive Committee advises the General Manager primarily on the Bank's strategic planning and the allocation of resources, as well as on decisions related to the broad financial objectives for the banking activities and strategic operational risk management issues. The Finance Committee advises the General Manager on the financial management and policy issues related to the banking business, including the allocation of economic capital to risk categories.

The independent risk management function for financial and operational risks is performed by the Risk Management unit. The Head of Risk Management reports to the Deputy General Manager.

Other units complement the Bank's risk management unit as follows. The Finance unit operates a valuation control function, produces the Bank's financial statements and controls the Bank's expenditure by setting and monitoring the annual budget. The objective of the valuation control function is to ensure that the Bank's valuations comply with its valuation policy and procedures. The Finance unit reports to the Deputy General Manager and the Secretary General.

The Legal Service provides legal advice and support covering a wide range of issues relating to the Bank's activities. The Legal Service reports to the General Manager. The Risk Management function, jointly with the Legal Service, provides guidance on and monitors compliance risk related to the BIS banking services.

The Ethics and Conduct unit educates staff on conduct risk matters, investigates breaches and assists Management in ensuring that all activities of the BIS and its staff are conducted in conformity with ethics and conduct rules. The Chief Ethics and Conduct Officer reports to the General Manager and the Deputy General Manager, and has a right of direct access to the Audit Committee, which is an advisory committee to the Board of Directors.

The Internal Audit function evaluates and improves the effectiveness of risk management, control, and governance systems and processes. Internal Audit provides an independent, objective assurance function, and advises on best practice. To ensure independence, the Head of Internal Audit reports functionally to the Chair of the Audit Committee of the Board and administratively to the Secretary General.

B. Risk monitoring and reporting

The Bank's financial and operational risk profile, position and performance are monitored on an ongoing basis by the relevant units. Financial risk, operational risk and compliance reports aimed at various management levels are provided regularly to enable Management to adequately assess the Bank's risk profile and financial condition.

Management reports financial and operational risk information to the Board of Directors on a regular basis. Furthermore, the Audit Committee receives regular reports from Internal Audit, Ethics and Conduct, Finance, and the Risk Management unit. The Banking and Risk Management Committee, another advisory committee to the Board, receives regular reports from the Risk Management unit. The preparation of reports is subject to comprehensive policies and procedures, thus ensuring strong controls.

C. Risk methodologies

The Bank revalues almost all its financial instruments to fair value on a daily basis and reviews its valuations monthly, taking into account necessary adjustments for impairment. It uses a comprehensive range of quantitative methodologies for valuing financial instruments and for measuring the risk to its net profit and shareholders' equity. The Bank reassesses its quantitative methodologies in the light of the changing risk environment and evolving best practice.

The Bank's model validation policy defines the roles and responsibilities and processes related to the implementation of new or materially changed risk and valuation models.

A key methodology used by the Bank to measure and manage risk is the calculation of economic capital based on value-at-risk (VaR) techniques. VaR expresses the statistical estimate of the potential loss on the current positions of the Bank measured to a specified level of confidence and a specified time horizon. VaR models depend on statistical assumptions and the quality of available market data and, while forward-looking, they extrapolate from past events. VaR models may underestimate potential losses if changes in risk factors fail to align with the distribution assumptions. VaR figures do not provide any information on losses that may occur beyond the assumed confidence level.

The Bank's economic capital framework covers credit risk, market risk and operational risk. As part of the capital planning process, the Bank allocates economic capital to the above risk categories commensurate with principles set by the Board and taking account of the business strategy. Reflecting the high level of solvency targeted by the Bank, the economic capital framework measures economic capital to a 99.99% confidence level assuming a one-year time horizon. Moreover, capital is set aside for a "minimum capital cushion" to provide an additional margin of safety.

The management of the Bank's capital adequacy is complemented by a comprehensive stress testing framework and a financial leverage framework. The stress testing framework supplements the Bank's risk assessment, including its VaR and economic capital calculations for financial risk. The Bank's key market risk factors and credit exposures are stress-tested. The stress testing includes the analysis of severe historical and adverse hypothetical macroeconomic scenarios, as well as sensitivity tests of extreme but still plausible movements of the key risk factors identified. The Bank also performs stress tests related to liquidity risk. The financial leverage framework focuses on a ratio that sets the Common Equity Tier 1 capital in relation to the Bank's total balance sheet exposure.

3. Credit risk

Credit risk arises because a counterparty may fail to meet its obligations in accordance with the agreed contractual terms and conditions. A financial asset is considered past due when a counterparty fails to make a payment on the contractual due date.

The Bank manages credit risk within a framework and policies set by the Board of Directors and Management. These are complemented by more detailed guidelines and procedures at the level of the independent risk management function.

A. Credit risk assessment

Credit risk is continuously controlled at both a counterparty and an aggregated level. The independent risk management function performs credit assessments for material counterparties following a rigorous internal rating process. As part of this process, counterparty financial statements and market information are analysed. The main assessment criterion in these reviews is the counterparties' ability to meet interest and principal repayment obligations in a timely manner. The rating methodologies depend on the nature of the counterparty. Based on the internal rating and specific counterparty features, the Bank sets a series of credit limits covering individual counterparties and countries. Internal ratings are assigned to all counterparties. On a general basis, ratings and related limits are reviewed at least annually for material counterparties with internal ratings (expressed as equivalent external ratings) of BBB+ or below. Certain non-material counterparties with small individual limits have internal ratings set equal to the lowest equivalent external rating and are monitored systematically on the basis of market information. Ratings for these counterparties are updated daily and limits are updated at least semi-annually.

Credit risk limits at the counterparty level are approved by the Bank's Management and fit within a framework set by the Board of Directors.

On an aggregated level, credit risk, including default, country transfer risk and FX settlement risk, is measured, monitored and controlled based on the Bank's economic capital calculation for credit risk. To calculate economic capital for credit risk, the Bank uses a portfolio VaR model. Management limits the Bank's overall exposure to credit risk by allocating an amount of economic capital to credit risk.

B. Default risk

Default risk is mitigated through the use of collateral and legally enforceable netting or setoff agreements. The corresponding assets and liabilities are not offset on the balance sheet. The tables in this section show the exposure of the Bank to default risk, without taking into account any impairment allowance, collateral held or other credit enhancements available to the Bank.

The exposures set out in the tables below are based on the gross carrying value of the assets in the balance sheet as categorised by sector, geographical region and credit quality. The gross carrying value is the fair value of the financial instruments, except in the case of very short-term financial instruments (sight and notice accounts) and gold. Provisions for estimated credit losses on instruments valued at amortised cost are not included in the exposure amounts. Commitments are reported at their notional amounts. Gold and gold loans exclude gold bar assets held in custody at central banks, and accounts receivable and other assets do not include unsettled liabilities issued because these items do not represent credit exposures of the Bank.

The substantial majority of the Bank's assets are placed in local currency central bank cash, or in securities issued by governments and financial institutions rated A– or above by at least one of the major external credit rating agencies. Limitations on the number of high-quality counterparties in these sectors mean that the Bank is exposed to single-name concentration risk. As at 31 March 2024, excluding local currency cash at central banks, there were five counterparties (three advanced economy sovereigns, one bank and one clearing house) comprising between 5% and 10% each of the total on-balance sheet exposure reported in the tables below (31 March 2023: two exposures between 5% and 10% and two exposures between 10% and 20%).

Default risk by asset class and issuer type

In the following tables, "Public sector" includes international and other public sector institutions.

As at 31 March 2024

SDR millions	Sovereigns and central banks	Public sector	Banks	Corporates	Securitisation	Total
On-balance sheet exposure						
Cash and cash equivalents	45,013.3	1,520.1	41.4	–	–	46,574.8
Gold and gold loans	501.8	–	363.8	–	–	865.6
Securities purchased under resale agreements	17,784.3	–	79,395.9	14,927.6	–	112,107.8
Loans and advances	904.9	–	41,704.3	–	–	42,609.2
Government and other securities	105,252.9	13,895.7	8,351.0	8,458.1	29.5	135,987.2
Derivative financial instruments	47.7	5.2	6,154.6	–	–	6,207.5
Accounts receivable and other assets	67.6	5.3	1.6	12.7	–	87.2
Total on-balance sheet exposure	**169,572.5**	**15,426.3**	**136,012.6**	**23,398.4**	**29.5**	**344,439.3**
Commitments						
Undrawn unsecured facilities	–	–	–	–	–	–
Total commitments	**–**	**–**	**–**	**–**	**–**	**–**
Total exposure	**169,572.5**	**15,426.3**	**136,012.6**	**23,398.4**	**29.5**	**344,439.3**

As at 31 March 2023

SDR millions	Sovereigns and central banks	Public sector	Banks	Corporates	Securitisation	Total
On-balance sheet exposure						
Cash and cash equivalents	68,071.3	1,537.6	98.2	–	–	69,707.1
Gold and gold loans	1,015.5	–	14.9	–	–	1,030.4
Securities purchased under resale agreements	16,880.3	–	33,000.4	14,240.2	–	64,120.9
Loans and advances	3,745.0	57.0	46,201.8	–	–	50,003.8
Government and other securities	107,489.3	9,917.2	8,333.4	7,450.2	16.3	133,206.4
Derivative financial instruments	155.6	27.9	3,148.7	–	–	3,332.2
Accounts receivable and other assets	73.4	8.9	39.5	11.3	–	133.1
Total on-balance sheet exposure	197,430.4	11,548.6	90,836.9	21,701.7	16.3	321,533.9
Commitments						
Undrawn unsecured facilities	222.9	–	–	–	–	222.9
Total commitments	222.9	–	–	–	–	222.9
Total exposure	197,653.3	11,548.6	90,836.9	21,701.7	16.3	321,756.8

Default risk by geographical region

In the following tables, exposures are allocated to regions based on the country of incorporation of each legal entity.

As at 31 March 2024

SDR millions	Africa and Europe	Asia-Pacific	Americas	International institutions	Total
On-balance sheet exposure					
Cash and cash equivalents	1,119.5	43,917.9	17.3	1,520.1	46,574.8
Gold and gold loans	865.6	–	–	–	865.6
Securities purchased under resale agreements	87,146.9	4,368.2	20,592.7	–	112,107.8
Loans and advances	31,140.5	9,502.0	1,966.7	–	42,609.2
Government and other securities	54,115.0	54,410.7	24,088.8	3,372.7	135,987.2
Derivative financial instruments	4,349.1	496.7	1,359.8	1.9	6,207.5
Accounts receivable and other assets	20.6	62.3	4.3	–	87.2
Total on-balance sheet exposure	**178,757.2**	**112,757.8**	**48,029.6**	**4,894.7**	**344,439.3**
Commitments					
Undrawn unsecured facilities	–	–	–	–	–
Total commitments	**–**	**–**	**–**	**–**	**–**
Total exposure	**178,757.2**	**112,757.8**	**48,029.6**	**4,894.7**	**344,439.3**

As at 31 March 2023

SDR millions	Africa and Europe	Asia-Pacific	Americas	International institutions	Total
On-balance sheet exposure					
Cash and cash equivalents	46,631.9	21,524.5	13.1	1,537.6	69,707.1
Gold and gold loans	1,030.4	–	–	–	1,030.4
Securities purchased under resale agreements	47,276.4	3,360.1	13,484.4	–	64,120.9
Loans and advances	34,855.0	10,779.8	4,312.0	57.0	50,003.8
Government and other securities	57,678.8	55,270.1	17,784.0	2,473.5	133,206.4
Derivative financial instruments	2,383.5	304.9	634.7	9.1	3,332.2
Accounts receivable and other assets	55.2	68.9	8.8	0.2	133.1
Total on-balance sheet exposure	189,911.2	91,308.3	36,237.0	4,077.4	321,533.9
Commitments					
Undrawn unsecured facilities	–	222.9	–	–	222.9
Total commitments	–	222.9	–	–	222.9
Total exposure	189,911.2	91,531.2	36,237.0	4,077.4	321,756.8

Default risk by counterparty / issuer rating

In the following tables, the ratings shown reflect the Bank's internal ratings expressed as equivalent external ratings.

As at 31 March 2024

SDR millions	AAA	AA	A	BBB	BB and below	Unrated	Total
On-balance sheet exposure							
Cash and cash equivalents	1,725.5	732.1	43,947.6	168.5	1.1	–	46,574.8
Gold and gold loans	–	501.8	363.8	–	–	–	865.6
Securities purchased under resale agreements	–	32,417.0	67,956.8	11,734.0	–	–	112,107.8
Loans and advances	382.9	2,440.7	38,940.8	322.9	521.9	–	42,609.2
Government and other securities	30,663.3	48,385.7	52,940.5	3,967.8	29.9	–	135,987.2
Derivative financial instruments	–	265.4	5,410.1	507.9	23.1	1.0	6,207.5
Accounts receivable and other assets	0.5	2.6	59.2	2.1	1.7	21.1	87.2
Total on-balance sheet exposure	**32,772.2**	**84,745.3**	**209,618.8**	**16,703.2**	**577.7**	**22.1**	**344,439.3**
Commitments							
Undrawn unsecured facilities	–	–	–	–	–	–	–
Total commitments	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total exposure	**32,772.2**	**84,745.3**	**209,618.8**	**16,703.2**	**577.7**	**22.1**	**344,439.3**

As at 31 March 2023

SDR millions	AAA	AA	A	BBB	BB and below	Unrated	Total
On-balance sheet exposure							
Cash and cash equivalents	32,635.2	15,355.7	21,548.8	166.0	1.4	–	69,707.1
Gold and gold loans	–	1,015.5	14.9	–	–	–	1,030.4
Securities purchased under resale agreements	–	27,724.6	25,055.6	11,340.7	–	–	64,120.9
Loans and advances	1,300.5	2,514.5	43,034.6	709.8	2,444.4	–	50,003.8
Government and other securities	37,501.7	32,090.0	58,818.0	4,767.6	29.1	–	133,206.4
Derivative financial instruments	0.8	129.0	3,010.0	142.0	25.7	24.7	3,332.2
Accounts receivable and other assets	0.8	7.9	103.6	1.6	3.3	15.9	133.1
Total on-balance sheet exposure	71,439.0	78,837.2	151,585.5	17,127.7	2,503.9	40.6	321,533.9
Commitments							
Undrawn unsecured facilities	–	–	–	222.9	–	–	222.9
Total commitments	–	–	–	222.9	–	–	222.9
Total exposure	71,439.0	78,837.2	151,585.5	17,350.6	2,503.9	40.6	321,756.8

Non-performing exposures

As at 31 March 2024, the Bank did not have past due, impaired or non-performing exposures.

C. Credit risk mitigation

Netting

Netting agreements give the Bank a legally enforceable right to net transactions with counterparties under potential future conditions, notably an event of default. Such master netting or similar agreements apply to counterparties with which the Bank conducts most of its derivatives transactions, as well as to counterparties used for repurchase and reverse repurchase agreement transactions. Where required, netting is applied when determining the amount of collateral to be requested or provided, but the Bank does not typically settle assets and liabilities on a net basis during the normal course of business. As such, the amounts shown in the Bank's balance sheet are the gross amounts.

Collateral

The Bank mitigates credit risk by requiring counterparties to provide collateral. The Bank receives collateral in respect of most derivatives contracts, for securities purchased under resale agreements and for advances made under collateralised facility agreements. For some dedicated mandates, the Bank receives collateral from the mandate customer in respect of derivative financial instruments transacted on their behalf. During the term of these transactions, further collateral may be called, or collateral may be released based on the movements in value of both the underlying instrument and the collateral that has been received. The Bank is required to provide collateral in respect of repurchase agreements and some derivatives contracts.

For derivatives contracts and securities purchased under resale agreements the Bank accepts as collateral high-quality sovereign, state agency and supranational securities and, in a limited number of cases, cash. For advances made under collateralised facility agreements and for derivatives traded bilaterally with central bank customers or on behalf of dedicated mandate customers, collateral accepted includes cash, BISIP units and gold. The Bank is not exposed to material wrong-way risk.

The fair value of collateral received or provided related to derivatives and securities purchased/sold under resale/repurchase agreements is presented in the table below:

As at 31 March 2024	Collateral related to derivatives		Collateral related to securities purchased/(sold) under resale/(repurchase) agreements	
SDR millions	Collateral received	Collateral provided	Collateral received	Collateral provided
Sovereign securities	4,333.6	–	99,630.5	(296.8)
State agency securities	–	–	1,832.7	–
Supranational securities	–	–	4,009.8	–
Cash	135.6	(1.0)	–	–
Total	**4,469.2**	**(1.0)**	**105,473.0**	**(296.8)**

As at 31 March 2023	Collateral related to derivatives		Collateral related to securities purchased/(sold) under resale/(repurchase) agreements	
SDR millions	Collateral received	Collateral provided	Collateral received	Collateral provided
Sovereign securities	155.3	(671.6)	50,041.7	–
State agency securities	–	–	1,222.6	–
Supranational securities	–	–	2,767.5	–
Cash	158.5	(0.6)	–	–
Total	313.8	(672.2)	54,031.8	–

Under the terms of its collateral arrangements, the Bank is permitted to sell or use collateral received on derivatives contracts and securities purchased under resale agreements, but upon expiry of the transaction must return equivalent financial instruments to the counterparty. Of the collateral received in the table above, the Bank had the right to sell or use SDR 109,806.6 million (2023: SDR 54,187.1 million). As at 31 March 2024, the Bank had lent SDR 1.5 million of the collateral it held (2023: nil).

Financial assets and liabilities subject to netting or collateralisation

The tables below show the categories of assets and liabilities which are either subject to collateralisation, or for which netting agreements would apply under potential future conditions such as the event of default of a counterparty.

The amount of collateral required is usually based on valuations performed on the previous business day, whereas the Bank's balance sheet reflects the valuations of the reporting date. The amount of the collateral required is also affected by thresholds, minimum transfer amounts and valuation adjustments ("haircuts") specified in the contracts. As a result of these effects, the valuation of collateral can be higher than the valuation of the underlying contract in the Bank's balance sheet. In these tables, the mitigating effect of collateral has been limited to the balance sheet value of the underlying net asset.

As at 31 March 2024		Effect of risk mitigation				Analysed as:	
SDR millions	Gross carrying amount as per balance sheet	Adjustments for settlement date effects	Enforceable netting agreements	Collateral (received) / provided (limited to balance sheet value)	Exposure after risk mitigation	Amounts subject to risk mitigation agreements	Amounts not subject to risk mitigation agreements
Financial assets							
Securities purchased under resale agreements	112,107.8	(1,875.6)	–	(110,232.2)	–	–	–
Advances	521.9	–	–	(521.9)	–	–	–
Derivative financial instruments	6,207.5	–	(1,824.7)	(4,233.6)	149.2	146.2	3.0
Financial liabilities							
Securities sold under repurchase agreements	(296.1)	–	–	296.1	–	–	–
Derivative financial instruments	(2,444.3)	–	1,824.7	1.0	–	–	–

As at 31 March 2023	Effect of risk mitigation					Analysed as:	
SDR millions	Gross carrying amount as per balance sheet	Adjustments for settlement date effects	Enforceable netting agreements	Collateral (received) / provided (limited to balance sheet value)	Exposure after risk mitigation	Amounts subject to risk mitigation agreements	Amounts not subject to risk mitigation agreements
Financial assets							
Securities purchased under resale agreements	64,120.9	(4,066.3)	–	(60,054.6)	–	–	–
Advances	2,444.4	–	–	(2,444.4)	–	–	–
Derivative financial instruments	3,332.2	–	(2,943.8)	(155.0)	233.4	133.3	100.1
Financial liabilities							
Derivative financial instruments	(4,922.2)	–	2,943.8	633.8	–	–	–

D. Economic capital for credit risk

The Bank determines economic capital for credit risk using a VaR methodology on the basis of a portfolio VaR model, assuming a one-year time horizon and a 99.99% confidence level. The credit risk economic capital model covers default, country transfer, migration, and FX settlement risk.

For the financial year	**2024**				2023			
SDR millions	Average	High	Low	31 March	Average	High	Low	31 March
Economic capital utilisation for credit risk	7,478.3	8,185.5	6,763.1	**7,657.5**	6,756.4	7,518.7	5,999.7	7,372.8

E. Minimum capital requirements for credit risk

Exposure to sovereigns, banks and corporates

For the calculation of risk-weighted assets for exposures to sovereigns, banks and corporates, the Bank has adopted an approach that is consistent with the Basel III standardised approach. As a general rule, under this approach risk-weighted assets are determined by multiplying the credit risk exposures with regulatory risk weights.

The credit risk exposure for a transaction or position is referred to as the exposure at default (EAD). The Bank determines the EAD as the notional amount of on- and off-balance sheet credit exposures, except for securities, securities purchased/sold under resale/repurchase agreements, collateralised advances and derivatives contracts. The EAD for securities is based on their market value. The EAD for securities purchased/sold under resale/ repurchase agreements and collateralised advances is determined recognising the risk-reducing effects of collateral as permitted under the standardised approach. For unutilised advances a credit conversion factor is applied to transform these to a credit exposure equivalent. The EAD for derivatives is calculated using an approach consistent with the standardised approach for counterparty credit risk.

To determine the risk weights in the standardised approach, the exposure class and external rating of the issuer are mapped to a corresponding standardised risk weight as outlined under the regulatory framework.

The BIS obtains external ratings for all of its exposures from Moody's Investors Service, Standard & Poor's and Fitch Ratings. All three credit rating agencies meet the external credit assessment institution criteria in line with the regulatory eligibility requirements for credit rating agencies. The regulatory stipulations require the appropriateness and prudence of the external rating, and also that the resulting supervisory risk weight for prescribed exposure classes be examined by an internal due diligence process. The Bank reflects this by applying the lower of the credit rating assessed by the external rating agencies and that generated by the Bank's internal credit assessment.

The table below details the on- and off-balance sheet credit risk exposures to sovereigns, banks and corporates, including the combined effects of the credit conversion factor (CCF) and credit risk mitigation (CRM) techniques. Off-balance sheet exposures consist of undrawn central bank advances which are primarily granted on an uncommitted basis and subject to a prescribed regulatory credit conversion factor of 10%. Additionally, the multilateral development bank asset class compromises also exposures to international organisations. In line with the Basel Framework, the minimum capital requirement is determined as 8% of risk-weighted assets.

As at 31 March 2024

Asset classes	Before CRM and CCF		After CRM and CCF		Risk-weighted assets	Average risk-weighted assets
	On-balance sheet exposures	Regulatory off-balance sheet exposures	On-balance sheet exposures	Regulatory off-balance sheet exposures		
	SDR millions	*SDR millions*	*SDR millions*	*SDR millions*	*SDR millions*	*%*
Sovereigns and central banks	169,755.6	49,819.0	169,377.8	1,964.3	9,721.7	5.7
Non-central government public sector entities	10,273.9	–	10,273.9	–	2,577.7	25.1
Multilateral development banks	3,671.8	–	3,671.8	–	188.3	5.1
Banks	50,193.2	–	50,193.2	–	13,942.8	27.8
Corporates	8,128.2	–	8,128.2	–	4,329.5	53.3
Securities firms and other financial institutions	270.9	–	270.9	–	57.2	21.1
Other assets	253.4	–	253.4	–	253.4	100.0
Total	**242,547.1**	**49,819.0**	**242,169.3**	**1,964.3**	**31,070.6**	

As at 31 March 2023

Asset classes	Before CRM and CCF		After CRM and CCF		Risk-weighted assets	Average risk-weighted assets
	On-balance sheet exposures	Regulatory off-balance sheet exposures	On-balance sheet exposures	Regulatory off-balance sheet exposures		
	SDR millions	*SDR millions*	*SDR millions*	*SDR millions*	*SDR millions*	*%*
Sovereigns and central banks	193,202.8	41,920.7	191,598.8	1,717.4	12,621.9	6.5
Non-central government public sector entities	7,234.6	–	7,234.6	–	1,575.7	21.8
Multilateral development banks	2,775.9	–	2,775.9	–	205.8	7.4
Banks	54,212.2	–	54,212.2	–	15,241.3	28.1
Corporates	7,215.0	–	7,215.0	–	3,636.2	50.4
Securities firms and other financial institutions	234.5	–	234.5	–	50.2	21.4
Other assets	268.1	–	268.1	–	268.1	100.0
Total	265,143.1	41,920.7	263,539.1	1,717.4	33,599.1	

The following table analyses credit risk exposures under the standardised approach by exposure class and risk weight.

As at 31 March 2024

	Risk weight							Total credit exposure amount (after CRM and CCF)
SDR millions	0%	20%	30%	50%	75%	100%	150%	
Sovereigns and central banks	127,715.9	41,473.7	–	1,695.0	–	213.9	243.7	171,342.2
Non-central government public sector entities	–	8,530.7	–	1,743.2	–	–	–	10,273.9
Multilateral development banks	2,894.5	449.2	328.1	–	–	–	–	3,671.8
Banks	–	11,785.7	38,090.3	317.2	–	–	–	50,193.2
Corporates	–	1,139.7	–	4,559.2	2,429.3	–	–	8,128.2
Securities firms and other financial institutions	–	265.5	–	–	5.4	–	–	270.9
Other assets	–	–	–	–	–	253.4	–	253.4
Total	**130,610.4**	**63,644.6**	**38,418.4**	**8,314.6**	**2,434.7**	**467.2**	**243.7**	**244,133.7**

As at 31 March 2023

	Risk weight							Total credit exposure amount (after CRM and CCF)
SDR millions	0%	20%	30%	50%	75%	100%	150%	
Sovereigns and central banks	141,152.9	48,055.1	–	3,066.2	–	170.7	871.4	193,316.2
Non-central government public sector entities	–	6,805.3	–	429.4	–	–	–	7,234.6
Multilateral development banks	1,927.5	487.9	360.6	–	–	–	–	2,775.9
Banks	–	10,966.5	42,874.0	371.7	–	–	–	54,212.2
Corporates	–	1,499.5	–	3,801.6	1,913.9	–	–	7,215.0
Securities firms and other financial institutions	–	228.5	–	–	6.0	–	–	234.5
Other assets	–	–	–	–	–	268.1	–	268.1
Total	143,080.3	68,042.7	43,234.6	7,668.8	1,920.0	438.8	871.4	265,256.6

Securitisation exposures

The Bank invests in securitisation exposures based on traditional, ie non-synthetic, securitisation structures. Given the scope of the Bank's securitisation activities, risk-weighted assets are determined according to the Basel III securitisation external ratings-based approach. Under this approach, external credit assessments of the securities are used to determine the relevant risk weights. Securitisation exposures to which the external ratings-based approach cannot be applied are assigned a regulatory fall-back risk weight of 1250%. Risk-weighted assets are then derived as the product of the market values of the exposures and the associated risk weights. In line with the Basel Framework, the minimum capital requirement is determined as 8% of risk-weighted assets.

The following table shows the Bank's investments in securitisation analysed by type of securitised assets:

As at 31 March 2024

SDR millions	Amount of exposures	Risk weight	Risk-weighted assets
Securities backed by mortgages	29.5	1250%	368.5
Total	**29.5**		**368.5**

As at 31 March 2023

SDR millions	Amount of exposures	Risk weight	Risk-weighted assets
Securities backed by mortgages	16.3	1250%	204.2
Total	16.3		204.2

Counterparty credit risk

In the context of the Bank's portfolio, the Basel III framework considers derivatives and securities purchased/sold under resale/repurchase agreements as transactions giving rise to counterparty credit risk. The Bank calculates the exposure for derivatives using the Basel III standardised approach for counterparty credit risk for derivatives. Under this approach, the EAD is given as the sum of the current replacement costs and the potential future exposure multiplied by a factor alpha of 1.4. Securities purchased/sold under resale/repurchase agreements are treated in accordance with the comprehensive approach for credit risk mitigation, under which the capital requirement captures the residual risk after netting and collateralisation.

The table below provides a breakdown of counterparty credit risk exposures by exposure class and risk weight. The Bank has an immaterial exposure to a qualified central clearing counterparty as a direct clearing member which is reflected under "Corporates" in the table below.

As at 31 March 2024

	Risk weight						Total credit exposure	Risk-weighted assets
SDR millions	0%	20%	30%	50%	100%	150%		
Sovereigns and central banks	366.6	36.9	–	120.1	271.5	95.0	890.0	481.4
Non-central government public sector entities	–	–	–	–	–	–	–	–
Multilateral development banks	12.1	0.5	–	–	–	–	12.6	0.1
Banks	–	5,019.2	5,611.5	471.0	–	71.6	11,173.3	3,030.2
Corporates	–	–	–	–	–	–	–	–
Total	**378.7**	**5,056.5**	**5,611.5**	**591.0**	**271.5**	**166.6**	**12,075.9**	**3,511.7**

As at 31 March 2023

	Risk weight						Total credit exposure	Risk-weighted assets
SDR millions	0%	20%	30%	50%	100%	150%		
Sovereigns and central banks	454.2	167.2	–	54.4	274.9	26.8	977.6	375.8
Non-central government public sector entities	–	–	–	–	–	–	–	–
Multilateral development banks	21.1	0.5	–	–	–	–	21.7	0.1
Banks	–	2,636.2	1,944.8	100.0	–	19.3	4,700.2	1,189.6
Corporates	–	–	–	–	–	–	–	–
Total	475.3	2,803.9	1,944.8	154.4	274.9	46.1	5,699.5	1,565.5

Credit valuation adjustment

The Bank calculates the regulatory credit valuation adjustment (CVA) which represents the additional risk of mark-to-market losses resulting from deterioration in the creditworthiness of counterparties to over-the-counter (OTC) derivatives and repurchase agreements. Trades facing central counterparties are included in the calculation of the CVA. The Bank does not hedge its CVA risk but has a process in place to monitor its CVA exposure, and reflect it, where appropriate, in the Bank's balance sheet. The Bank uses the Basel III reduced basic approach to calculate the CVA risk capital in line with its approach to not hedge CVA risk. The table below shows the CVA capital calculation.

As at 31 March

SDR millions	**2024**	2023
Aggregation of systematic components of CVA risk	376.8	163.6
Aggregation of idiosyncratic components of CVA risk	71.7	30.8
Minimum capital requirement (A)	**128.9**	55.9
Risk-weighted assets (A) x 12.5	**1,611.6**	698.9

4. Market risk

The Bank is exposed to market risk through adverse movements in market prices. The main components of the Bank's market risk are gold price risk, interest rate risk and foreign exchange risk.

A. Market risk measurement

The Bank measures market risk and calculates economic capital based on a VaR methodology using a Monte Carlo simulation technique. Risk factor volatilities and correlations are calculated over a six-year observation period, using an exponential weighting scheme. In line with the Bank's objective of maintaining its superior credit quality, market risk economic capital utilisation is measured at the 99.99% confidence level assuming a one-year holding period and using a stressed market data set. The stressed data set is subject to regular review and calibrated to take account of the Bank's key market risk exposures and market risk drivers.

The Bank's Management manages market risk economic capital usage within a framework set by the Board of Directors. VaR limits are supplemented by operating limits. Market risk is also managed using the sensitivities to certain market risk factors.

To ensure that models provide a reliable measure of potential losses over the one-year time horizon, the Bank has established a comprehensive regular back-testing framework, comparing daily performance with corresponding VaR estimates. The results are analysed and reported to Management.

The Bank also uses a series of stress tests to supplement its market risk measurement based on VaR modelling and related economic capital calculations. These include severe historical scenarios, adverse hypothetical macroeconomic scenarios and sensitivity tests of gold price, interest rate and foreign exchange rate movements.

The Bank measures its gold price risk relative to changes in the USD value of gold. The foreign exchange risk component, resulting from changes in the USD exchange rate versus the SDR, is included in the measurement of foreign exchange risk.

B. Market risk exposures

Gold price risk

Gold price risk is the exposure of the Bank's financial condition to adverse movements in the price of gold.

The Bank is exposed to gold price risk principally through its gold investment assets. These are held in custody at central banks or placed on deposit with commercial banks. As at 31 March 2024, the Bank's net gold investment assets were 102 tonnes with a value of SDR 5,501.4 million, approximately 22% of shareholders' equity (31 March 2023: 102 tonnes, SDR 4,839.5 million, representing 20% of shareholders' equity). The Bank sometimes also has small exposures to gold price risk arising from its banking activities with central and commercial banks. Gold price risk is measured within the Bank's VaR methodology, including its economic capital framework and stress tests.

Interest rate risk

Interest rate risk is the exposure of the Bank's financial condition to adverse movements in interest rates, including credit bond spreads. The Bank is exposed to interest rate risk through the interest-bearing assets relating to the management of its shareholders' equity held in its currency investment portfolios, and also through its currency banking portfolios. Interest-bearing assets in the currency investment portfolios are managed by reference to a benchmark which is subject to a regular review by the Finance Committee. The interest rate risk within the currency banking portfolios is largely hedged and managed within limits overseen by the Risk Management unit.

The Bank measures and monitors interest rate risk using a VaR methodology and sensitivity analyses taking into account movements in relevant money market rates, government bond yields, swap rates and credit bond spreads.

The following tables show the impact on the Bank's shareholders' equity of a 1% upward shift in the relevant yield curve per time band:

As at 31 March 2024

SDR millions	Up to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Euro	(8.4)	(12.3)	(22.4)	(30.8)	(28.2)	(25.8)	(17.3)	(145.1)
Japanese yen	17.3	0.3	0.1	–	–	–	–	17.7
Pound sterling	(2.9)	(4.4)	(4.8)	(6.6)	(8.7)	(5.4)	(1.0)	(33.9)
Renminbi	(0.6)	(3.8)	(3.4)	(6.4)	(7.3)	(16.2)	(54.8)	(92.5)
Swiss franc	(4.0)	–	(0.5)	(0.7)	(0.5)	(0.1)	(0.9)	(6.7)
US dollar	(10.4)	(14.9)	(26.5)	(32.8)	(30.4)	(37.8)	(144.5)	(297.3)
Other currencies	(3.5)	0.1	(0.2)	(0.5)	(0.9)	(1.9)	(0.2)	(7.2)
Total	**(12.5)**	**(35.0)**	**(57.8)**	**(77.9)**	**(75.9)**	**(87.1)**	**(218.8)**	**(565.0)**

As at 31 March 2023

SDR millions	Up to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Euro	8.3	(11.1)	(21.2)	(30.3)	(38.2)	(23.8)	(43.8)	(160.2)
Japanese yen	31.1	0.2	(0.1)	0.3	(0.2)	–	–	31.3
Pound sterling	(1.9)	(3.4)	(8.0)	(5.5)	(5.0)	(4.7)	(2.5)	(31.0)
Renminbi	(1.9)	(3.2)	(7.3)	(7.2)	(10.9)	(10.5)	(27.1)	(68.1)
Swiss franc	(2.6)	–	–	(0.7)	(0.8)	(0.4)	(1.0)	(5.5)
US dollar	(4.3)	(12.4)	(25.4)	(30.5)	(32.3)	(32.8)	(132.5)	(270.1)
Other currencies	(2.1)	(0.4)	(0.3)	(0.3)	(0.7)	(1.8)	(0.9)	(6.5)
Total	26.5	(30.3)	(62.3)	(74.2)	(87.9)	(74.0)	(207.8)	(510.0)

Foreign exchange risk

The Bank's functional currency, the SDR, is a composite currency comprising fixed amounts of USD, EUR, JPY, GBP and RMB. Foreign exchange risk is the Bank's financial exposure to adverse movements in foreign exchange rates. The Bank is exposed to foreign exchange risk primarily through the assets relating to the management of its shareholders' equity. The Bank is also exposed to foreign exchange risk through managing its currency deposits and through acting as an intermediary in foreign exchange transactions. The Bank's foreign exchange exposure is managed by matching the relevant assets to the constituent currencies of the SDR on a regular basis, and by limiting currency exposures arising from currency deposits and foreign exchange intermediation transactions.

The following tables show the Bank's assets and liabilities by currency and gold exposure. The net foreign exchange and gold position in these tables therefore includes the Bank's gold investments. To determine the Bank's net foreign exchange exposure, the gold amounts need to be removed. The SDR-neutral position is then deducted from the net foreign exchange position excluding gold to arrive at the net currency exposure of the Bank on an SDR-neutral basis.

As at 31 March 2024

SDR millions	SDR	USD	EUR	GBP	JPY	RMB	CHF	Gold	Other currencies	Total
Assets										
Cash and cash equivalents	1,520.0	19.0	825.9	255.5	43,917.5	0.9	17.4	–	18.6	46,574.8
Securities purchased under resale agreements	–	38,700.5	38,781.3	17,840.6	13,729.3	–	–	–	3,056.1	112,107.8
Loans and advances	–	29,826.6	9,138.4	–	–	–	2,843.0	–	801.2	42,609.2
Government and other securities	–	29,105.2	23,422.4	5,020.5	28,518.2	13,630.7	27,072.5	–	9,217.7	135,987.2
Gold and gold loans	–	0.4	–	–	–	–	–	30,353.5	–	30,353.9
Derivative financial instruments	4,379.6	185,689.9	(34,764.5)	(10,372.4)	(87,650.4)	(17,930.5)	(29,218.8)	1,483.2	(5,408.6)	6,207.5
Accounts receivable and other assets	676.3	4,108.7	6.5	0.4	–	178.0	15.6	–	106.7	5,092.2
Land, buildings and equipment	216.8	–	0.7	0.1	–	–	5.1	–	0.1	222.8
Total assets	**6,792.7**	**287,450.3**	**37,410.7**	**12,744.7**	**(1,485.4)**	**(4,120.9)**	**734.8**	**31,836.7**	**7,791.8**	**379,155.4**
Liabilities										
Currency deposits	(4,931.9)	(266,891.9)	(22,310.2)	(8,968.6)	(38.9)	(8,942.8)	(2,093.4)	–	(10,972.3)	(325,150.0)
Securities sold under repurchase agreements	–	(64.3)	–	(231.8)	–	–	–	–	–	(296.1)
Gold deposits	–	–	–	–	–	–	–	(20,973.3)	–	(20,973.3)
Derivative financial instruments	796.3	(11,828.5)	(8,996.3)	(741.4)	2,600.4	15,074.6	2,172.2	(5,361.6)	3,840.0	(2,444.3)
Accounts payable	–	(989.3)	(979.3)	(1,492.3)	–	(23.3)	(41.9)	–	(517.2)	(4,043.3)
Other liabilities	–	(138.8)	(3.0)	(0.8)	–	–	(1,014.2)	–	(9.3)	(1,166.1)
Total liabilities	**(4,135.6)**	**(279,912.8)**	**(32,288.8)**	**(11,434.9)**	**2,561.5**	**6,108.5**	**(977.3)**	**(26,334.9)**	**(7,658.8)**	**(354,073.1)**
Net currency and gold position	**2,657.1**	**7,537.5**	**5,121.9**	**1,309.8**	**1,076.1**	**1,987.6**	**(242.5)**	**5,501.8**	**133.0**	**25,082.3**
Adjustment for gold	–	–	–	–	–	–	–	(5,501.8)	–	(5,501.8)
Net currency position	**2,657.1**	**7,537.5**	**5,121.9**	**1,309.8**	**1,076.1**	**1,987.6**	**(242.5)**	**–**	**133.0**	**19,580.5**
SDR-neutral position	(2,657.1)	(7,386.5)	(5,159.7)	(1,305.5)	(1,136.8)	(1,934.9)	–	–	–	(19,580.5)
Net currency exposure on SDR-neutral basis	**–**	**151.0**	**(37.8)**	**4.3**	**(60.7)**	**52.7**	**(242.5)**	**–**	**133.0**	**–**

As at 31 March 2023

SDR millions	SDR	USD	EUR	GBP	JPY	RMB	CHF	Gold	Other currencies	Total
Assets										
Cash and cash equivalents	1,537.6	75.6	40,611.8	6.0	21,525.0	0.9	5,934.8	–	15.4	69,707.1
Securities purchased under resale agreements	–	14,792.0	31,787.2	6,283.2	11,258.5	–	–	–	–	64,120.9
Loans and advances	–	35,029.0	10,624.4	–	–	–	2,489.5	–	1,860.9	50,003.8
Government and other securities	–	22,440.7	21,498.5	3,742.4	42,434.3	4,088.7	33,792.1	–	5,209.7	133,206.4
Gold and gold loans	–	1.1	–	–	–	–	–	27,679.9	–	27,681.0
Derivative financial instruments	1,194.0	50,551.8	(6,313.2)	3,565.4	(50,812.9)	4,392.1	(603.6)	1,183.3	175.3	3,332.2
Accounts receivable and other assets	–	1,205.8	26.4	0.8	–	750.9	12.5	–	56.9	2,053.3
Land, buildings and equipment	200.9	0.3	0.6	0.1	–	–	3.0	–	–	204.9
Total assets	2,932.5	124,096.3	98,235.7	13,597.9	24,404.9	9,232.6	41,628.3	28,863.2	7,318.2	350,309.6
Liabilities										
Currency deposits	(6,154.5)	(231,581.5)	(19,466.9)	(10,251.8)	(35.6)	(11,191.5)	(1,927.3)	–	(8,068.9)	(288,678.0)
Gold deposits	–	–	–	–	–	–	–	(19,194.1)	–	(19,194.1)
Derivative financial instruments	3,688.0	119,309.6	(69,823.9)	(1,089.2)	(22,492.1)	4,229.3	(34,899.6)	(4,829.9)	985.6	(4,922.2)
Accounts payable	–	(3,872.0)	(3,427.9)	(898.3)	(558.3)	(74.0)	(4,107.6)	–	(84.6)	(13,022.7)
Other liabilities	–	(3.8)	(2.7)	(0.4)	–	–	(776.8)	–	(3.9)	(787.6)
Total liabilities	(2,466.5)	(116,147.7)	(92,721.4)	(12,239.7)	(23,086.0)	(7,036.2)	(41,711.3)	(24,024.0)	(7,171.8)	(326,604.6)
Net currency and gold position	466.0	7,948.6	5,514.3	1,358.2	1,318.9	2,196.4	(83.0)	4,839.2	146.4	23,705.0
Adjustment for gold	–	–	–	–	–	–	–	(4,839.2)	–	(4,839.2)
Net currency position	466.0	7,948.6	5,514.3	1,358.2	1,318.9	2,196.4	(83.0)	–	146.4	18,865.8
SDR-neutral position	(466.0)	(7,902.1)	(5,560.7)	(1,368.0)	(1,381.8)	(2,187.2)	–	–	–	(18,865.8)
Net currency exposure on SDR-neutral basis	–	46.5	(46.4)	(9.8)	(62.9)	9.2	(83.0)	–	146.4	–

C. Economic capital for market risk

The following table shows the key figures of the Bank's exposure to market risk in terms of economic capital utilisation over the past two financial years:

For the financial year	**2024**				2023			
SDR millions	Average	High	Low	31 March	Average	High	Low	31 March
Economic capital utilisation for market risk	5,164.2	5,581.8	4,877.2	**5,537.4**	4,459.4	4,788.2	4,226.6	4,733.3

The following table provides a further analysis of the Bank's economic capital utilisation for market risk by category of risk:

For the financial year	**2024**				2023			
SDR millions	Average	High	Low	31 March	Average	High	Low	31 March
Gold price risk	3,548.0	3,976.8	3,300.8	**3,976.8**	3,244.1	3,540.4	3,031.5	3,479.3
Interest rate risk	3,151.3	3,438.3	2,902.8	**3,114.4**	2,549.4	2,771.0	2,381.3	2,770.6
Foreign exchange risk	1,074.2	1,196.1	986.9	**1,196.1**	937.4	1,128.2	861.3	1,039.9
Diversification effects	(2,609.3)	(2,774.1)	(2,464.4)	**(2,749.9)**	(2,271.4)	(2,636.3)	(2,128.8)	(2,556.5)
Total				**5,537.4**				4,733.3

D. Minimum capital requirements for market risk

Gold price and foreign exchange rate risk

For the calculation of minimum capital requirements for market risk under the Basel Framework, the Bank has adopted a banking book-only approach consistent with the scope and nature of its business activities. Consequently, market risk-weighted assets are determined for gold price risk and foreign exchange risk, while interest rate risk is measured by separate metrics as described in the following section. The related minimum capital requirement is derived using the Basel III standardised approach following the sensitivities-based method.

The following table summarises the market risk development relevant to the calculation of minimum capital requirements and the related risk-weighted assets over the reporting period:

As at 31 March

SDR millions	**2024**	2023
Gold price risk	1,100.4	967.9
Foreign exchange risk	222.0	297.1
Minimum capital requirement (A)	**1,322.4**	1,265.0
Risk-weighted assets (A) x 12.5	**16,530.2**	15,812.0

Interest rate risk

The Bank follows a banking book-only approach, consistent with the scope and nature of its banking activities. As a result, interest rate risk originates solely from its banking book. The Basel III Framework defines two regulatory exposure measures for interest rate risk in the banking book: the change in the economic value of shareholders' equity (ΔEVE) and the change in net interest income (ΔNII).

ΔEVE represents the impact on the Bank's shareholders' equity of a number of regulatory interest rate stress scenarios. The interest rate shift to be assumed for each currency in each scenario is defined in the Basel III framework. The Bank calculates ΔEVE as part of its stress testing framework on a daily basis covering the Bank's main currencies and the vast majority of its interest rate risk. The interest rate sensitivity measure used to compute ΔEVE is consistent with the one used for internal risk measurement and monitoring (see Section 4B) and considers all relevant yield curves. ΔEVE is computed as the product of the interest rate sensitivity and regulatory prescribed shocks, resulting in symmetric outputs for up and down stresses.

The following table shows ΔEVE for the regulatory interest rate stress scenarios, aggregated across currencies, over the reporting period:

As at 31 March

SDR millions	**2024**	2023
Parallel up	(1,171.3)	(1,078.7)
Parallel down	1,171.3	1,078.7
Short rate up	(606.1)	(539.1)
Short rate down	606.1	539.1
Flattener	(196.0)	(163.1)
Steepener	(39.4)	(51.9)
Maximum	**1,171.3**	1,078.7
Common Equity Tier 1 capital	**24,806.4**	23,482.5

ΔNII measures the impact of regulatory interest rate stress scenarios assuming a parallel move of rates on the Bank's net interest income over a horizon of one year. Within its currency investment portfolios, the Bank has mainly long-dated positions and therefore assumes limited re-investment within the one-year horizon of the scenarios. The currency banking portfolios, in turn, include mostly short-dated positions with closely matched asset and liability maturities, and with the remaining interest rate risk mostly hedged using derivatives. Hence, the profitability of the currency banking portfolios has limited sensitivity to parallel movements in rates. Consequently, ΔNII is not material for the Bank.

5. Operational risk

Operational risk is defined by the Bank as the risk of financial loss, or damage to the Bank's reputation, or both, resulting from one or more risk causes, as outlined below:

- Human factors: insufficient personnel, lack of requisite knowledge, skills or experience, inadequate training and development, inadequate supervision, loss of key personnel, inadequate succession planning, or lack of integrity or ethical standards.
- Failed or inadequate processes: a process is poorly designed or unsuitable, or is not properly documented, understood, implemented, followed or enforced.
- Failed or inadequate systems: a system is poorly designed, unsuitable or unavailable, or does not operate as intended.
- External events: the occurrence of an event having an adverse impact on the Bank but outside its control.

Operational risk includes legal risk, but excludes strategic risk.

The Bank's operational risk management framework, policies and procedures comprise the management and measurement of operational risk, including the determination of the relevant key parameters and inputs, business continuity planning, the identification and assessment of key risks and controls, and the monitoring of key risk indicators.

The Bank's policies provide the guiding principles for managing its operational risk. This reduces the impact and likelihood of operational risk events materialising, with the residual risk being absorbed by the Bank (and, in some limited cases, by insurance policies).

To promote effective decision-making, quarterly dedicated meetings advise the General Manager and the Deputy General Manager on strategic operational risk decisions.

The Bank has established a comprehensive procedure of immediate reporting for operational risk-related incidents. The Risk Management unit develops action plans with the respective units and follows up on their implementation on a regular basis.

For the measurement of operational risk economic capital, the Bank has adopted a VaR-based model that employs Monte Carlo simulation techniques. The methodology incorporates internal and external loss data as well as estimated losses under hypothetical scenarios.

The Bank uses the Basel III standardised approach to calculate risk-weighted assets for operational risk. Consistent with the BCBS recommendations, the quantification of operational risk does not take into account reputational risk.

A. Economic capital for operational risk

Consistent with the parameters used in the calculation of economic capital for financial risk, the Bank measures economic capital for operational risk to the 99.99% confidence level assuming a one-year holding period. The following table shows the key figures of the Bank's exposure to operational risk in terms of economic capital utilisation over the past two financial years:

For the financial year	**2024**				2023			
SDR millions	Average	High	Low	31 March	Average	High	Low	31 March
Economic capital utilisation for operational risk	850.0	850.0	850.0	**850.0**	850.0	850.0	850.0	850.0

B. Minimum capital requirements for operational risk

The minimum capital requirement for operational risk is determined using the Basel III standardised approach. The business indicator component is a key element of this model. It is used to estimate the Bank's exposure to operational risk and is derived from the Bank's audited annual financial accounting data.

The operational risk capital is calculated by scaling the exposure measure (the business indicator component) with the internal loss multiplier. The internal loss multiplier reflects the severity of operational risk losses incurred by the Bank over the past ten years relative to the exposure.

The following table shows the minimum capital requirements for operational risk, and the related risk-weighted assets:

As at 31 March

SDR millions	**2024**	2023
Business indicator component	397.2	210.7
Internal loss multiplier	0.6	0.7
Minimum required operational risk capital (A)	**253.8**	147.5
Operational risk-weighted assets (A) x 12.5	**3,172.6**	1,844.3

The business indicator component is calculated by multiplying the business indicator by a marginal coefficient. Marginal coefficients are regulatory determined constants based on the size of the business indicator, ranging between 12% and 18%. As shown in the table below, the business indicator consists of three main subcomponents which are calculated as an average over the last three years using the Bank's financial accounting data:

As at 31 March

SDR millions	**2024**	2023	2022
Interest, lease and dividend component (A)	**917.9**		
Calculated using the following inputs:			
Interest and lease income	543.9	513.8	222.8
Interest and lease expense	(2,592.5)	(1,212.0)	(229.7)
Interest-earning assets	95,155.6	114,744.8	133,928.5
Services component (B)	**31.0**		
Calculated using the following inputs:			
Fee and commission income	19.1	20.0	19.8
Fee and commission expense	(1.9)	(1.8)	(1.8)
Other operating income	3.1	3.3	2.7
Other operating expense	(9.2)	(10.1)	(14.7)
Financial component (C)	**1,862.4**		
Calculated using the following inputs:			
Net profit and loss on the banking book	3,235.2	1,696.3	655.8
Business indicator (A + B + C)	**2,811.3**		
Business indicator component	**397.2**		

As at 31 March

SDR millions	2023	2022	2021
Interest, lease and dividend component (A)	261.0		
Calculated using the following inputs:			
Interest and lease income	513.8	222.8	254.9
Interest and lease expense	(1,212.0)	(229.7)	(176.9)
Interest-earning assets	114,744.8	133,928.5	108,318.8
Services component (B)	32.9		
Calculated using the following inputs:			
Fee and commission income	20.0	19.8	18.5
Fee and commission expense	(1.8)	(1.8)	(1.6)
Other operating income	3.3	2.7	5.4
Other operating expense	(10.1)	(14.7)	(15.6)
Financial component (C)	1,272.5		
Calculated using the following inputs:			
Net profit and loss on the banking book	1,696.3	655.8	1,465.5
Business indicator (A + B + C)	1,566.5		
Business indicator component	210.7		

The interest income and expense inputs are consistent with the definitions in the Bank's accounting policies and relate to financial instruments classified at FVOCI and amortised cost. They are included in the first component in the table above. The net income on FVPL instruments is included in the financial component. The Bank follows a banking book-only approach for the calculation of regulatory capital, in line with the scope and nature of its business activities. Further, the Bank does not receive any dividend income and does not have any divested activities.

6. Liquidity risk

Liquidity risk arises when the Bank may not be able to meet expected or unexpected current or future cash flows and collateral needs without affecting its daily operations or its financial condition.

The Bank's currency and gold deposits, principally from central banks and international institutions, comprise 98% (2023: 94%) of its total liabilities. As at 31 March 2024, currency and gold deposits originated from 143 depositors (2023: 154 depositors). Within these deposits, there are significant individual customer concentrations, with four customers each contributing in excess of 5% of the total on a settlement date basis (2023: two customers).

Outstanding balances in the currency and gold deposits from central banks, international organisations and other public institutions are the key drivers of the size of the Bank's balance sheet. The Bank is exposed to funding liquidity risk mainly because of the short-term nature of its deposits and because it undertakes to repurchase at fair value certain of its currency deposit instruments at one or two business days' notice. In line with the Bank's objective to maintain a high level of liquidity, it has developed a liquidity management framework, including a ratio, based on conservative assumptions for estimating the liquidity available and the liquidity required. Liquidity risk is managed within limits set based on this ratio, as well as more granular limits for business units managing the Bank's liquidity risk, including limits on cash flow gaps.

A. Maturity profile of cash flows

The following tables show the maturity profile of cash flows for assets and liabilities. The amounts disclosed are the undiscounted cash flows to which the Bank is committed. Options are included in the table at fair value and are shown in the "Up to 1 month" category.

As at 31 March 2024

SDR millions	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	5 to 10 years	Over 10 years	Total
Assets									
Cash and cash equivalents	46,574.8	–	–	–	–	–	–	–	46,574.8
Securities purchased under resale agreements	90,821.2	19,568.3	–	–	–	–	–	–	110,389.5
Loans and advances	12,022.1	15,111.8	9,489.9	6,498.1	–	–	–	–	43,121.9
Government and other securities	25,480.3	29,223.5	13,871.9	26,163.8	11,826.0	28,052.0	5,244.1	1,553.0	141,414.6
Gold and gold loans	30,103.2	–	–	251.0	–	–	–	–	30,354.2
Total assets	**205,001.6**	**63,903.6**	**23,361.8**	**32,912.9**	**11,826.0**	**28,052.0**	**5,244.1**	**1,553.0**	**371,855.0**
Liabilities									
Currency deposits									
Deposit instruments repayable at 1–3 days' notice	(96,737.0)	(38,096.6)	(34,831.8)	(42,061.7)	(17,490.8)	(14,778.1)	–	–	(243,996.0)
Other currency deposits	(47,257.6)	(20,601.4)	(9,429.3)	(5,568.7)	–	–	–	–	(82,857.0)
Securities sold under repurchase agreements	(296.5)	–	–	–	–	–	–	–	(296.5)
Gold deposits	(20,973.3)	–	–	–	–	–	–	–	(20,973.3)
Total liabilities	**(165,264.4)**	**(58,698.0)**	**(44,261.1)**	**(47,630.4)**	**(17,490.8)**	**(14,778.1)**	**–**	**–**	**(348,122.8)**
Derivatives									
Net settled cash flows									
Options and interest rate contracts	39.3	(123.8)	(86.2)	66.2	46.6	133.9	23.6	–	99.6
Gross settled cash flows									
Interest rate contracts									
Inflows	204.1	147.7	109.0	751.9	639.3	791.2	333.6	–	2,976.8
Outflows	(206.6)	(148.5)	(119.6)	(765.4)	(653.4)	(787.5)	(327.0)	–	(3,008.0)
Subtotal	(2.5)	(0.8)	(10.6)	(13.5)	(14.1)	3.7	6.6	–	(31.2)
Currency and gold contracts									
Inflows	163,384.8	81,247.0	21,847.0	27,777.1	–	–	–	–	294,255.9
Outflows	(161,432.4)	(79,797.0)	(21,180.2)	(26,790.6)	–	–	–	–	(289,200.2)
Subtotal	1,952.4	1,450.0	666.8	986.5	–	–	–	–	5,055.7
Total derivatives	**1,989.2**	**1,325.4**	**570.0**	**1,039.2**	**32.5**	**137.6**	**30.2**	**–**	**5,124.1**
Total future undiscounted cash flows	**41,726.4**	**6,531.0**	**(20,329.3)**	**(13,678.3)**	**(5,632.3)**	**13,411.5**	**5,274.3**	**1,553.0**	**28,856.3**

As at 31 March 2023

SDR millions	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	5 to 10 years	Over 10 years	Total
Assets									
Cash and cash equivalents	69,707.1	–	–	–	–	–	–	–	69,707.1
Securities purchased under resale agreements	47,108.5	12,208.6	814.8	–	–	–	–	–	60,131.9
Loans and advances	13,191.2	15,891.7	9,598.3	10,082.9	901.2	–	–	–	49,665.3
Government and other securities	27,538.8	44,161.3	12,209.3	9,962.3	9,804.8	24,066.6	5,189.1	966.0	133,898.2
Gold and gold loans	26,812.7	515.3	353.4	–	–	–	–	–	27,681.4
Total assets	184,358.3	72,776.9	22,975.8	20,045.2	10,706.0	24,066.6	5,189.1	966.0	341,083.9
Liabilities									
Currency deposits									
Deposit instruments repayable at 1–3 days' notice	(78,579.0)	(43,193.8)	(42,424.4)	(32,157.5)	(13,982.1)	(13,541.6)	–	–	(223,878.4)
Other currency deposits	(33,418.4)	(18,571.3)	(7,079.0)	(12,138.6)	–	–	–	–	(71,207.3)
Gold deposits	(19,194.1)	–	–	–	–	–	–	–	(19,194.1)
Total liabilities	(131,191.5)	(61,765.1)	(49,503.4)	(44,296.1)	(13,982.1)	(13,541.6)	–	–	(314,279.8)
Derivatives									
Net settled cash flows									
Options and interest rate contracts	(12.8)	(261.1)	(84.9)	59.3	33.0	199.0	43.1	–	(24.4)
Gross settled cash flows									
Interest rate contracts									
Inflows	40.0	151.1	213.0	409.2	449.0	557.0	–	–	1,819.3
Outflows	(43.7)	(153.2)	(223.8)	(439.0)	(461.7)	(563.9)	–	–	(1,885.3)
Subtotal	(3.7)	(2.1)	(10.8)	(29.8)	(12.7)	(6.9)	–	–	(66.0)
Currency and gold contracts									
Inflows	146,486.4	94,325.2	24,858.6	19,051.3	119.4	–	–	–	284,840.9
Outflows	(147,623.0)	(93,873.6)	(24,844.5)	(18,905.3)	(117.5)	–	–	–	(285,363.9)
Subtotal	(1,136.6)	451.6	14.1	146.0	1.9	–	–	–	(523.0)
Total derivatives	(1,153.1)	188.4	(81.6)	175.5	22.2	192.1	43.1	–	(613.4)
Total future undiscounted cash flows	52,013.7	11,200.2	(26,609.2)	(24,075.4)	(3,253.9)	10,717.1	5,232.2	966.0	26,190.7

The following table shows the contractual expiry date of the committed facilities as at the balance sheet date:

Contractual expiry date

SDR millions	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	5 to 10 years	Maturity undefined	Total
As at 31 March 2024	–	–	–	–	–	–	–	–	**–**
As at 31 March 2023	–	–	–	222.9	–	–	–	–	222.9

The following table shows the contractual undiscounted cash flows under lease contracts at the balance sheet date:

Contractual expiry date

SDR millions	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	5 to 10 years	Maturity undefined	Total
As at 31 March 2024	(0.4)	(0.7)	(0.4)	(1.6)	(2.5)	(5.5)	(0.1)	–	**(11.2)**
As at 31 March 2023	(0.4)	(0.8)	(0.4)	(0.8)	(0.4)	(0.8)	(0.3)	–	(3.9)

B. Liquidity ratio

The Bank has adopted a liquidity risk framework taking into account regulatory guidance issued by the BCBS related to the Liquidity Coverage Ratio (LCR). The framework is based on a liquidity ratio that compares the Bank's available liquidity with a liquidity requirement over a one-month time horizon assuming a stress scenario. In line with the BCBS liquidity risk framework, the underlying stress scenario combines an idiosyncratic and a market crisis. However, the liquidity ratio differs in construction from the LCR to reflect the scope and nature of the BIS banking activities − including the short-term nature of the Bank's assets and liabilities. Within the Bank's liquidity framework, the Board of Directors has set a limit for the Bank's liquidity ratio which requires the liquidity available to be at least 100% of the potential liquidity requirement.

The following table provides information on the development of the Bank's liquidity ratio for the last two years:

For the financial year	**2024**				2023			
Percentages	Average	High	Low	31 March	Average	High	Low	31 March
Liquidity ratio	134.3%	150.3%	120.4%	**133.2%**	137.3%	152.5%	119.5%	134.7%

The liquidity available is determined as the cash inflows from financial instruments over a one-month horizon, along with potential additional liquidity which could be generated from the disposal of highly liquid securities, or by entering into sale and repurchase agreements for a part of the Bank's remaining unencumbered high-quality liquid securities. In calculating the amount of potential additional liquidity, an assessment is performed to identify securities which are of high credit quality and highly liquid. This is followed by a conservative projection of the amounts that could reasonably be generated through selling these securities or entering into repurchase transactions.

The Bank determines the liquidity required as the sum of the cash outflows from financial instruments over a one-month horizon, the projected early withdrawal of currency deposits, the estimated drawings of undrawn facilities, and other outflows primarily resulting from the Bank's derivatives positions. With regard to currency deposits, it is assumed that all deposits that mature within the time horizon are not rolled over and that a proportion of non-maturing currency deposits is withdrawn from the Bank prior to contractual maturity. As at 31 March 2024, the estimated outflows of currency deposits in response to the stress scenario amounted to 51.1% (2023: 48.0%) of the total stock of currency deposits. Moreover, it is assumed that undrawn facilities committed by the Bank would be fully drawn by customers, along with a proportion of undrawn uncommitted facilities.

The following table shows the Bank's estimated liquidity available, the liquidity required and the resulting liquidity ratio:

As at 31 March

SDR billions	**2024**	2023
Liquidity available		
Estimated cash inflows	176.9	155.0
Estimated liquidity from sales of highly liquid securities	42.1	32.3
Estimated sale and repurchase agreements	4.4	6.6
Total liquidity available (A)	**223.4**	194.0
Liquidity required		
Estimated withdrawal of currency deposits	163.4	138.1
Estimated drawings of facilities	2.7	2.3
Estimated other outflows	1.5	3.6
Total liquidity required (B)	**167.6**	144.1
Liquidity ratio (A) / (B)	**133.2%**	134.7%

For reference, the Bank also calculates an LCR following the principles set out in the guidance issued by the BCBS. As at 31 March 2024, the Bank's LCR stood at 271.4% (2023: 186.9%).

Independent auditor’s report

To the Board of Directors and to the General Meeting of the Bank for International Settlements, Basel

Opinion

We have audited the financial statements of the Bank for International Settlements, which comprise the balance sheet as at 31 March 2024, and the profit and loss account, the statement of comprehensive income, the statement of cash flows and movements in shareholders’ equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as well as capital adequacy and risk management disclosures.

In our opinion, the financial statements (attached in Annex “Financial Statements”) give a true and fair view of the financial position of the Bank for International Settlements and of its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in the financial statements and the Statutes of the Bank.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the 'Auditor’s responsibilities for the audit of the financial statements' section of our report.

We are independent of the Bank for International Settlements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the financial statements

Management is responsible for the preparation of financial statements in accordance with the accounting policies in the financial statements and the Statutes of the Bank, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Bank for International Settlements' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Bank for International Settlements or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Bank for International Settlements' financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank for International Settlements' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of the Managements' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank for International Settlements' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank for International Settlements to cease to continue as a going concern.

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers SA

Christophe Kratzer Audit expert Auditor in charge	Natalia Dmitrieva Audit expert

Geneva, 22 May 2024

Promoting global monetary and financial stability

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