



2023 Asian Regional Forum on Investment Management of Foreign Exchange Reserves

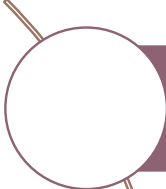
GOLD AS AN ASSET CLASS: THE CASE OF UZBEKISTAN

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The Central Bank of Uzbekistan

25–27 October, Bali, Indonesia

Quick facts about CBU



Annual production of Gold – around 100 metric tonnes
(11th in the World)



Official gold holdings - 384 metric tonnes (as of October 1, 2023)

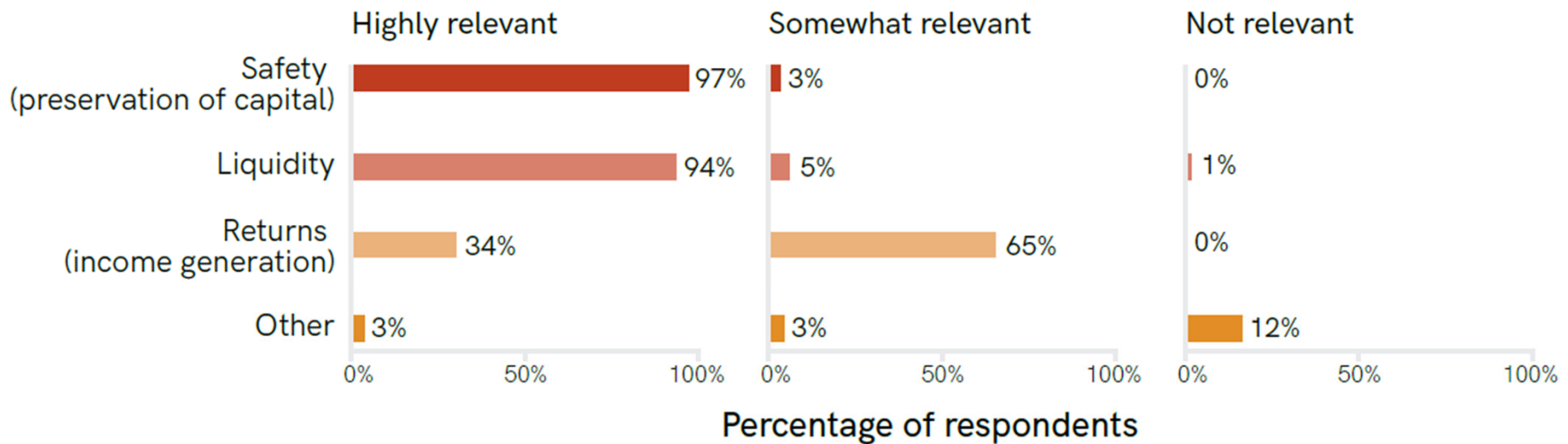


Share of gold in official reserves – around 76%



Central Bank has the **priority right** to purchase locally produced gold.

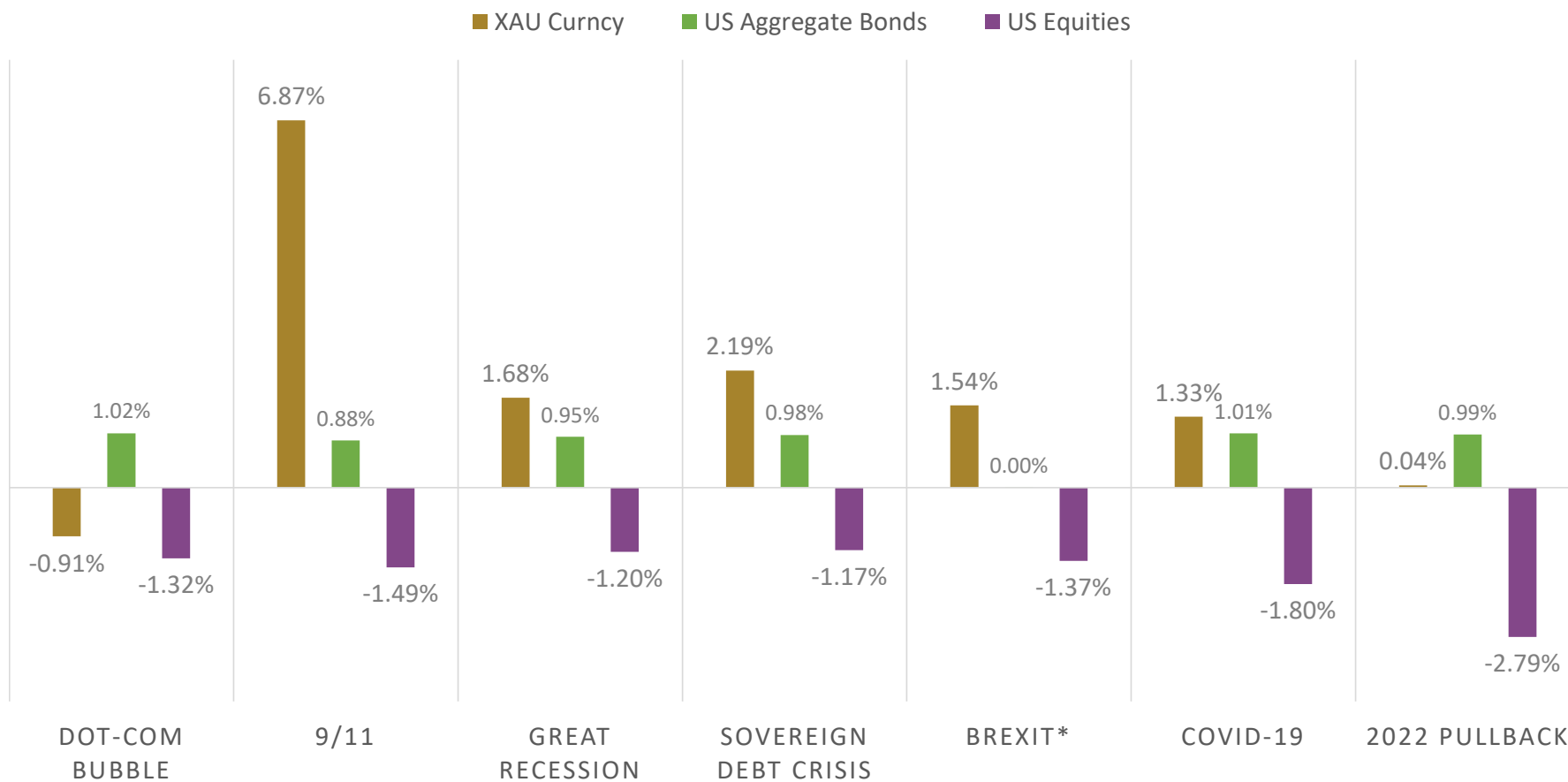
Gold as a Strategic Asset



N=119.

Source: Third RAMP survey on the Reserve Management Practices of Central Banks.

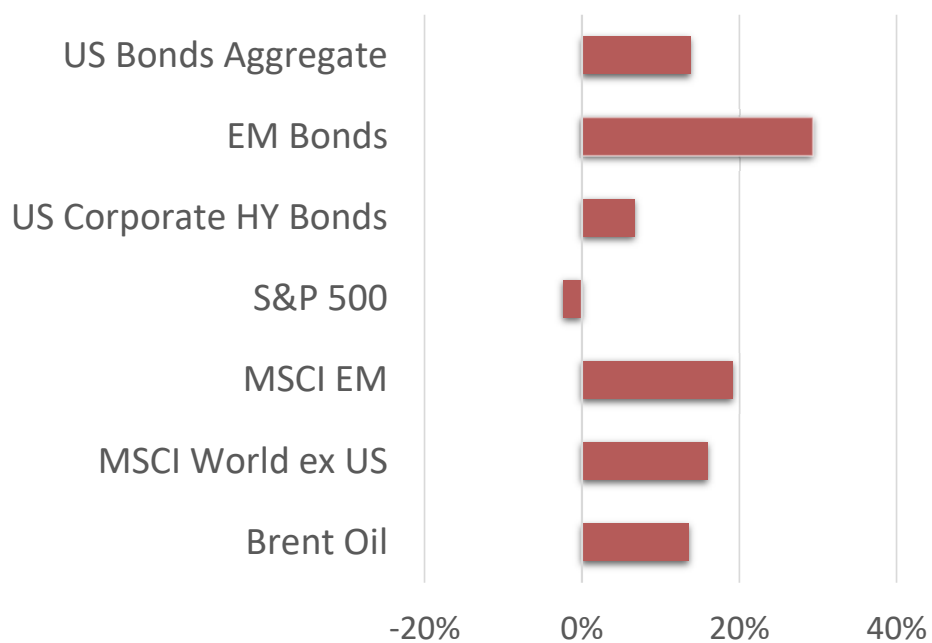
Strategic Asset: Safety



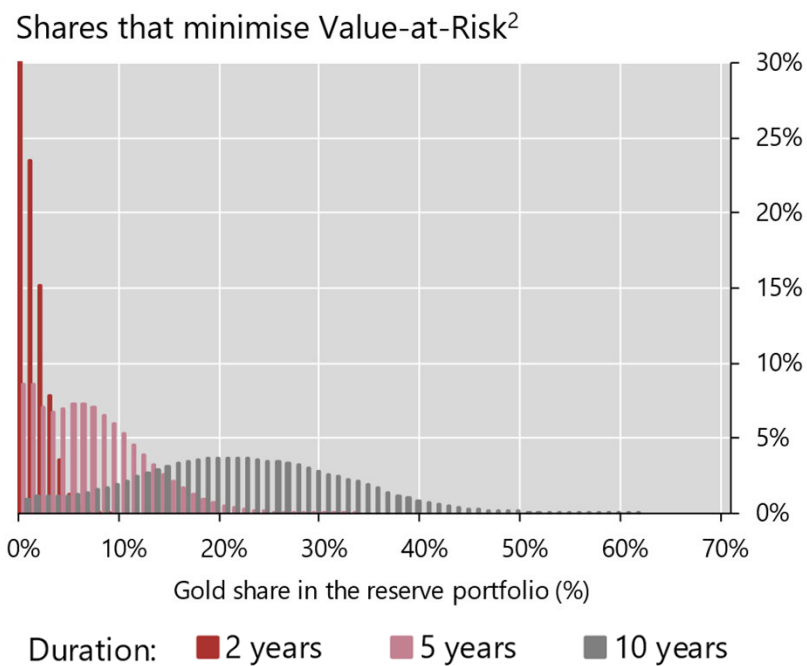
* Source: Author calculations based on monthly asset returns from Bloomberg.

Strategic Asset: Safety

Correlation of Gold against major assets*



Optimal share of gold in primarily fixed income portfolio**



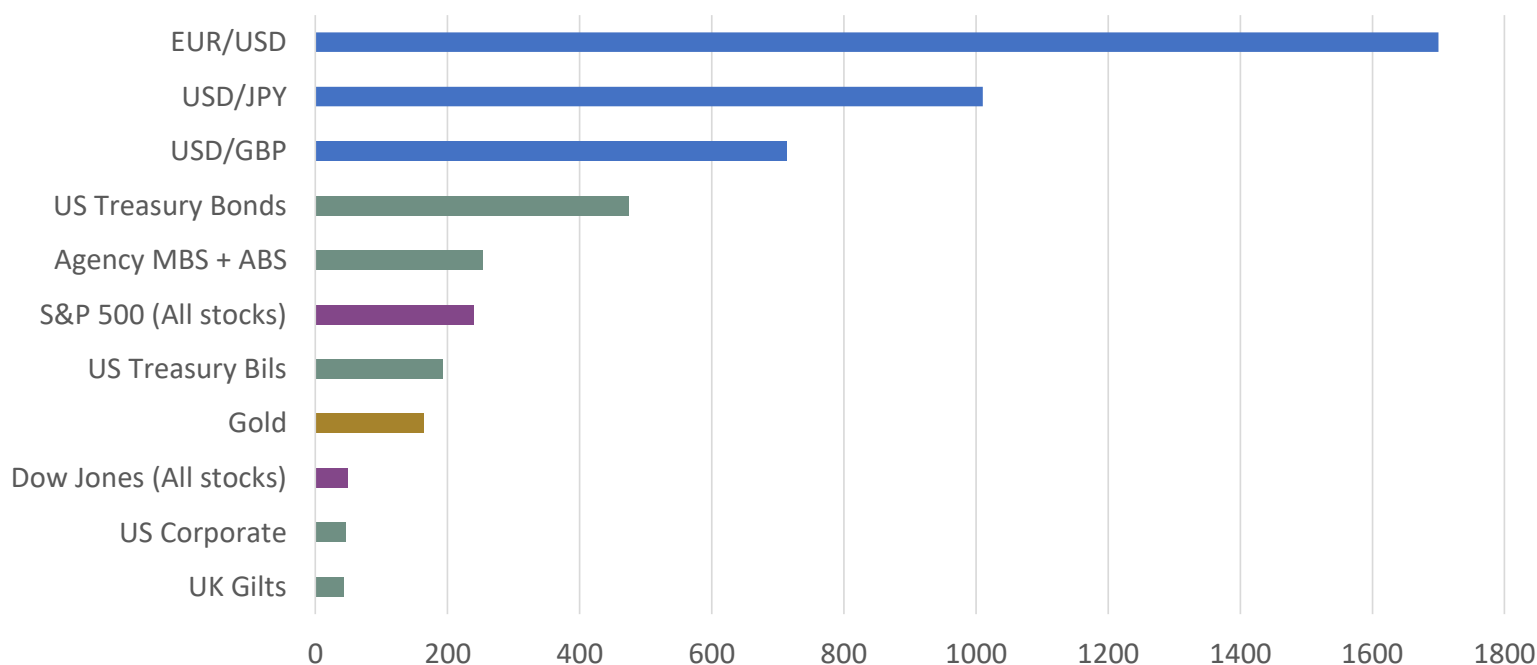
* Source: Author calculations based on monthly asset returns from Bloomberg.

** Source: Zulaica, O., 2020

Strategic Asset: Liquidity

AVERAGE DAILY TRADING VOLUME

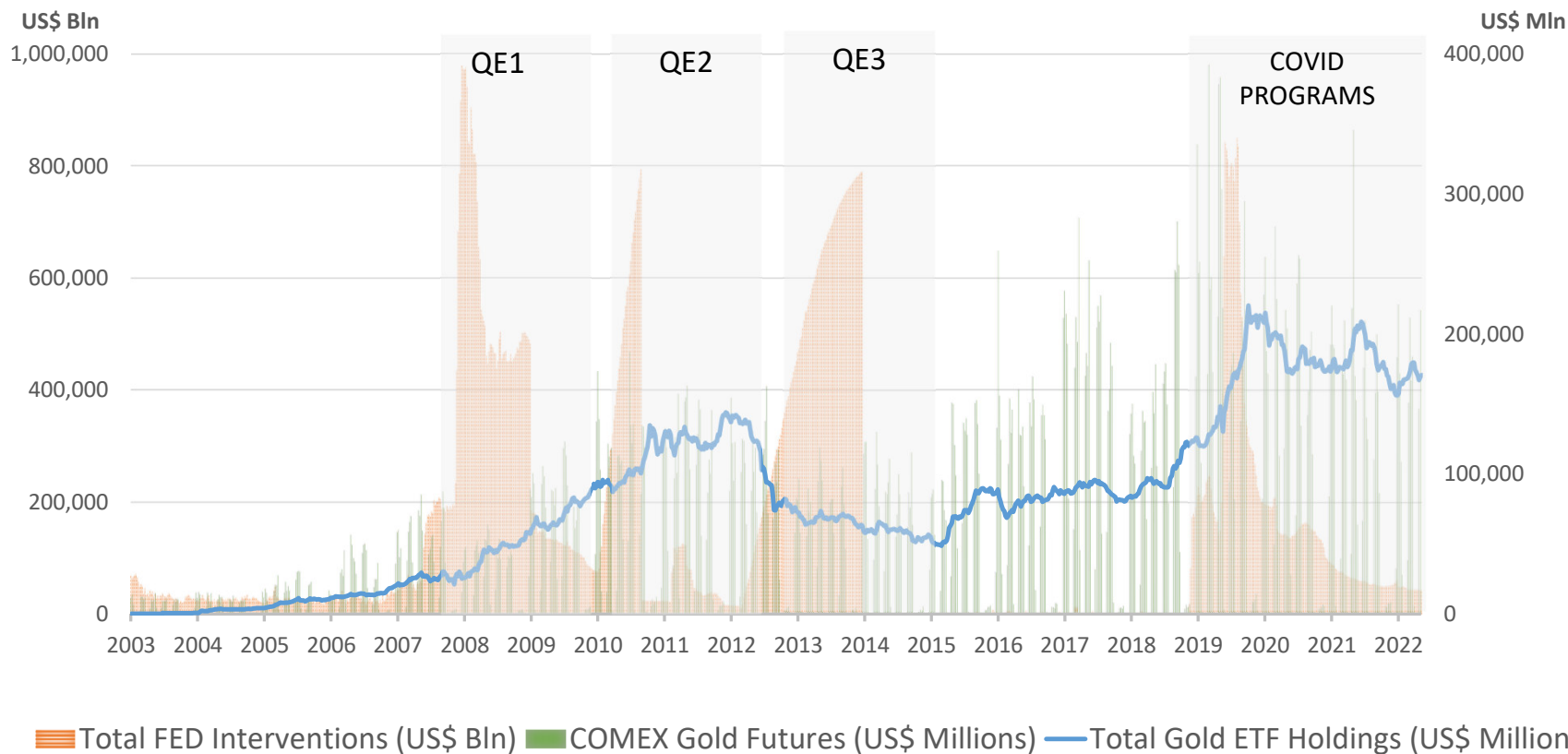
in US\$ Billions



*Daily average trading volume for Q1 2023.

Source: Author calculations based on BIS, SIFMA, UK DMO, WGC data

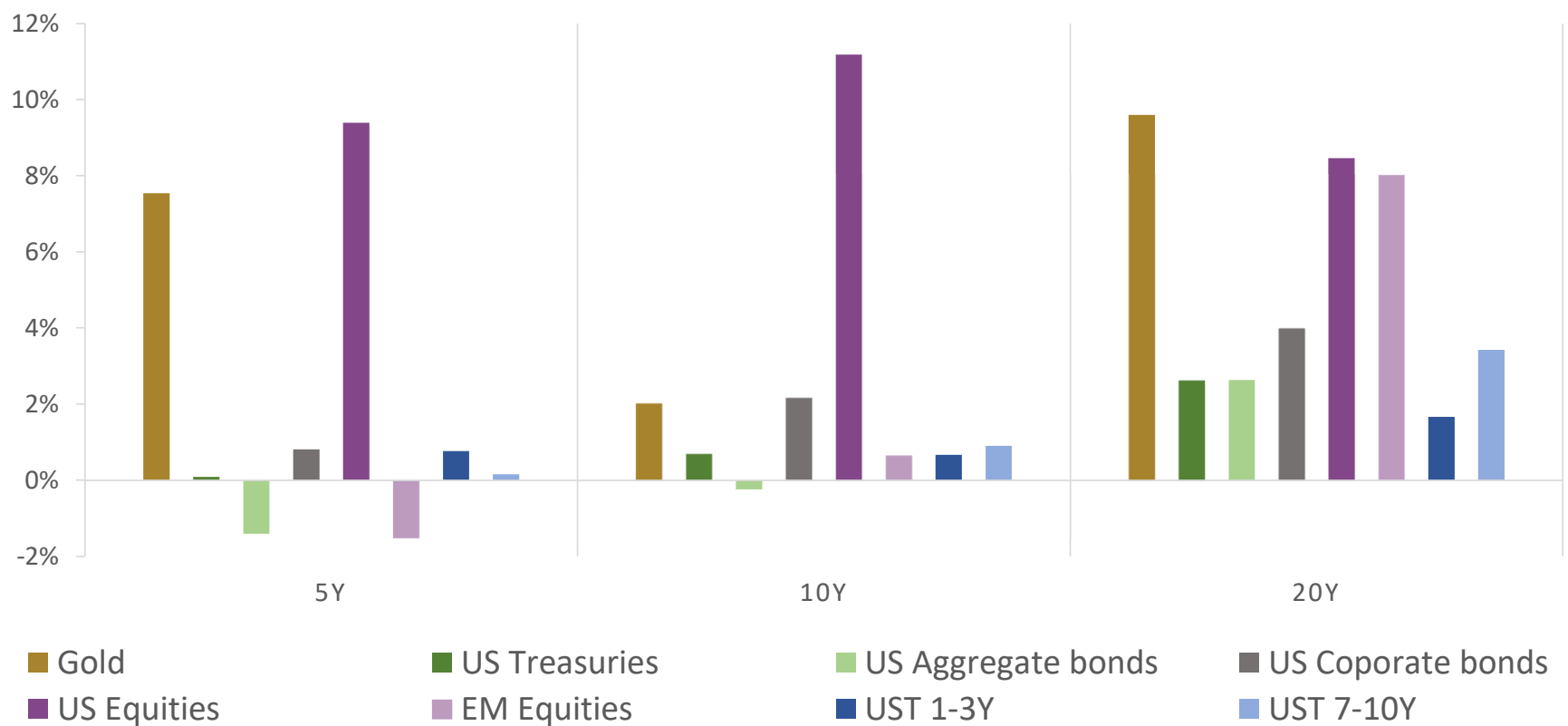
Strategic Asset: Liquidity



*Weekly data 11/7/2003 – 3/10/2023.

Source: Author calculations based on Bloomberg data

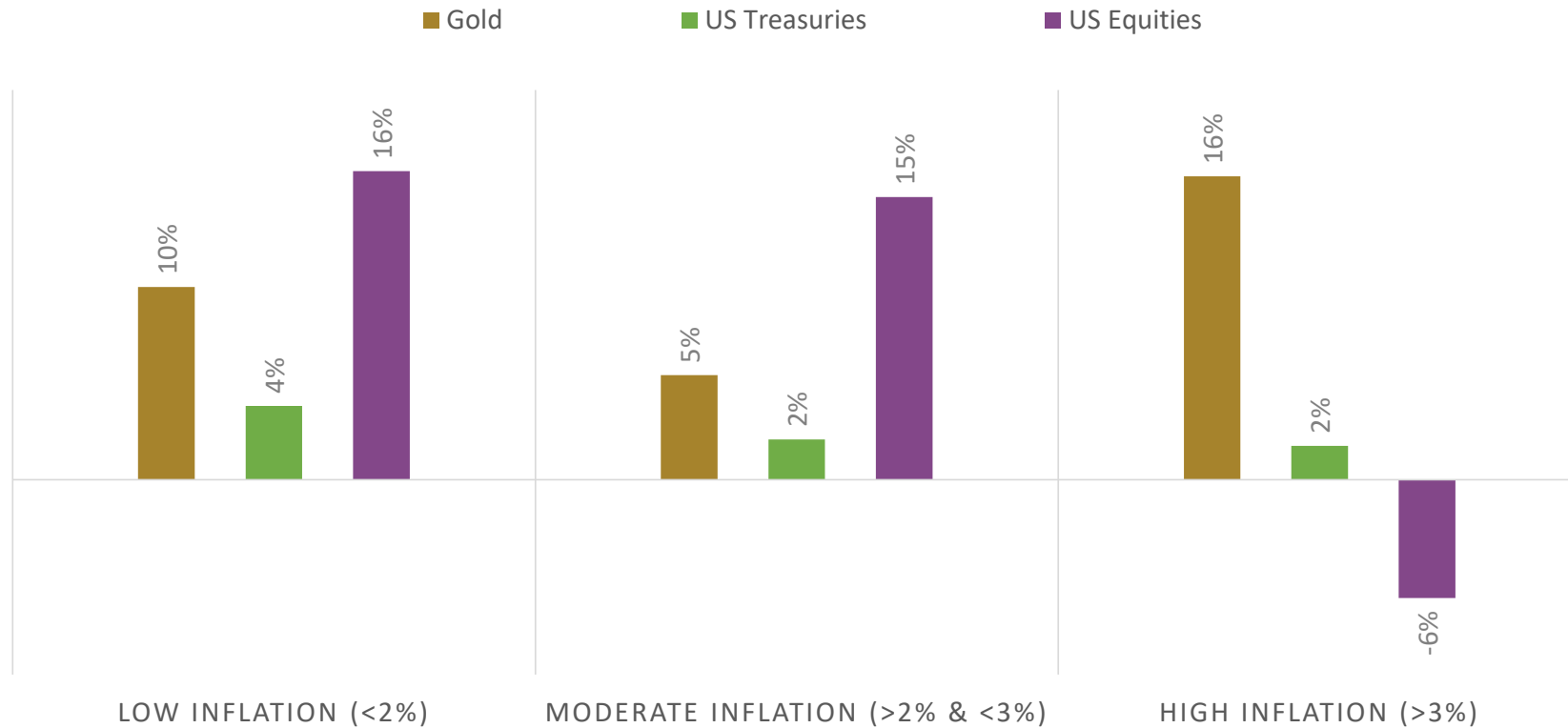
Strategic Asset: Return



*based on quarterly asset returns. The fixed income and Equity returns are estimated from respective Total return indices

Source: Author calculations based on Bloomberg data

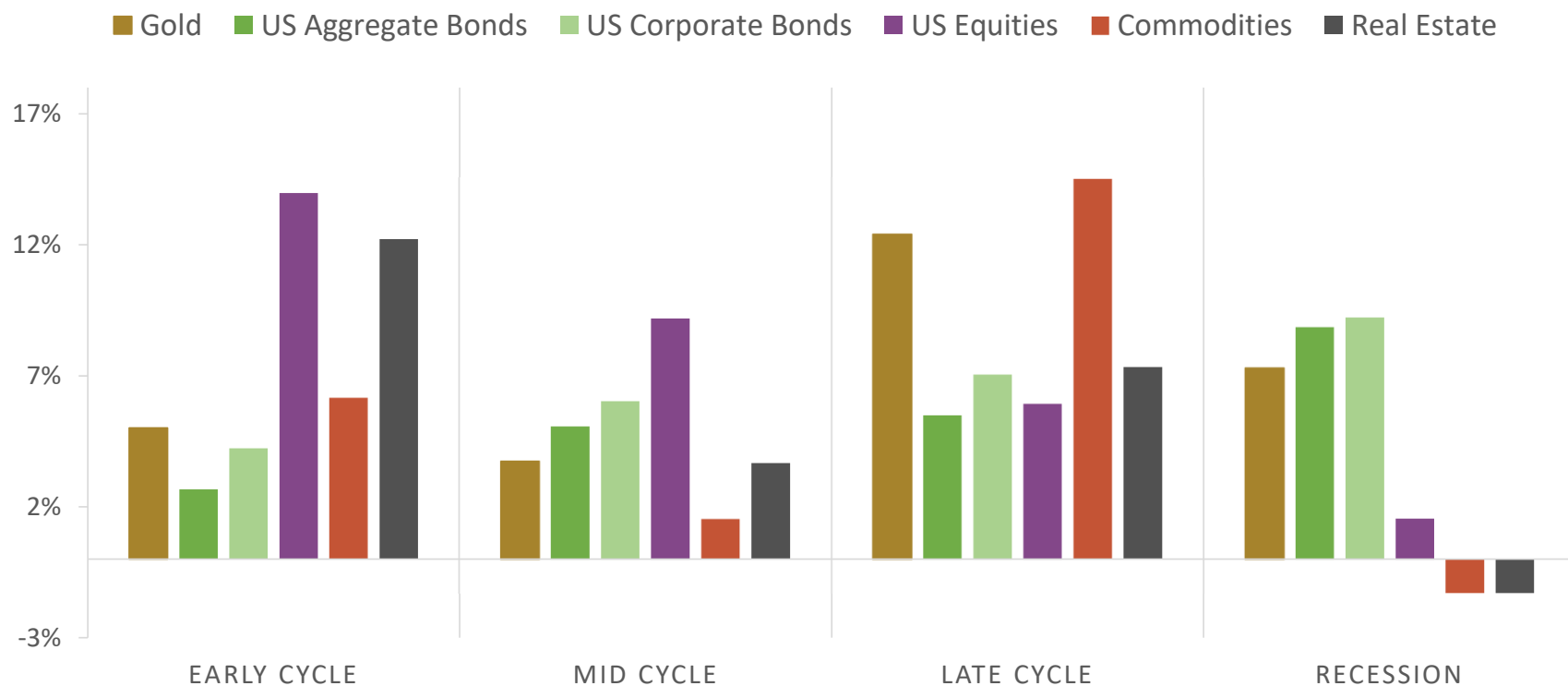
Strategic Asset: Return



*As of 31 December 2022. Based on monthly nominal returns for Gold USD Spot price, Bloomberg US Treasuries Agg, MSCI US Equities and YoY US CPI since February 2003.

Source: Author calculations based on Bloomberg data

Strategic Asset: Return



*All data from Q1 1990 – Q4 2022.

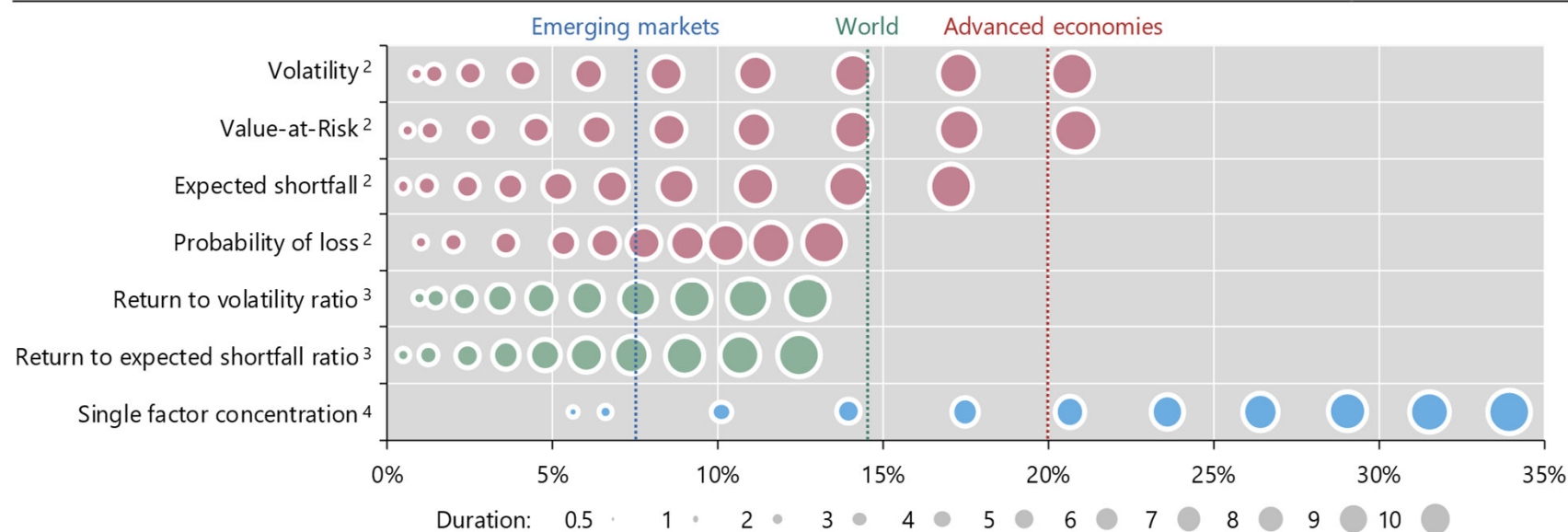
Source: Author calculations based on Bloomberg data, World Bank Treasury's Business Cycles

Strategic Asset: Optimal Allocation



GOLD ALLICATION TO ACHIVE CERTAIN INVESTMENT OBJECTIVE

In per cent of the market value of the reserve portfolio

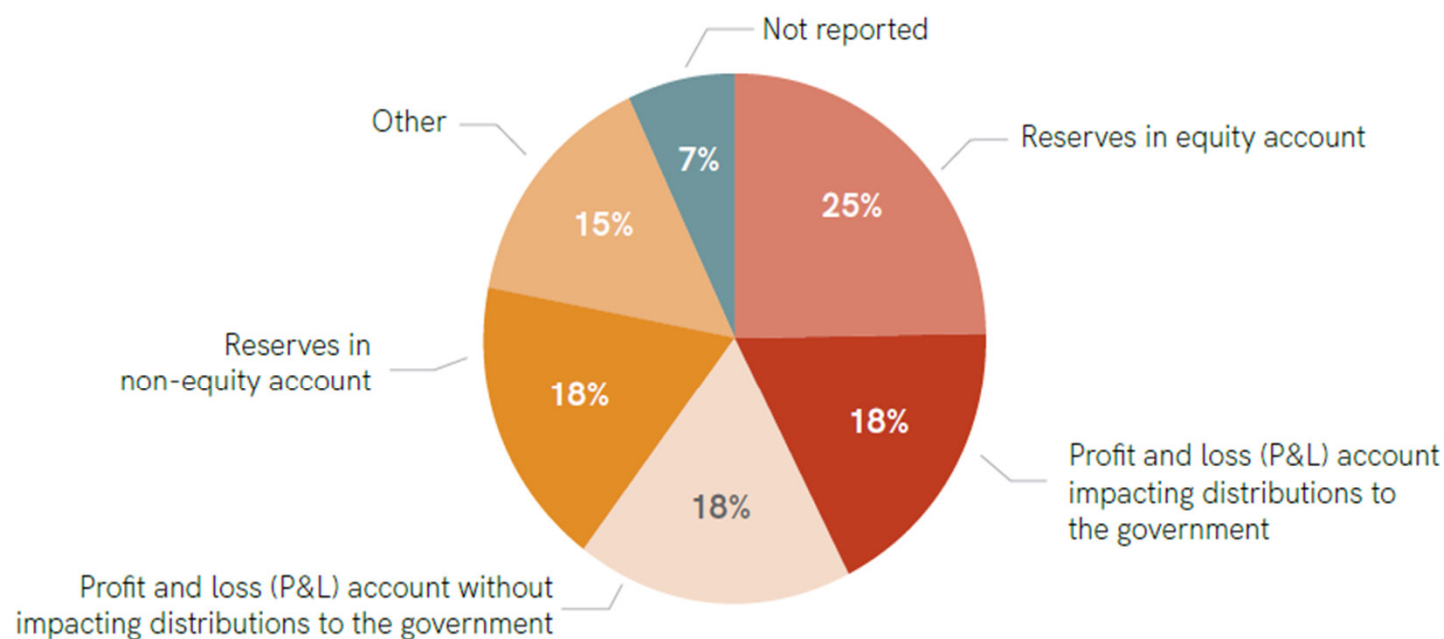


¹ Bubbles denote the average optimal weight across 5,000 simulations. ² Allocation to gold that minimises the measure. ³ Allocation to gold that maximises the measure. ⁴ Allocation to gold that minimises the variance explained by the first principal component of a PCA analysis.

Source: Zulaica, O., 2020

Accounting and Reporting process

ACCOUNTING PRACTICES FOR UNREALIZED GAINS AND LOSSES ON GOLD



N=85.

Source: Third RAMP survey on the Reserve Management Practices of Central Banks.

Accounting: Tranches

Core reserves

- Meet transactional needs
- Intervene in FX market
- Purchase critical imports
- Service short-term debt

Working
Capital
tranche

Contains the gold purchased from producers and approximately the size of annual gold production

Excess reserves

- Focus on returns
- Provision for severe crisis
- Preserve wealth for future generation

Liquidity
tranche

Contains the gold not used for immediate transactional needs. Used to fill the WC tranche

Investment
tranche

Contains the legacy gold primarily used as a buffer

Accounting and Reporting process

Revaluation

- Gold reserves are **revalued** on the **last working day** of each month, based on morning **LBMA fixing**.
- **Unrealized gains** and **losses** from the revaluation of monetary gold are accounted through 'other comprehensive income' accounts (revaluation account) within the equity.

Purchases

- **Physical gold** is taken into accounts at its purchase price **based on average LBMA fixings** over last month.
- Separate records are kept to identify the **average cost of gold** purchased.
- Average cost of the gold purchased changes every time the gold is purchased.

Sales

- When sold, the gold is **written-off at revalued value** from accounts and the difference between the sale price and the average cost is attributed to P&L.
- Please note that we use the **Average cost method** for inventory management.

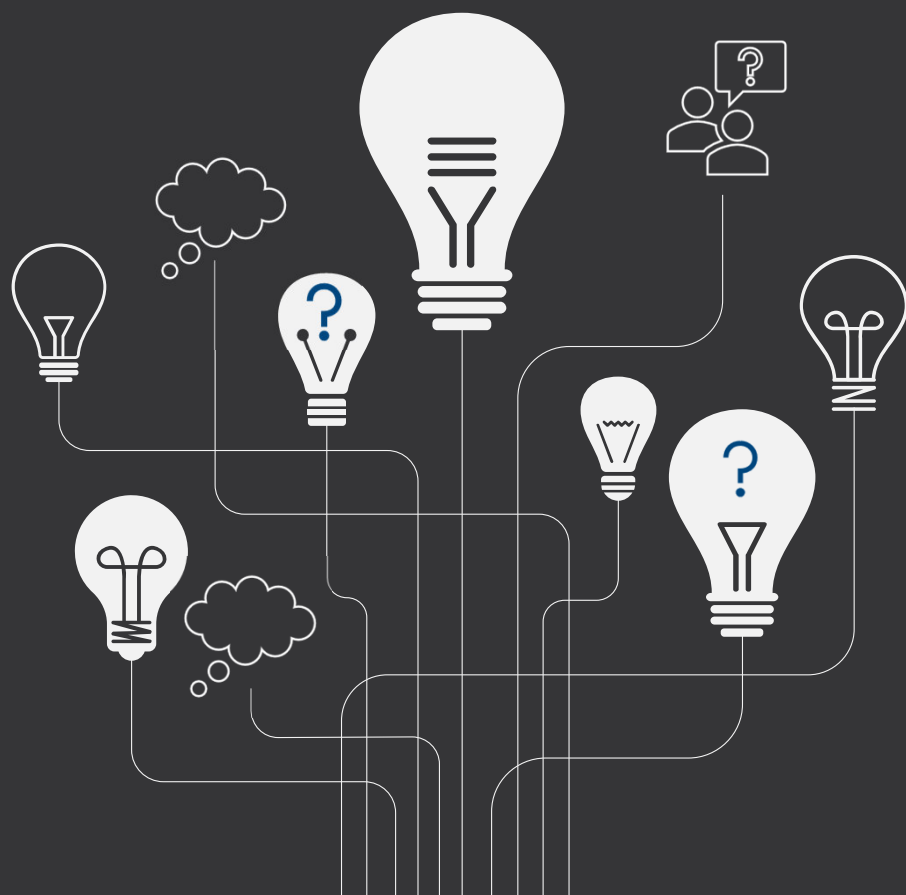
Other ways we interact with Gold: Collectibles

2020: The CBU commenced the sale of gold bars of 999.9 fineness weighing 5, 10, 20, and 50 grams through commercial banks.



2021: The CBU issues gold commemorative coins and souvenir sets dedicated to the 580th anniversary of the birth of the great poet and thinker Alisher Navoi.

Thank you for your attention! Comments & Questions?



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