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UK OFFICIAL HOLDINGS OF INTERNATIONAL RESERVES:

Part I: UK Government Foreign Currency Assets and Liabilities – June 2006

1. UK Government net reserves fell by \$479 million in June 2006, bringing the end-June total to \$20,365 million (£11,012 million¹) compared with \$20,844 million (£11,139 million²) at end-May 2006.

| | US \$ million: market values | |
|--|------------------------------|------------------|
| | End May 2006 | End June 2006 |
| Gross Reserves³ | 51,644 | 47,481 |
| Liabilities | -30,800 | -27,116 |
| <i>of which</i> | | |
| <i>foreign currency forwards and swaps (net)⁴</i> | -18,529 | -17,458 |
| <i>repo transactions⁵</i> | -7,392 | -4,722 |
| Net reserves⁶ | 20,844 | 20,365 |
| Change in net reserves | | -479 |
| <i>of which</i> | | |
| valuation effects | | -491 |
| transactions against sterling | | 12 |
| <i>of which</i> | | |
| <i>UK public sector customers</i> | | -666 |
| <i>Other</i> | | 679 |

2. As set out in the Chancellor's letter of 6 May 1997 to the Governor of the Bank of England, if the Government so instructs, the Bank, acting as its agent, may intervene in the foreign exchange market by buying or selling Government foreign exchange reserves. If intervention is undertaken, the monthly press release will provide details of the amount and date of the intervention and an explanation of why it was undertaken. No intervention operations were undertaken in June.

Part II: Bank of England Foreign Currency Assets and Liabilities – June 2006

1. Bank of England net holdings of foreign currency and gold rose by \$6 million in June 2006, bringing the end-June total to \$58 million (£31 million¹) compared with \$52 million (£28 million²) at end-May 2006.

| | US \$ million: market values | |
|--|------------------------------|------------------|
| | End May 2006 | End June 2006 |
| Assets³ | 32,698 | 30,086 |
| Liabilities* | -32,646 | -30,028 |
| <i>of which</i> | | |
| <i>foreign currency forwards and swaps (net)⁴</i> | -5,466 | -5,477 |
| <i>repo transactions⁵</i> | 0 | 0 |
| Net assets⁶ | 52 | 58 |
| Change in net holdings | | 6 |
| <i>of which</i> | | |
| valuation effects | | 6 |
| transactions against sterling | | 0 |
| <i>of which</i> | | |
| <i>UK public sector customers</i> | | - |
| <i>Other</i> | | 0 |

2. As set out in the Chancellor's letter of 6 May 1997 to the Governor of the Bank of England, the Bank may also undertake foreign exchange operations to intervene in support of its monetary policy objective. If intervention is undertaken, the monthly press release will provide details of the amount and date of intervention and an explanation of why it was undertaken. The Bank undertook no such intervention operations in June.

3. Bank of England foreign currency assets and liabilities mainly arise from the Bank's foreign exchange reserves, deposits placed with the Bank by overseas central banks and other customers, assets to facilitate the UK's participation in the TARGET system and other capital items.

¹ When converted at the closing market rate (4pm) of £1 = \$ 1.8494 on 30 June.

² When converted at the closing market rate (4pm) of £1 = \$ 1.8712 on 31 May.

³ In this presentation gross reserves in part 1 and assets in part 2 exclude market valuation of foreign currency forwards and swaps. These derivatives are shown (excl sterling leg) within liabilities.

⁴ Net present value of foreign currency forwards, interest rate and cross currency swaps (excl sterling leg).

⁵ Market value of liabilities to repay foreign currency received in repo transactions.

⁶ Figures may not sum due to rounding.

NOTES TO EDITORS

Background

1. UK international reserves figures are published in accordance with the methodology developed by the International Monetary Fund in the context of revisions to its Special Data Dissemination Standard (SDDS), and the G10 central banks in their report "*Enhancing transparency regarding authorities' foreign currency liquidity position*".

2. The UK began to disclose additional information on its foreign currency assets and liabilities required under the International Monetary Fund Special Data Dissemination Standard (assets, liabilities and derivatives) from July 1999. Past data can be revised; the most up to date historical data for end-July 1999 onwards can be found on the Bank of England website at www.bankofengland.co.uk/statistics/reserves.

Methodology and definitions

3. The Bank of England website also provides information on the methodology now used and definitions of the main conventions employed.

A National Statistics publication

4. **National Statistics** is the official source for authoritative, accurate and relevant information on the economy and society. It brings together a vast range of statistical information overseen by the National Statistician. The National Statistics logo is your assurance of statistics produced to the highest professional standards. For more information about National Statistics visit www.statistics.gov.uk. The release of data in this press notice has followed the National Statistics Code of Practice and Protocol of Release Practices.

Internet version

5. If you have access to the Internet, you can find this news release and other Treasury information at www.hm-treasury.gov.uk.

Next publication date

6. The figures for July 2006 are due for publication on Thursday 3 August 2006.

Enquiries

7. Media enquiries about this press release should be addressed to Thomas Youlton in the Treasury Press Office on **020 7270 4420**.

8. Public enquiries (non-media) about this press release should be addressed to the Treasury's Correspondence and Enquiry Unit on:

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National Statistics Public Enquiry Service

9. For general enquiries about National Statistics, contact the National Statistics Public Enquiry Service on:

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10. You can also find National Statistics on the Internet at www.statistics.gov.uk.