

# EM Central Bank

## Gold Asset Portfolio Management

### Case Study

The Client	A Central Bank within the Emerging Markets holding a significant gold assets portfolio.
The Challenge	As is typical for several Central Banks in the EM, our client held a significant gold assets portfolio which had been acquired several decades ago. In line with existing accounting standards, these gold assets were held at lower of cost or market values on the Balance Sheet of the bank. As a result, the current market values of these gold assets far exceeded the values at which they were held in the books of the Central Bank. This resulted in a less-than-optimum valuation of these gold reserves on the balance sheet of our client. The Client thus sought for a means of being able to report the Fair Market Value of these assets within its books and achieve a one-off P&L recognition of the realized gains.
The Solution	Citi assisted the Client achieve the Fair Market Value of its gold reserves through a transaction that involved a sale by the Central Bank to Citi of its itemized gold reserves at prevailing international market prices. This first transaction was contracted as a sale to Citi, with realized gains recorded through the P&L of the Bank. In a subsequent transaction, Citi sold these itemized gold reserves to the Central Bank at prevailing international prices.
The Result	These two transactions resulted in the Central Bank being able to report the carrying value of its gold reserves at the new acquisition cost of its purchase of the gold from Citi, thus achieving a Fair Market Valuation of these gold assets. The Client was also able to report a one-off realized gain through its P&L as a result of this transaction. The overall result was for a much more accurate balance sheet and a fair market valuation of these long-held assets by the central bank.