

Summary of outcomes of the Committee e-deliberations interest on index-linked instruments

The Committee agreed with the AEG's conclusions on interest on index-linked instrument. These are:

Interest on index-linked instruments

The AEG decided by a slight majority to adopt the following treatment: the present SNA approach would be recommended in situations in which a broad index is used, one expected to change relatively smoothly over time (such as when the CPI is involved), while the modified debtor approach¹ would be used when a narrow index is used with the possibility of volatile movements (e.g., when the index relates to commodities).

¹ The “modified debtor approach” treats interest on index-linked instruments as having been fixed at the rate implicit at the time of issue and treats any deviation of the index from the expected path as holding gains/losses.