



BANK OF BOTSWANA

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Reserve Management Guidelines

The Bank of Botswana considers three key investment objectives for foreign exchange reserves management:

- *Safety* of the reserves is considered to be the first and foremost objective. This involves the preservation of the value of the foreign exchange reserves.
- *Liquidity* is also considered and ensures the timely availability of adequate resources at a reasonable price.
- *Return* on the reserves should be optimised through prudent investments within a framework of acceptable risk.

The [Bank of Botswana Act](#) requires the Bank to maintain a Primary International Reserve, which is commonly referred to as the Liquidity Portfolio. Section 35 of the Act further provides for the creation of an additional fund, the [Pula Fund](#), which is the excess or residual from the Liquidity Portfolio. The benchmark level for the Liquidity Portfolio is reviewed from time to time: it is currently set at six months of import cover.

The Liquidity Portfolio is a money market and fixed income fund that provides a buffer for short-term trade and capital account requirements. The fund is split into the Liquidity Investment Tranche (LIT) and the Transaction Balance Tranche (TBT). The TBT caters for any short term needs for foreign currency while the LIT provides further support for medium term funding.

In contrast, the Pula Fund is a long-term investment vehicle with the essential characteristics of a Sovereign Wealth Fund (SWF).

[Find out more about the Pula Fund.](#)

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