Annex 3

Regional Arrangements: Currency Unions, Economic Unions, and Other Regional Statements

A. Introduction

A3.1 Since the previous edition of the *Manual*, a growth in regional arrangements for monetary and economic cooperation has been evident. Such regional arrangements include customs unions, which have common tariff and other trade policies with nonmember economies; economic unions, which harmonize certain economic policies to foster greater economic integration; and monetary and currency unions, which provide for a single monetary policy for member states. Concepts and recommendations noted in the chapters of the *Manual* for compilation of balance of payments and IIP statements also apply to these regional arrangements, but beyond these, specific statistical issues arise.

A3.2 This annex begins by addressing issues relating to currency unions (CUs), because such unions raise most of the methodological issues and there is the essential policy need for CU balance of payments and IIP statistics.[1] Methodological guidance is provided for the compilation at both the CU and member-economy levels. The annex also covers economic unions (EcUns) and customs unions. As indicated by Table A3.1, which lists various methodological issues that can arise from regional arrangements, those issues relevant for EcUn and customs unions are largely a subset of those relevant to a CU.

A3.3 Compiling balance of payments and international investment position statistics for regional arrangements such CUs and EcUns involves the aggregation of data for two or more

[1] References to specific statistical issues that apply to unilateral adoption of a foreign currency (such as dollarization) are also included in this section.

economies.[2] In contrast, "regional statements" are compiled by an economy vis-à-vis a grouping of selected economies (geographical breakdown of statistics). Issues pertaining to this category of statement are also addressed at the end of this annex.

A3.4 IIP data by partner are shown according to the debtor-creditor approach. In addition, national contributions for compiling financial flows data in CU and EcUn balance of payments are allocated along the debtor-creditor approach as a way to ensure bilateral symmetry.[3] This convention means that cross-border transactions in financial claims are allocated to the economy of residence of the nonresident debtor, and cross-border transactions in liabilities are allocated to the economy of residence of the nonresident creditor.

B. Currency Unions

A3.5 In a CU, full balance of payments and IIP statements are essential to support the policy analysis at the CU level. The single monetary policy of the CU requires the availability of information on the main variables that affect monetary and foreign exchange conditions for the union as a whole, among which balance of payments statistics are of primary importance. In that sense, the statistical requirements for a CU are the same as for an economy that issues its own currency.

A3.6 As monetary policy is no longer conducted at an economy level, the statistical requirements might appear less necessary for economies that are members of a CU. However, because economic and fiscal policies are often still largely defined at the national level, there is a need to compile national balance of payments and IIP statement for member states in a CU.

Table A3.1. Methodological Issues Relevant for Different Types of Regional Cooperation

[2]In this context, "regional" is not used to mean a region within an economy.

[3]As opposed to the transactor principle. Under the transactor principle, cross-border transactions in claims are allocated to the economy of residence of the nonresident party to the transaction (the transactor). Information on the location of counterparties can be of analytical interest, such as the markets in which or with which residents transact.

Issue	Customs Union	Economic Union	Currency Union (CU)
1. Definition of a CU central bank	n.a.	n.a.	X
2. Domestic/foreign status of the common currency*	n.a.	n.a.	X
3. Allocation of intra-CU claims among CU's central banks	n.a.	n.a.	X
4. Reserve assets*	n.a.	n.a.	X
5. Regional organizations	X	X	X
6. Economic territory	n.a.	X	X
7. Debtor/creditor versus transactor principle*	X	X	X
8. Geographic allocation of goods	X	X	X

*These three items also raise statistical issues in "dollarized economies."
X = relevant issue.
n.a. = not applicable issue.

A3.7 The specific statistical issues that need to be addressed are of three types:

- Definitional issues that are central to any discussion of CU balance of payments and IIP statement.
- Application of core balance of payments concepts to the context of a CU.
- Methodological issues arising from the operational and technical aspects of a CU.

1. Definitional issues

a. Definition of a CU

A3.8 The adoption of a single monetary policy by more than one economy can be facilitated through a range of different types of monetary arrangements. A situation in which there is the presence of a single monetary policy among economies, established by an intergovernmental legal agreement, is defined in the *Manual* as a *monetary union*.[4] A monetary union that replaces national currencies with a common currency to form a *currency union* raises specific methodological issues for the compilation of a balance of payments and IIP. These issues include treatment of the central monetary authority, the arrangements for reserves management, and the definition of a domestic currency.

A3.9 *For statistical purposes, a CU is defined as a union to which two or more economies belong and that has a regional central decision-making body, commonly a currency union central bank (CUCB), endowed with the legal authority to conduct a single monetary policy and issue the single currency of the union.* A CU is established by means of an intergovernmental legal agreement (e.g., a treaty). To belong to a CU, the economy must be a member of the central decision-making body, participate in its regular monetary policy decision-making process, and be subject to its monetary policy decisions. Participation in the monetary policy decision-making process includes representation and voting rights, possibly on a rotating basis, in the central decision-making body.

A3.10 Monetary arrangements reached by any CU economy (on behalf of and in line with guidelines set up by the CUCB) with an economy outside the CU, such as overseas dependent territories, to regulate the use of the common currency do not qualify the other economies to CU membership under this definition. Similarly, the unilateral adoption of another currency by third-party economies (e.g., dollarization, euroization) is not considered sufficient to regard the economy, or economies, to be a member, or members, of a currency union for statistical purposes. Where different economies establish a common monetary area (CMA) that allows free movement of finance and a common exchange control regime with the rest of the world, but different national currencies remain legal tender in their respective economies, even if one currency is a reference currency against which the other currencies are pegged, the arrangement does not meet the above criteria to be classified as

[4] In compiling data for a monetary union that is not a currency union, account would need to be taken of the specific institutional arrangements to determine which principles set out in this annex need to be applied.

a CU. The same applies for a CMA established among members by coordinating the peg with a third economy.

b. The Currency Union Central Bank

A3.11 The regional central decision-making body in a CU referred to above is usually the CUCB. A CUCB is a regional financial institution that acts as the common central bank for the member states of the CU. The CUCB is an institutional unit in its own right, owning assets and liabilities on own account, and is nonresident of any CU member state but resident in the CU.

c. Regional organizations

A3.12 More generally, regional organizations are a type of international organization. They consist of those institutions whose members are governments or monetary authorities of economies that are located in a specific region of the world. Regional organizations, which include CUCBs, are created for many purposes including supporting, guiding, and even governing aspects of the economic relationships or integration processes among the region's economies. Regional organizations are established by means of an intergovernmental legal arrangement (e.g., a treaty). They can be financial (e.g., regional development banks) or nonfinancial (e.g., relating to the administration of an economic union) organizations.

d. Centralized and decentralized CU

A3.13 This *Manual* identifies two kinds of CUs. In one model, the CU has a CUCB owned by the governments of the member states with the common currency issued by the CUCB and central bank operations in each economy carried out by branches or agencies of the CUCB. This model, referred to as a "centralized" model, is of the type observed in Africa and the Caribbean [Central African Economic and Monetary Community (CEMAC), West African Economic and Monetary Union (WAEMU), Eastern Caribbean Economic and Currency Union (ECCU)].

A3.14 In the other model, the CU comprises a CUCB and CU national central banks (CUNCBs) of the member states with the CUCB being owned by the CUNCBs. The monetary policy decisions are taken by the decision-making body of the CUCB, which also coordinates the implementation of the decisions, a primary responsibility of the CUNCBs. This model, referred to as a "decentralized" model, is the type observed in the euro area. Table A3.2 provides the main characteristics of different currency unions.

A3.15 In some instances, as described ahead, the specific guidance for reporting differs between the two models because of the differing institutional arrangements.

e. Definition of a domestic currency in a CU

A3.16 A domestic currency is defined in paragraph 3.95. The currency issued in a CU is the domestic currency of the CU. It should always be considered a domestic currency from the viewpoint of each member state, even though this currency can be issued by a nonresident institution (either another CUNCB or the CUCB). One consequence is that, in a CU, from a national perspective, holdings of domestic currency can be a claim on a nonresident.[5]

f. Application of core balance of payments concepts

Residence

Residence in a currency union

A3.17 The economic territory of a CU consists of the economic territory of the CU economies that comprise the CU, plus the CUCB. Any other regional organizations that comprise the same or a subset of the same economies are included in the CU. Within this territory, the same principles of residence apply as described in paragraphs 4.113–4.144.

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[5] In the case of a "dollarized economy," the banknotes and coins of legal tender should be considered foreign currency as stated in paragraph 3.96.

A3.18 So, being a resident of an economy of a CU necessarily implies being a resident of the CU, along with the CUCB. Other regional organizations that are within the CU territory are also resident, except those whose membership of economies is not the same as, nor a subset of, those in the CU. Such regional organizations should be regarded as nonresident of the CU.

Residence status of multiterritory enterprise located in a CU (or EcUn)

A3.19 Union-wide incorporation for multiterritory enterprises might create problems in determining the residence of units and the allocation of activities across member states in which the company has operations, and so present difficulties for national statistics. In some instances, the location of incorporation or registration may not be easily allocated to one specific economy, if the jurisdiction that allows the creation and regulates the entity is at the union level. However, the attribution of residence of multiterritory enterprises also arises in other circumstances, and so the treatment described in paragraphs 4.41–4.44 should be applied to multiterritory enterprises located in a CU (or EcUn).

Institutional sector allocation

A3.20 The institutional sector (and, where relevant, subsector) classification of regional organizations in the CU or EcUn balance of payments and IIP that are nonresident of member states but resident of the CU or EcUn should be decided on a case-by-case basis. However, in the CU external accounts, the CUCB should always be attributed to the central bank sector and, for example, a regional investment bank could be classified as a financial corporation.

Geographical allocation of stocks and flows

A3.21 The compilation of the balance of payments and IIP statement of a CU or EcUn has implications for the collection of data at the national level in that the issue of geographical allocation of stocks and flows, not essential for national data, becomes fundamental for the compilation of a CU balance of payments and IIP. Compiling the balance of payments and IIP of a CU from the simple aggregation of national data would not be appropriate.

A3.22 There are several reasons for this. The compilation of a CU balance of payments and IIP by the simple addition of gross national data would unduly inflate the gross flows and stocks of the CU because these would also include transactions and positions between CU members ("intra" transactions). The addition of only the net national transactions or positions of the CU members would solve this problem, but would provide only net aggregates, because only net balances could be shown, without separating out debits from credits in the current account and assets from liabilities in the financial account. In addition, it is very likely that, in practice, intra transactions would not cancel out entirely because of asymmetries in bilateral figures, which would result in erroneous aggregate data.

A3.23 Therefore, the compilation of the balance of payments and IIP of the CU is typically undertaken by aggregating the national contributions for compiling the transactions and positions of the CU with nonresidents of the CU, the so-called extra-CU data. Given the aggregation of data from different economies, it is essential that the CU member states consistently follow the internationally agreed standards for the classification of transactions and assets and liabilities, and provide adequate metadata describing their methodology.

A3.24 Data on intra-CU transactions and positions can also be essential. An example is with portfolio investment, where liabilities vis-à-vis nonresidents of the CU may need to be calculated as the difference between total national securities liabilities to nonresidents and the transactions and positions in these securities by residents in the other CU economies. The reason for this is that national balance of payments and IIP collection systems may not be able to identify whether nonresident purchasers and owners of domestic securities are resident of other economies of the CU, or not.[6] In such instances, asymmetries in intra data would affect the quality of balance of payments and IIP data of the CU.

[6]For securities, the issuer may not know the identity or residence of the creditor. Such information can be obtained only from the intermediary or the creditor. Because of the importance of this information, economies are increasingly developing reporting systems to capture data on a debtor-creditor basis, often through cooperative efforts, including the IMF's Coordinated Portfolio Investment Survey and Coordinated Direct Investment Survey.

A3.25 For direct investment, intra-CU transactions between a parent company and a branch or subsidiary located within different economies of the CU would be classified as domestic transactions of the CU. Given the different treatment of entities in a direct investment relationship in the external and domestic accounts, close cooperation among compilers may be required; for example, reinvested earnings among entities in different CU member states are recorded as cross-border transactions in national balance of payments, but are not recorded as transactions in CU national accounts.

Geographic allocation of transactions in goods (imports and exports)

A3.26 In balance of payments methodology, the change of ownership is the principle determining the coverage and time of recording of external transactions. The consequence of applying the change-of-ownership concept to merchandise trade is that goods exports will be allocated to the region of residence of the new owner and imports to the region of residence of the former owner. However, international standards for international merchandise trade statistics, as well as customs returns in most economies, are based instead on physical movements of goods across national or customs frontiers, and the recording of these movements does not necessarily coincide with changes in ownership.

A3.27 For the recording of goods in customs data, three concepts are usually used: the economy of origin, the economy of final destination, and the economy of consignment (see paragraph 4.150). The concepts of "economy of origin" (imports) and "economy of last destination" (exports) are generally acceptable approximations to the change of ownership principle. However, in the context of a CU or EcUn, where customs declarations are in many cases completed in a third economy (economy of consignment) that does not itself obtain ownership of the goods, double recording of "extra" trade flows is likely: first at the port of entry into the CU or EcUn, second at the economy of final destination. In these circumstances, a combination of the three concepts is necessary to arrive at a proper recording of both extra- and intra-union trade. Box A3.1 provides a numerical example.

Box A3.1. Recording of Trade Transactions in Currency and Economic Unions

To compile trade data, gross transactions of the member states with partner economies outside the CU or EcUn area are aggregated. This approach allows for a CU or EcUn's balance of payments statement to be compiled on a gross (credits and debits) basis. This is evidenced in the example below, where economy A is not a member of the union, and economies B and C are members of the union. Economy A (economy of origin) exports goods to economy C (economy of last known destination), and B is the economy of consignment.

1. Use of economy of origin and economy of last known destination:

	Partner economy attribution		
		Intra-union	
Reporting economy	*Extra-union* Economy A	Economy B	Economy C
Economy A records			export: 10
Economy B records	**import: 10**		**export: 10**
Economy C records	**import: 10**		
Union	import: 20		export: 10

In this example, the compilation of trade data for the union (economies B and C) leads to an overestimation of imports (double counting of imports from A) and also to an incorrect intra-union export recorded by B (because only a physical movement of goods without a change of ownership takes place between B and C which is not recorded as an import by C). However, if the union is without internal customs borders and the goods are cleared on the external border of the union and released into free circulation, then only the customs data of Economy B would record the transaction (imports from A but not exports to C). Subsequent dispatches and arrivals need to be collected through enterprise surveys.

2. Use of economy of consignment:

	Partner economy attribution		
		Intra-union	
Reporting economy	*Extra-union* Economy A	Economy B	Economy C
Economy A records		export: 10	
Economy B records	**import: 10**		**export: 10**
Economy C records		import: 10	
Union	import: 10	import: 10	export: 10

If, instead, the concept of economy of consignment is used, this results in an appropriate recording of extra-union trade, but not a proper recording of intra-union trade which is artificially inflated (due to the recording of physical movement of goods where no change of ownership takes place). In addition, in balance of payments of member states, the geographic allocation of flows is inaccurate.

3. Combination of the two methods:

In this case, economies record goods transactions of the economy of origin and the economy of last destination as imports/exports. Additionally, physical movement of goods between intermediary economies are recorded as arrivals/dispatches. Arrivals and dispatches can be disregarded when compiling the extra-union transactions of the union.

	Partner economy attribution		
		Intra-union	
Reporting economy	*Extra-union* Economy A	Economy B	Economy C
Economy A records		dispatch: 10	export: 10

Economy B records	**arrival: 10**		**dispatch:10**
Economy C records	**import: 10**	**arrival: 10**	
Union	import: 10		

Therefore, only a combination of the two methods will achieve a proper recording of trade flows.

A3.28 From a recording perspective, in CUs and EcUns that still have internal customs border, reliance on customs data, with economy of consignment data as supplementary, is feasible. In CUs and EcUns without national customs borders (the most likely situation), data on economy of origin, the economy of last known destination, and the economy of consignment are required from reporters.

Definition of reserve assets

A3.29 Reserve assets shown in the balance of payments and IIP of the CU should include only those assets that (a) represent claims on nonresidents of the CU and (b) meet the criteria described in Chapter 6. Also, the definition of the reserve assets at the CU level and at the member economy level should be the same; in other words, with respect to national data, reserve assets should include only those assets that qualify as reserve assets at the CU level.[7]

A3.30 Similarly, liabilities classified as reserve-related liabilities in the national data should include only those liabilities that qualify as reserve-related liabilities at the CU level.

2. Issues related to the operational aspects of a CU

A3.31 Issues arise from the operational aspects of the functioning of a CU that relate mostly to the attribution of transactions and positions among member states and the CUCB, and do not affect the CU balance of payments and IIP statements.

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[7]In the case of a dollarized economy, reserve assets shown in the balance of payments and IIP should meet the criteria described in Chapter 6, Functional Categories in External Accounts.

a. Treatment of national agencies and reserve assets in a centralized CU

A3.32 In a centralized CU, in each member state the monetary authority functions are deemed to be carried out by a national (resident) monetary authority. Typically, the CUCB maintains national offices in each member state.[8] This institutional unit, called "the national agency," acts as the central bank for that economy and must be treated for statistical purposes as an institutional unit that is separate from the headquarters of the CUCB.

A3.32-1 The national agencies of CUCBs have close links with the member states and perform the functions of monetary authorities as in any other economy with an independent central bank. Further, complete set of accounts including the balance sheet of these agencies are available for statistical purposes. The nature of the transactions conducted by national agencies are different from the usual transactions carried out by international organizations. Therefore, the above treatment permits an evenhanded treatment of member states of centralized CUs vis-à-vis economies with independent central banks (including in decentralized CUs), where transactions/positions of monetary authorities with resident units are always considered as domestic transactions/positions.

A3.32-2 In general, all regional organizations including regional development banks (e.g., the Development Bank of Central African States and the West African Development Bank, at the time of writing this *Manual*) are treated as nonresident of their member states and their transactions/positions with member states are treated as external transactions/positions.

A3.33 Transactions among resident units of the same member state settled through accounts at the CUCB are not to be recorded in the national balance of payments but attributed to the national agency as domestic transactions and positions.

[8] In rare occurrences where this is not the case, for statistical purposes a resident notional institutional unit is to be created to record the CUCB transactions and positions with the residents of the economy described in this section. This unit is identified for statistical purposes because the operations of that unit have a strong connection to the location of its operations in all ways other than incorporation.

A3.34 Transactions with nonresidents settled through the CUCB are to be recorded as transactions of the national agency in the national balance of payments according to the nature of the transaction, with the corresponding entry in the relevant financing item attributed by the CUCB, such as reserve assets (to illustrate this, see numerical example at the end of this annex). As changes in reserve assets of a CUCB in a centralized system for the most part reflect member states underlying external transactions, these transactions and positions in reserve assets should continue to be shown in the balance of payments and IIP of member states.

A3.35 Transactions of residents with the CUCB, where the CUCB is acting on its own account, should be recorded in the national balance of payments according to the nature of the transaction. The CUCB own account transactions are those that cannot be attributed to national agencies. In simple terms, for the most part, the balance sheet of CUCB could be seen as the sum of the balance sheets of the national agencies of CUCB. This implies that every transaction conducted by the CUCB is mostly recorded in the imputed balance sheet of the national agencies of the CUCB. Own account transactions of CUCB are considered to be those that do not relate to regular operations of the monetary authority of an economy. For example, debt securities issued by the CUCB and subscribed by residents of an economy of the CU are treated as own account transactions of the CUCB. They are recorded as portfolio investment in the national balance of payments.

A3.36 Transactions and positions of the CUCB with nonresidents of the CU, where the CUCB is acting on its own account, such as interest on the part of reserve assets that are not allocated to any member state or bonds issued by the CUCB and subscribed by nonresidents of the CU, should not be recorded in any national balance of payments of member states but are included in the balance of payments of the CU.

A3.37 Gross assets and liabilities of member states at the end of the period should reflect the position at the beginning of the period together with any transactions and other flows recorded during the period between residents and nonresidents (including the CUCB). Usually, the member states will have a net claim on the CUCB, which represents its share of the reserve assets of the

CUCB (i.e., imputed reserve assets of the member state).[9] However, if an economy has a net liability position, transactions in liabilities, other investment, loans, central bank, short-term (and in the memo item "reserve-related liabilities"), rather than reserve assets, should be recorded because the position has the nature of an overdraft. In compiling CU data, compilers will need to ensure that assets and liabilities of the CUCB are not double counted.

A3.37-1 The reserve assets of the member states of CEMAC, ECCU, and WAEMU are pooled. In CEMAC and WAEMU, the solidarity principle in place implies that all CU member states have full access to the CU pooled reserves, irrespective of their individual contributions, with no individual country allocations. Consequently, these CUs do not present reserve assets of individual member states in the balance of payments and IIP (as per the guidance in A3.37) and reserve assets are recorded only in the balance sheet of the CUCB. In this case, net claims on the CUCB could be recorded under other investment in the national balance of payments and IIP of CU member states.[10] This *Manual* recommends explaining this recording in the ESS metadata of the individual member states.

A3.37-2 In contrast, ECCU member states maintain a national share within the common pool of reserve assets. The imputed reserve assets of each member state are computed as the difference between its assets held with the ECCB and its liability to the ECCB, following the guidance in A3.37.

A3.39 Any assets held by the CUCB on behalf of member states, such as monetary gold,[11] reserve position at the IMF and SDRs, and more generally foreign assets that are assigned to member states in the accounts of the CUCB, are to be shown in the balance of payments and IIP of the member states. Any liabilities attributable to the economy, such as use of IMF credit, are to be shown in the balance of payments of the member state. The recording of SDR allocations/holdings in the balance of

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[9] This guidance is specific to foreign currency reserves (mainly securities and deposits) component of the reserve assets.

[10] Regarding the reserve position in the IMF, SDRs holdings, and cash holdings in foreign currencies, the data on these reserve assets are available by each national agency and should not be recorded under other investments given their reserve asset status.

[11] In WAEMU, monetary gold is not separately available by member states but included in the reserve assets of the union following the solidarity principle, at the time of writing this *Manual*.

payments/IIP of a member state of a decentralized (euro area) or centralized CU (CEMAC, ECCU, and WAEMU) is no different from that of any other country. SDR holdings and allocations are assets and liabilities of the member state that participates in the IMF's SDR Department (attributed to the national agency) and should be recorded in its BOP/IIP.

b. Treatment of national central banks and reserve assets in a decentralized CU

A3.40 The methodology recommended for a centralized CU is de facto applied in the decentralized system where, in each economy, monetary activities with residents of the CU are carried out by national central banks having their own assets and liabilities.

A3.41 Where reserve assets are held by the CUNCBs (i.e., the assets are actually recorded on their balance sheets), the institutional setting may in certain circumstances result in some restrictions on the effective control over these assets by the CUNCBs. That is, CUNCBs may be able to transact in some of the reserve assets only with the agreement of the CUCB, such as to ensure appropriate coordination of reserve activity among CUNCBs. Provided there has been no transfer of ownership to the CUCB and the foreign assets owned by the CUNCBs can be mobilized by the CU to meet balance of payments needs, that is, are reserve assets of the CU, the CUNCB of the member state should classify them as reserve assets in their national balance of payments and IIP, even though the CUNCB may not have complete control of their use because of operational constraint at the CU level.

c. Transactions and positions in banknotes

A3.42 For CU balance of payments and IIP statistics, transactions and positions in banknotes should be treated according to the same principles as for national data, with nonresident purchases recorded as an increase in external liabilities (credit) and the corresponding entry, such as travel, recorded as appropriate. From a national perspective, holdings of the CU banknotes issued by a CUNCB in another member state are external assets at the same time, even though the currency is classified as a domestic currency.

A3.43 If the issuer of the banknotes can be identified, such as in the Caribbean CU at the time of writing, the methodology described in paragraph A3.42 above can be applied in the national balance of payments and IIP data. However, when the issuer of the banknotes cannot be identified, such as presently in Europe where the banknotes are collectively issued by the system without any indication of the economy of origin, this methodology cannot be strictly applied among the CU members, and approximations in national data are needed.

d. Other intra–CU claims and liabilities

Subscription of the CUCB's capital

A3.44 Initial subscriptions to a CUCB's capital as well as any subsequent changes[12] are to be recorded in the balance of payments and IIP of member states as assets, other investment, other equity and equity in international organizations (see paragraph 6.62). All the member states and the CUCB of a CU must classify this transaction and position the same.

Initial transfer of reserve assets

A3.45 Claims arising from a transfer of reserve assets to the CUCB are to be classified as assets, other investment, under either other equity and equity in international organizations or currency and deposits, depending on the nature of the claim. If a CU member does not fully meet its obligations to transfer reserve assets to the CUCB, the CUCB reports a claim on the member state. Such claims on the member state should be classified in its balance of payments and IIP as liabilities, other investment, other accounts payable–other, central bank (or general government), short-term.

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[12] Such changes may be due to (i) a re-assessment of the share of each member state when new countries join or leave; (ii) a re-assessment after certain number of years (e.g., five years in the case of the ECB) to adjust for the change in economic/demographic weights of the country members; and (iii) increases in the paid-up contributions to support the activities of the CUCB.

Intra-CUNCBs and CUCB balances

A3.46 Transactions and positions corresponding to claims and liabilities among CUNCBs and the CUCB (including those arising from settlement and clearing arrangements) are to be recorded for the central bank under other investment, currency and deposits or loans (depending on the nature of the claim) in the balance of payments and IIP of member states. If changes in these intra-CU claims and liabilities do not arise from transactions, relevant entries are to be made under the other changes in financial assets and liabilities accounts of the integrated IIP statement. Remuneration of these claims and liabilities is to be recorded in the balance of payments of CU member states as income on a gross basis under investment income, other investment.

Allocation of seigniorage

A3.47 Seigniorage is income received by the central bank from the issuance of currency (i.e., *the difference between the return on interest-bearing assets commensurate to currency issued and* the cost of acquisition, distribution, and maintenance of the currency. Reallocations of income among member states and the CUCB where no underlying asset and liability positions are recognized are to be recorded as a current transfer.

Distribution of profits

A3.48 Distribution of profits of the CUCB should be classified as income on the financial asset to which member states' subscriptions are attributed.

C. Economic Unions

A3.49 For the purpose of macroeconomic coordination and cooperation, EcUns formulate specific data requirements including for balance of payments statistics, which help assess aspects such as the degree of integration of the EcUn internal market and share of trade with economies outside the EcUn.

A3.50 At the EcUn level, the current account, the capital account, and the direct investment account are relevant for monitoring economic performance of the EcUn. However, as different currencies continue to coexist, and the respective monetary authorities set their monetary policy objectives in terms of developments of monetary variables, interest rates, and exchange rates, the portfolio and other investment categories are less meaningful at the EcUn level. For instance, reserve assets of a union other than a CU are the sum of the total of the national reserves (without consolidation) and this total has no specific meaning at the union level.

1. Definitional issues

a. Definition of an EcUn

A3.51 For statistical purposes, an EcUn is a union to which two or more economies belong. EcUns are established by means of an intergovernmental legal agreement among sovereign countries or jurisdictions with the intention of fostering greater economic integration. In an EcUn some of the legal and economic characteristics associated with a national economic territory are shared among the different countries or jurisdictions. These elements include (a) the free movement of goods and services within the EcUn and a common tax regime for imports from non-EcUn economies (free trade zone); (b) the free movement of finance within the EcUn; and (c) the free movement of (individual and legal) persons within the EcUn.[13] Also in an EcUn, specific regional organizations are created to support the functioning of the EcUn under points (a) to (c). Some form of cooperation and coordination in fiscal and monetary policy usually exists within an EcUn.

[13] As noted in Chapter 4, an economy, and by extension, an economic union, can include physical or legal (special) zones to which, to some extent, separate laws are applied.

A3.51-1 This type of regional arrangement represents greater cooperation than in a customs union agreement (discussed below) because the members agree to harmonize a significant part of the conditions in which economic activity is undertaken over the whole union territory. The main example is the European Union (EU). The EU takes the form of common legislation in some areas, most notably in competition or product norms. Harmonization of taxes is also being envisaged in some areas. The aim of such unions is to unify markets by enlarging their size, improving efficiency, and developing specialization. EcUns usually achieve a large, if not total, freedom of circulation for goods, services, capital, and individuals by removing the obstacles to such movements.

b. Residence in an EcUn

A3.52 The economic territory of an EcUn consists of the economic territory of the member states or jurisdictions, and the regional institutions that comprise the same or a subset of the same economies and are set up to manage the functioning of the EcUn.

A3.53 So, being a resident of an economy of an EcUn necessarily implies being a resident of the EcUn, and regional organizations that are within the territory of the EcUn are also its residents. However, regional organizations whose membership of economies is not the same as, nor a subset of, those in the EcUn should be regarded as nonresident of the EcUn.

2. Recording issues

A3.54 Because the compilation of EcUn balance of payments statistics relies on national contributions, as with the data for CUs, it is essential that the EcUn member states consistently follow internationally agreed standards for the classification of transactions and assets and liabilities, and provide adequate metadata describing their methodology. The discussion in paragraphs A3.27–A3.28 on the geographic allocation of transactions in goods also applies to EcUns.

D. Customs Unions

A3.55 Regional integration can take the form of customs arrangements between several economies. In general, these customs arrangements, based on a common customs tariff vis-à-vis nonmember economies, do not raise specific balance of payments issues.[14] However, when customs unions generate cross-border flows, such as through a revenue-sharing formula, the recording of transactions and positions in the external accounts is affected by the institutional and administrative arrangements of the customs union.

A3.56 In customs unions such as the Southern African Customs Union (which comprises Botswana, Eswatini, Lesotho, Namibia, and South Africa), there may be a cooperative approach among members to levying, collecting, and distributing customs duties. How and when these functions are undertaken is important for determining the appropriate recording approach. One or all of these functions may be assigned to one economy specifically, to all the member states collectively, or to a designated international agency created by the members. Most important, economies in a customs union are encouraged to agree on common, appropriate, statistical recording for the benefit of regional consistency and comparability.

A3.57 The following paragraphs set out some of the possible types of arrangements.

1. A designated agency levies, collects, and distributes the proceeds from the duties

A3.58 In this scenario, the designated agency has the right to levy and collect the customs duties, and distribute the proceeds. If it is recognized as an institutional unit, in the external accounts the customs duties are classified as its own tax revenue (earned income), and recorded at the time the underlying economic event occurs that gives rise to the customs duties, along with an

[14] However, a specific compilation issue relating to the estimation of freight and insurance from the CIF value of imports may arise. Under a customs union, imports are recorded at CIF value at the first port of entry into the customs union, which may be different country from the country of destination. Given this difference, the freight and insurance estimates based on CIF at the first port of entry need to be adjusted further to include freight and insurance from the country of the first port of entry to the port of entry of the country of final destination.

increase in financial assets (such as cash received). The importing economy reports the accrual of taxes (given that in the balance of payments import taxes are payable by the importer) and a reduction in financial assets or increase in liabilities. If the payment of customs duties occurs after the underlying economic event, the designated agency records an accounts receivable claim (debit) on the importer in the importing economy, recorded in the financial account. The importing economy records an accounts payable liability (credit).

A3.59 If the designated agency is to distribute the revenue pool to member states on the basis of an underlying economic event (import of goods), it records a current transfer (debit) (member states record a current transfer (credit)) and accounts payable (credit) (member states, accounts receivable) at the time the underlying economic event occurs, the size of which depends on the nature of the revenue-sharing agreement. However, if the distributions are made on an agreed and negotiated formula, the current transfer should be recorded at the time the member state acquires an unconditional claim on the designated agency.[15] At the time of distribution, the designated agency extinguishes the accounts payable (member states extinguish the accounts receivable), with a corresponding entry of a reduction in foreign assets (member states record increase in foreign assets).

A3.60 The institutional unit could be an international agency in which all the transactions described in the previous paragraphs are between the international agency and the member states, or be a resident of one member state, in which case all the transactions described in the previous paragraphs are between that economy and all the other member states.

2. A designated agency levies duties but member states collect duties

[15] Sometimes, the revenue-sharing distributions are based on preliminary estimates and require final adjustments to the distributed revenue at a later stage. Such adjustments to the estimates of the distributed revenue should be recorded in the periods in which they are made. So if the revenue to be received by an economy is increased, a current transfer credit and accounts receivable debit (or cash if paid when the adjustment is made) for the amount of the increase is recorded in that period; if revenue to be received is reduced, a current transfer debit and a negative accounts receivable (or cash if repaid when the adjustment is made) are recorded in that period.

A3.61 In a variant, if member states act as collecting agents on behalf of the designated agency for the customs duties from importers in their own economy, the collecting member state records an accounts payable liability in the financial account (credit) to the designated agency, which records an accounts receivable claim as the customs duties accrue. The contra-entry will be reflected as an increase in taxes (earned income) payable by the importing economy and receivable by the designated agency. When the member state makes the payment to the designated agency, the member state will record a reduction in cash, with a contra-entry in the financial account to eliminate the accounts payable liability.

A3.62 If the member state collects customs revenue due from importers outside their own economy—that is, it collects customs duties from importers in other economies in the customs union—it records accounts payable to the designated agency as well as an increase in financial assets reflecting the cash received; the importing economy records taxes payable to the designated agency unit and a reduction in financial assets (increase in foreign liabilities) to the collecting economy, reflecting, say, the cash paid; and the designated agency records taxes (earned income) from the importing economy and account receivable from the collecting economy.

A3.63 Distributions of revenue by the designated agency are treated as described in paragraph A3.59.

3. Member states have collective rights to levy and collect the duties

A3.64 If member states have collective rights to levy the customs duties under the agreement, the revenue attributed to each member state is either in proportion to the respective underlying economic activity that gives rise to the customs duties, or not. Each member state records customs duties due on their imports on an accrual basis, regardless of how the revenue is to be shared or where the customs duties are collected.

A3.65 Should the customs agreement provide for any member state to receive a larger share of the customs pool than is evidenced by the underlying economic activities, a current transfer element exists between member states. The current transfer is recorded at the time unconditional claims are established, with a corresponding entry in accounts receivable/payable.

A3.66 It could be that the ports of entry for the customs union are situated in one or a small group of member states. If so, there could be a discrepancy between the revenue collected by a member state and that member's share of the customs pool. In these circumstances, an accounts receivable (importing economy) and accounts payable (collecting economy)[16] are recorded at the time that such a claim can be established, with the corresponding entry in a reduction in financial assets of the importing economy and an increase in financial assets for the economy that collects more customs revenue than that member's share of the customs pool. The discrepancies between the customs revenue collected by each of the customs union members and the total of each member's share of the customs pool share should sum to zero across the customs union, as the customs revenue collected by the customs union equals the revenue to be shared out among member states.

4. Member states have collective rights to levy the duty, but only one member collects the duties

A3.67 If one of the member states collects all the customs revenue, the recording is as described in the previous paragraphs. Only the collecting member state will record accounts payable, as all other member states will have claims on the collecting member state for their share of the customs revenue.

A3.68 In all the above circumstances, where there are economic arrangements involving a small group of economies, to avoid bilateral asymmetries, it is recommended that all the economies involved agree and follow the same recording procedures.

[16] Net recording of accounts payable or receivable might be appropriate when a member state both is to receive more (less) of the customs pool than is evidenced by the underlying economic activities, and collects more (less) of the revenue than its share of the revenue pool.

E. Other Regional Statements

A3.69 Similar statements can be compiled on a regional basis to show the CU's or EcUn's external transactions with, or position vis-à-vis, another selected group of economies or a particular economy. These are known in the *Manual* as data by partner economy and are covered in Annex 11 paragraphs 4.146–4.164.

1. Recording principles

a. General

A3.70 Concepts and recommendations noted in the chapters of the *Manual* for compilation of balance of payments and IIP statements also apply to regional statements, but specific references to residents of the relevant foreign economy or group of economies should be substituted for the general references to nonresidents or the rest of the world. This substitution should be made for all transactions and positions.

b. Current and capital accounts

A3.71 In the current account, as noted in previous paragraphs, trade in goods—reflecting the change of ownership principle associated with coverage of this item—generally would show exports allocated to the region of residence of the new owner and imports allocated to the region of residence of the former owner. For trade in services, allocation would be to the region where the provider or acquirer of the service is resident and, for income, the region on which the resident has the associated financial claim or liability. For transfers (current and capital), allocation would be to the region of the donor or recipient, as appropriate.

c. Financial account and IIP

A3.72 In the financial account and IIP data, consistent with paragraph A3.4, allocation should be on the basis of the debtor-creditor principle.[17]

2. Specific recording issues

a. Multilateral settlements

A3.73 Although a balance of payments statement vis-à-vis the rest of the world, whether for an economy or for a CU or EcUn, should in concept balance, any statement vis-à-vis a subset of nonresidents generally does not. For instance, a resident in the compiling economy may make payment to or accept payment from a nonresident (resident of economy A) in the form of a claim on another nonresident (resident of economy B). This situation occurs when a currency is used in external transactions by other economies for making settlements. The discrepancies resulting from the allocation of transactions in real resources to the region of the nonresident owner or transactor and changes in financial items to the region of the nonresident creditor or debtor, however, are explicitly recognized by presenting a regional statement compiled in that way. Thus, an entry is provided under the item *multilateral settlements* to restore an accounting balance by serving as an offset to the discrepancies in the regional statement. That item may be seen to represent, in concept, the settlement of an imbalance in the compiling economy's transactions with one region by a transfer to or from that region of claims on, or liabilities to, some other region or regions.

A3.74 The data needed to compile statistics on multilateral settlements, however, are seldom available. In practice, therefore, the item is usually derived as a residual; however, it can be calculated only in combination with the item for net errors and omissions, which is also a residual or balancing item. Inconsistencies or errors of this or any other kind in classifying entries regionally should not have any

[17] As noted above, information on the basis of the transactor principle can also be of analytical interest.

effect on a global statement, which represents the sum total of all regional statements, because multilateral settlements appearing in individual regional statements cancel each other when all regions are combined.

b. Selection of regions

A3.75 Guidelines on residence in Chapter 4 are applicable for determining the residence of the entity. A region would then comprise an economic territory or a group of economic territories, because the residence of any entity is attributed to a specific economic territory. For transactions and positions vis-à-vis CUs and EcUn, the territories are as defined above.

A3.76 Because most international organizations are not included in the economic territory of a economy or region and so are not considered resident in that economy, a separate region for international organizations would be appropriate for allocation purposes. The regional breakdown that will be relevant for a particular economy or group of economies depends primarily on how the statement is to be used. The *Manual* does not contain a standard list of economies or regions for which the reporting economy or group should compile separate statements.

Table A3.2 Main Characteristics of the Currency Unions

	Centralized Currency Unions			Decentralized Currency Union
	CEMAC	**ECCU**	**WAEMU**	**EMU**
Composition	Six Central African countries Cameroon, Central African Republic, Chad, Equatorial Guinea, Gabon, and the Republic of Congo.	Six Caribbean countries: Antigua and Barbuda, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines; and two territories: Anguilla and Montserrat.	Eight West African countries: Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.	20 European countries: Austria, Belgium, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.
Trade Integration	Customs union in place but full implementation has been delayed.	Customs union in place for most sectors of the economy, but tariffs are not fully harmonized.	Customs union established between 1996 and 2000 but issues remain.	EU common market.
Type of Currency Union	"Centralized", characterized by having only one regional central bank—no national central banks exist. The BEAC (the central bank of the CEMAC) is	"Centralized", characterized by having only one regional central bank—no national central banks exist. In the ECCU, the regional central bank (ECCB) is	"Centralized", characterized by having only one regional central bank—no national central banks exist. The BCEAO (the central bank of the WAEMU is	"De-centralized". In a decentralized currency union, central banks at national level coexist with the European Central Bank (ECB), which is headquartered in Germany. National

	headquartered in Cameroon, and each has national directorates in each member country. National branches are not autonomous and serve essentially as local quarters for the regional central bank. They help implement regional policies and provide analysis of local economic conditions to support regional policy-making.	headquartered in Saint Kitts but maintains agency offices in the other seven islands.	headquartered in Senegal, and each has national directorates in each member country. National branches are not autonomous and serve essentially as local quarters for the regional central bank. They help implement regional policies and provide analysis of local economic conditions to support regional policymaking.	central banks maintain their individual balance sheets and are integral part of the Eurosystem. The Eurosystem (ECB and NCBs) is governed by the decision-making bodies of the ECB.
Reserve Pooling	French Treasury acts as guarantor.	ECCB maintains a peg to the U.S. dollar through a quasi-currency board arrangement. ECCU members pool foreign exchange to a common reserve pool. ECCB must maintain their contribution to pooled official reserves at no less than 60	French Treasury acts as guarantor.	Reserves are partially transferred to the ECB; part remain on national central banks' books. Upon creation of the ECB, member national banks contributed to the ECB reserves [in relation to the ECB capital key]. Given the euro's status as a reserve currency and its fully floating

		percent of its demand liabilities.		nature, reserve coverage and/or reserve buildup are not considered explicit objectives.
Repatriation Requirements	Yes, there are repatriation requirements.	In the ECCU, these vary country by country.	Yes, there are repatriation requirements.	No repatriation requirements

Note: i) This table presents the characteristics at the time of writing the Manual; ii) For further details, see IMF Policy Paper "*Program Design in Currency Unions*", March 2018, at https://www.imf.org/en/Publications/Policy-Papers/Issues/2018/03/15/pp031618-program-design-in-currency-unions

Numerical Example: External Transactions and Positions in the National Data for a Member State of a Centralized Currency Union

Example	Description of the Transaction
1.	Opening statistical balance sheet of CUCB and the national agencies (
2.	Following (1), Economy A exports 100 of goods to Economy Y (not a member of the CU), which are paid in foreign exchange (U.S. dollars)—**extra union transaction of member Economy A**
3.	Following (1), Economy A exports 100 of goods to B (external transaction settled in domestic currency)—**intra-union transaction**
4.	Following (1), Economy A imports goods for 400 from Economy Y (not a member of the CU), which are paid in foreign exchange (U.S. dollars)— **extra union transaction of member Economy A**
5.	Following (1), CUCB lends 100 to a bank in Economy A (in the context of regular monetary authority function)—**funds channeled through NA of Economy A**
6.	Following (5), the bank in Economy A lends 100 to a bank of Economy B (which increases its deposits in 100)—**intra-union transaction**
7.	Following (1), the government of Economy A borrows 100 from IMF—**extra union transaction of member Economy A**
8.	Following (1), HQ of the CUCB borrows 300 from the government of Economy Y (not a member of the CU)—**CUCB own account transaction with nonresidents**
9.	Following (8), the CUCB lends 300 to the government of Economy B (in the context of regular monetary authority function)—**funds channeled through NA of Economy B**

10.	Following (9), the government of Economy B uses the funds for goods imports 300 from Economy Y (not a member of the CU), which are paid in foreign exchange (U.S. dollars)— **extra union transaction of member Economy B**

Example 1: Opening period (it is assumed that the CUCB has no assets and liabilities on "own account")

CUCB Balance Sheet			
Assets		Liabilities	
RA	500	Banknotes	1600
Claims on CU residents	1500	Deposits of CU banks	400
Total	2000	Total	2000

NA Balance Sheet—Economy A			
Assets		Liabilities	
Net claim on CUCB-RA	300	Banknotes	1000
Domestic assets (residents of A)	950	Bank deposits (residents of A)	250
Total	1250	Total	1250

NA Balance Sheet—Economy B			
Assets		Liabilities	
Net claim on CUCB-RA	200	Banknotes	600
Domestic assets (residents of B)	550	Bank deposits (residents of B)	150
Total	750	Total	750

Example 2: Following example 1, Economy A exports 100 of goods to Economy Y (not a member of the CU), which are paid in foreign exchange (U.S. dollars).

The exporter sells foreign currency (100) and the bank account at the exporter's resident commercial bank is credited (100). The commercial bank sells foreign currency to the CUCB (100) and the commercial bank's account at the CUCB is credited (from 250 to 350).

For statistical purposes, it will be assumed that the national agency in Economy A holds the account of the commercial bank, and that in turn the national agency acquires the foreign currency from the CUCB.

CUCB Balance Sheet			
Assets		Liabilities	
RA	600	Banknotes	1600
Claims on CU residents	1500	Deposits of CU banks	500
Total	2100	Total	2100

NA Balance Sheet—Economy A			
Assets		Liabilities	
Net claim on CUCB-RA	400	Banknotes	1000
Domestic assets (residents of A)	950	Bank deposits (residents of A)	350
Total	1350	Total	1350

NA Balance Sheet—Economy B			
Assets		Liabilities	

Net claim on CUCB-RA	200	Banknotes	600
Domestic assets (residents of B)	550	Bank deposits (residents of B)	150
Total	750	Total	750

Example 3: Following example 1, Economy A exports 100 of goods to B (external transaction settled in domestic currency).

The resident importer's bank in B settles in domestic currency with the exporter's bank through its accounts at the CUCB. Thus, B's commercial bank account at the CUCB is debited (from 150 to 50), while A's commercial bank account is credited (from 250 to 350).

Net claims of economy A on the CUCB increase (from 300 to 400) as a result of the crediting of the national agency's account and net claims of B decline (from 200 to 100) as a result of the debiting of the national agency's account. This recording applies only to member states of a CUCB where national shares within the common pool of reserve assets are maintained, in accordance with the guidance in A3.37 (see paragraph A.37-2).

For the member states of CUs that adhere to the solidarity principle (see paragraph A3.37-1), transactions in domestic currency discussed in this example could be classified under other investment in BOP/IIP.

CUCB Balance Sheet			
Assets		Liabilities	
RA	500	Banknotes	1600
Claims on CU residents	1500	Deposits of CU banks	400
Total	2000	Total	2000

NA Balance Sheet—Economy A			
Assets		Liabilities	

Net claim on CUCB-RA	400	Banknotes	1000
Domestic assets (residents of A)	950	Bank deposits (residents of A)	350
Total	1350	Total	1350

NA Balance Sheet—Economy B			
Assets		Liabilities	
Net claim on CUCB-RA	100	Banknotes	600
Domestic assets (residents of B)	550	Bank deposits (residents of B)	50
Total	650	Total	650

Example 4: Following example 1, Economy A imports goods for 400 from Economy Y (not a member of the CU), which are paid in foreign exchange (U.S. dollars).

The government of A buys the foreign currency with bank deposits (250) and the difference (150) is recorded as a loan. Thus, A's commercial bank account at the CUCB is debited (from 250 to 0); net claims of Economy A on the CUCB become negative (from 300 to -100).

CUCB Balance Sheet			
Assets		Liabilities	
RA	100	Banknotes	1600
Claims on CU residents	1650	Deposits of CU banks	150
Total	1750	Total	1750

NA Balance Sheet—Economy A			
Assets		Liabilities	
Net claim on CUCB-RA	-100	Banknotes	1000
Domestic assets (residents of A)	1100	Bank deposits (residents of A)	0
Total	1000	Total	1000

NA Balance Sheet—Economy B			
Assets		Liabilities	
Net claim on CUCB-RA	200	Banknotes	600
Domestic assets (residents of B)	550	Bank deposits (residents of B)	150
Total	750	Total	750

Example 5: Following example 1, CUCB lends 100 to a bank in Economy A (in the context of regular monetary authority function).

CUCB Balance Sheet			
Assets		Liabilities	
RA	500	Banknotes	1600
Claims on CU residents	1600	Deposits of CU banks	500
Total	2100	Total	2100

NA Balance Sheet—Economy A			
Assets		Liabilities	
Net claim on CUCB-RA	300	Banknotes	1000
Domestic assets (residents of A)	1050	Bank deposits (residents of A)	350
Total	1350	Total	1350

Example 6: Following example 5, the bank in Economy A lends 100 to a bank of Economy B (which increases its deposits in 100).

The bank of Economy A acquires an external asset (it is recorded in the balance sheet of the bank, which is not shown below), bank deposits of A decrease as well as the net claim on CU of the NA of the Economy A.

The bank of Economy B incurs in an external liability (it is recorded in the balance sheet of the bank, which is not shown below), bank deposits of B increase as well as the net claim on CU of the NA of the Economy B.

CUCB Balance Sheet			
Assets		Liabilities	
RA	500	Banknotes	1600
Claims on CU residents	1600	Deposits of CU banks	500
Total	2100	Total	2100

NA Balance Sheet—Economy A			
Assets		Liabilities	
Net claim on CUCB-RA	200	Banknotes	1000

Domestic assets (residents of A)	1050	Bank deposits (residents of A)	250
Total	1250	Total	1250

NA Balance Sheet—Economy B			
Assets		Liabilities	
Net claim on CUCB-RA	300	Banknotes	600
Domestic assets (residents of B)	550	Bank deposits (residents of B)	250
Total	850	Total	850

Example 7: Following example 1, the government of Economy A borrows 100 from IMF.

At inception, the government of Economy A incurs in an external liability of 100 (it is recorded in the balance sheet of the government as well as the matching deposit with the NA/CUCB, which is not shown below), bank deposits of residents of A increases as well as the net claim on CU of the NA of the Economy A. Total RA of the CU increase in 100.

CUCB Balance Sheet			
Assets		Liabilities	
RA	600	Banknotes	1600
Claims on CU residents	1500	Deposits of CU banks	500
Total	2100	Total	2100

NA Balance Sheet—Economy A			
Assets		Liabilities	
Net claim on CUCB-RA	400	Banknotes	1000

Domestic assets (residents of A)	950	Bank deposits (residents of A)	350
Total	1350	Total	1350

NA Balance Sheet—Economy B			
Assets		Liabilities	
Net claim on CUCB-RA	200	Banknotes	600
Domestic assets (residents of B)	550	Bank deposits (residents of B)	150
Total	750	Total	750

Alternatively, if the contractual debtor is the NA of Economy A:

NA Balance Sheet—Economy A			
Assets		Liabilities	
Net claim on CUCB-RA	400	Banknotes	1000
Domestic assets (residents of A)	950	Bank deposits (residents of A)	250
		IMF credit and loans	100
Total	1350	Total	1350

Example 8: Following example 1, HQ of the CUCB borrows 300 from the government of Economy Y (not a member of the CU)—own account transaction with nonresidents.

Reserve assets of the CU increase by 300 matched by an increase in liabilities to nonresidents. This will be recorded in balance sheet of CUCB, but not attributed to any of the NAs.

CUCB Balance Sheet			
Assets		Liabilities	

RA	800	Banknotes	1600
Claims on CU residents	1500	Deposits of CU banks	400
		Loans to nonresidents	300
Total	2300	Total	2300

NA Balance Sheet—Economy A			
Assets		Liabilities	
Net claim on CUCB-RA	300	Banknotes	1000
Domestic assets (residents of A)	950	Bank deposits (residents of A)	250
Total	1250	Total	1250

NA Balance Sheet—Economy B			
Assets		Liabilities	
Net claim on CUCB-RA	200	Banknotes	600
Domestic assets (residents of B)	550	Bank deposits (residents of B)	150
Total	750	Total	750

Example 9: Following example 8, the CUCB lends 300 to the government of Economy B (in the context of regular monetary authority function).

This lending will be seen as channeled through the NA of Economy B and recorded in its balance sheet for statistical purposes.

CUCB's claims on CU residents increase by 300 matched by an equal increase in deposits of CU banks (counterpart entries are recorded in the balance sheet of NA of Economy B.

CUCB Balance Sheet			
Assets		Liabilities	
RA	800	Banknotes	1600
Claims on CU residents	1800	Deposits of CU banks	700
		Loans to nonresidents	300
Total	2600	Total	2600

NA Balance Sheet—Economy A			
Assets		Liabilities	
Net claim on CUCB-RA	300	Banknotes	1000
Domestic assets (residents of A)	950	Bank deposits (residents of A)	250
Total	1250	Total	1250

NA Balance Sheet—Economy B			
Assets		Liabilities	
Net claim on CUCB-RA	200	Banknotes	600
Domestic assets (residents of B)	850	Bank deposits (residents of B)	450
Total	1050	Total	1050

Example 10: Following example 9, the government of Economy B uses the funds for goods imports 300 from Economy Y (not a member of the CU), which are paid in foreign exchange (U.S. dollars).

The government of B buys the foreign currency with bank deposits. Thus, B's commercial bank account at the CUCB is debited (from 450 to 150); net claims of Economy B on the CUCB become negative (from 200 to -100).

CUCB Balance Sheet			
Assets		Liabilities	
RA	500	Banknotes	1600
Claims on CU residents	1800	Deposits of CU banks	400
		Loans to nonresidents	300
Total	2300	Total	2300

NA Balance Sheet—Economy A			
Assets		Liabilities	
Net claim on CUCB-RA	300	Banknotes	1000
Domestic assets (residents of A)	950	Bank deposits (residents of A)	250
Total	1250	Total	1250

NA Balance Sheet—Economy B			
Assets		Liabilities	
Net claim on CUCB-RA	-100	Banknotes	600

Domestic assets (residents of B)	850	Bank deposits (residents of B)	150
Total	750	Total	750