

## CURRENCY UNION TECHNICAL EXPERT GROUP (CUTEG)

### OUTCOME PAPER (CUTEG) # 15 (July 23, 2004)

#### (1) Topic: **Intra Currency Union Claims and Liabilities**

(2) Issues – see CUTEG Issues Paper #15

#### (3) Recommendations:

1. The group agreed that the transactions and positions corresponding to the balances of CU NCBs/CU CB resulting from their participation in the CU clearing and settlement arrangements should be reported in the national BOP/IIP data under Other Investment / Currency and Deposits / Monetary Authorities. These transactions can be recorded on a net basis, in line with the underlying economic reality. The balance at the end of the period, if any, should be recorded as either an asset or a liability.

2. The group agreed that the participation in the CU CB's capital be recorded in the BOP/IIP under Other Investment / Assets / Other/ Monetary Authority in the national data. In some currency unions there is no claim on the capital of the CU CB in the event of a member economy leaving the union, although even in these cases the subscription gives the participating country the right to receive a proportion of the CUCB's profits. This circumstance will be further considered. *BPM5* (para 422) only makes reference to the notion of "capital subscription to international organizations", and recommends recording it under other investment (claim) without entering into the issue of whether such subscription actually gives rise to a claim. The group considered that the updated manual should clarify this circumstance.

3. The group provisionally agreed that claims/liabilities resulting from the initial transfer of reserve assets from the CU NCBs to the CUCB should be recorded in national balance of payments under Other Investments / Assets / Currency and Deposits/ Monetary Authorities. Fund staff will reflect on the instrument classification before the next meeting of the CUTEG. The group did not regard remuneration according to a predetermined interest rate as an essential prerequisite for the proposed classification.

4. The group agreed that reallocations of monetary income among member countries and the CUCB to be recorded in the national data as Current Account / Current Transfers. However, the group will consider the issue of the BOP treatment of the distribution of profits of the CUCB at its December 2004 meeting.

5. The group agreed that the remuneration of intra-CU NCBs balances (including those arising from settlement and clearing arrangements) be recorded as income on a gross basis under Current account / investment income / income on other investment in the national data.

Remuneration of balances related to the settlement and clearing arrangements, can be recorded on a net basis, reflecting the underlying economic reality.

(4) Rejected Alternatives:

None.

(5) Actions before the next meeting of CUTEG

- Fund staff to consider the treatment of capital subscriptions when no claim on the capital of the CUCB arises, consulting with CUTEG members as appropriate (Fund staff).
- Fund staff will reflect on the instrument classification of the claims/liabilities resulting from the initial transfer of reserve assets (Fund staff).
- BCEAO, BEAC, ECB, and ECCB to set out the treatment in the national data of the distribution of profits of the CUCB (BCEAO, BEAC, ECB, and ECCB).