



## Proposed Recommendations Document:

### 1.3 Treatment of centralized currency unions in macroeconomic statistics

#### Summary Details

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| <b>Links to Related Guidance/Discussion/Issue Notes and Latest Manuals:</b><br><a href="#">GN B.3 Treatment of Centralized Currency Unions in Macroeconomic Statistics</a><br><a href="#">Draft 2025 SNA</a> and <a href="#">Draft BPM7</a> <sup>1</sup>  |   |
| <b>Global Consultation(s):</b>  | BPM Consultation: <a href="#">August 2021</a>                       |
| <b>Discussions at the Advisory Expert Group on National Accounts (AEG) / Balance of Payments Committee (BOPCOM) Meeting(s):</b>   | BOPCOM: <a href="#">October 2021</a> , <a href="#">October 2019</a> |
| <b>Discussions at GFSAC Meeting(s):</b>   | To be determined  |
| <b>Summary of Proposed Recommendations:</b><br><br>No conceptual revision to the GFSM is proposed. However, it is proposed to clarify that national agencies of the union central bank (local offices) of centralized currency unions should be treated as residents of the economy where they are located. Further, transactions between a national agency and resident units of the same member economy, settled through accounts at the currency union central bank, will be recorded/imputed in the balance sheets of the national agency for statistical purposes and treated as transactions and positions between residents. |   |

#### Background and Issues

1. The *GFSM 2014* (para. 2.21) defines a currency union central bank as “an international financial organization that acts as a common central bank for a group of member countries.” Generically, it underscores that such an institution acts as “an institutional unit in its own right, owning assets and liabilities on own account, and is nonresident of any currency union member economy but resident in the currency union”. In the remainder of the description, it clarifies that “such a bank typically has the headquarters located in one country of the currency union and maintains national offices in each of the member countries to conduct some central bank functions. Each national office acts as the central bank

<sup>1</sup> Links are to the “white cover” versions of the *2025 SNA* and *BPM7*. While technically still considered draft only editorial amendments will be made between these versions and the final versions.

for that country and is treated as a resident institutional unit in that country. The headquarters, however, is an international organization.” Monetary and currency unions are further elaborated on in Appendix 5 of *GFSM 2014*, (paras. A5.32-A5.35)

2. Appendix 3 of *BPM 6* (paras. A3.5-A3.48) elaborates further on the treatment of currency unions in macroeconomic statistics. *BPM6* (paras. A3.13-A3.15) makes a distinction between two types of currency unions based on whether the currency unions central banks are centralized or decentralized. It presents the examples observed in Africa and the Caribbean as centralized models while the one adopted in the euro area as a decentralized model.

3. Within the decentralized model, in which monetary activities in each economy are deemed to be carried out by a national agency (resident monetary authority), the guidance is to recognize the central banks from each of the member countries as resident units and the currency union central bank headquarters as nonresident. In centralized models, the recommendation is to adopt a similar treatment considering each currency union national central bank as resident units and the currency union central bank (headquarters) as nonresident. *BPM 6* (para. A.3.39) explains that any assets held by the currency union central bank “on behalf of member economies, such as gold, reserve position at the IMF and SDRs” and “any liabilities attributable to the economy, such as use of IMF credit are to be shown in the balance of payments of the member economy.” Hence, the currency union national agencies or currency union national central banks, located in specific member countries, their assets and liabilities, as well as transactions with residents, are to be treated as domestic.

4. However, some users questioned the treatment of national agencies as residents on the grounds that the *BPM6* treats the international/regional organizations as resident in an economic territory of their own, and not of the economy in which they are physically located (*BPM6*, para. 4.139). It was argued that national agencies don’t enjoy the same level of autonomy as the national central banks in the decentralized currency unions. GN B.3 *Treatment of Centralized Currency Unions in Macroeconomic Statistics* recommends to maintain the existing *BPM6* guidance to treat the offices of the central bank (also understood as the national agencies) in each of the countries of the centralized currency union as residents of the economies of their location. Thus, transactions between the national agency and resident units of the same member economy settled through accounts at the currency union central bank are recorded/imputed in the operations and balance sheet of the national agency for statistical purposes and treated as transactions and positions between residents. However, this does not apply to the case when the union central bank acts on its own behalf, such as when issuing central bank notes.

### Proposed Recommendations

5. It is proposed that *GFSM 2014* be updated as follows:

- Update the definition and description of a currency union in *GFSM 2014* (para. 2.21), to make a distinction between centralized and decentralized currency unions and align with the description in *BPM7* (paras. 4.189-4.192) and *2025 SNA* (para. 5.244-5.247)
- Include in the definition of a central bank in *GFSM 2014* (para. 2.118) a reference to central bank national agencies of a centralized currency union to align with *BPM7* (para. 4.125) and *2025 SNA* (para. 5.147).

- Revise Appendix 5 of the *GFSM 2014* (paras. A5.32-A5.35) to align with the guidance on currency unions in *2025 SNA* and *BPM7*.

## Rationale for Proposed Recommendations

6. The proposed recommendations aim to harmonize the updated *GFSM* with the *2025 SNA* and *BPM7*, a key objective of the *GFSM 2014* update process.

## Proposed Text for *GFSM* Update

7. The main change will be to adjust the text in *GFSM 2014* to be in line with the revised guidance in the draft *BPM7* (Chapter 4) and draft *2025 SNA* (Chapter 5), concerning “residence, institutional units and sectors”. It provides the following new, expanded definition and description of currency union central banks.

### **Currency Unions and Currency Union Central Banks**

*2025 SNA para. 5.244 / BPM7 para. 4.189*      *A currency union 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.*

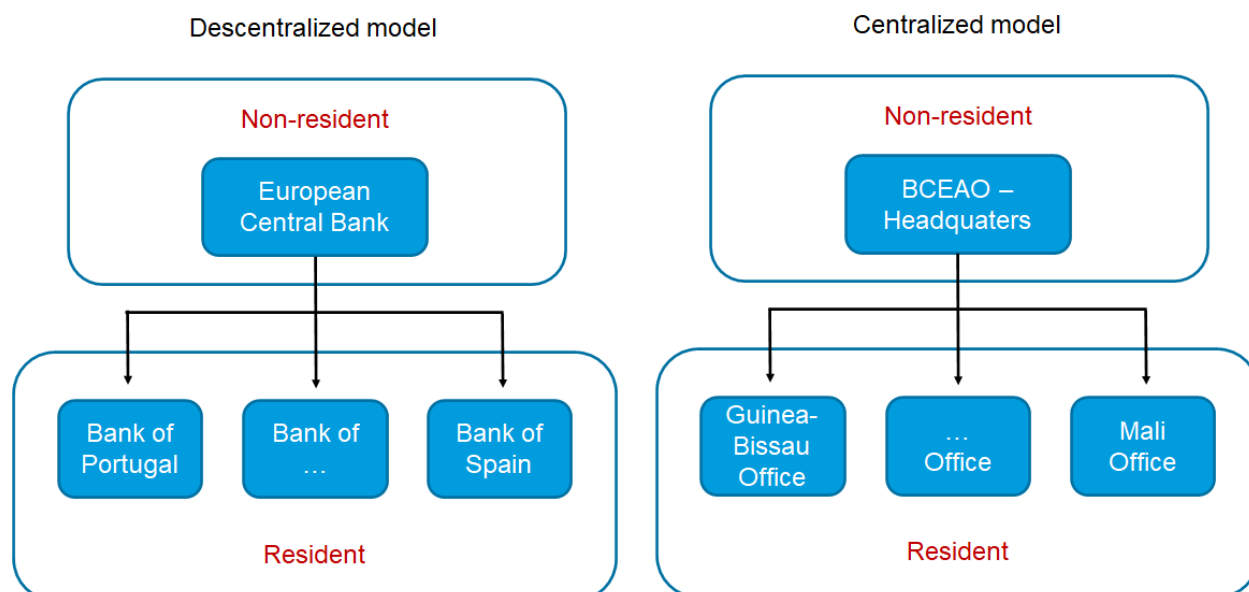
*2025 SNA para. 5.245 / BPM7 para. 4.190*      *A distinction can be made between centralized currency unions and decentralized currency unions. In the former model, the currency union has a CUCB owned by the governments of the member economies with the common currency issued by the CUCB and central bank operations in each economy carried out by branches or agencies of the CUCB. In the latter model, the currency union comprises a CUCB and currency union national central banks (CUNCBs) of the member economies 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.*

*2025 SNA para. 5.246 / BPM7 para. 4.191*      *The central bank of a currency union is treated as a special kind of international organization. The members of the international organization of which the central bank is part are the governments or the national central banks of the countries in the currency union. The central bank is treated as being non-resident in any of the member countries of the currency union but is resident in the currency area as a whole. More on the treatment of currency and economic unions can be found in appendix 3 of *BPM7*.*

*2025 SNA para. 5.247 / BPM7 para. 4.192*      *In relation to the treatment of centralized currency unions, national agencies including the notional resident units, are treated as residents of the economies of their location. Transactions between the national agency and resident units of the same member economy settled through accounts at the currency union central bank will thus be recorded/imputed in the balance sheets of the national agency for statistical purposes, and treated as transactions and positions between residents. This ensures that in each economy, monetary activities with residents of the currency union are carried out by national agencies (which resemble in its operations a national central bank) having their own assets and liabilities.*

## Annex: Illustration of Statistical Treatment of Currency Union Central Banks

The figure below illustrates the recommendation of treatment in a decentralized model, such as in the European Union, and in a centralized model, such as the one in the West African Economic and Monetary Union (WAEMU); in the latter, the corresponding regional central bank is the *Banque Centrale des États de l'Afrique de l'Ouest* (BCEAO).



**Note:** National agencies including the notional resident units, are treated as residents of the economies of their location.