



Proposed Recommendations Document:

1.35 Recording of Central Bank Swap Arrangements in Macroeconomic Statistics

Summary Details

Links to Related Guidance/Discussion/Issue Notes and Latest Manuals: BPM Clarification Note 5: Recording of Central Bank Swap Arrangements in Macroeconomic Statistics Draft 2025 SNA and Draft BPM7 ¹	
Global Consultation(s):	Not applicable
Discussions at the Advisory Expert Group on National Accounts (AEG) / Balance of Payments Committee (BOPCOM) Meeting(s):	BOPCOM: October 2017
Discussions at GFSAC Meeting(s):	To be determined
Summary of Proposed Recommendations: <p>The proposed recommendation is to update the <i>GFSM 2014</i> with the treatment of central bank swap arrangements as proposed by BOPCOM and incorporated into the draft <i>2025 SNA</i> and <i>BPM7</i>. Off-market central bank currency swap arrangements should be recorded as an exchange of deposits with maintenance of value. If the central bank conducts the swap transaction as a standard (market priced) currency swap, it is recommended that the swap be recorded as a standard currency/foreign exchange swap recorded as an exchange of currency and deposit assets with the simultaneous creation of a financial derivative, namely a forward contract.</p>	

Background and Issues

1. Given the increasing number of central bank currency swaps which are typically not a standard currency swap operations between market participants, the BOPCOM in 2017 clarified the treatment of central bank swap arrangements in macroeconomic statistics. The clarification note differentiates between off-market and standard (market priced) currency swaps and provided guidance that was incorporated into the draft *2025 SNA* (para. 12.52) and *BPM7* (paras 6.107-6.111). Off-market central

¹ 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.

bank currency swap arrangements should be recorded as an exchange of deposits with maintenance of value. If the central banks conduct the transaction as a standard (market priced) currency swap, it is recommended that the swap be recorded as a standard currency/foreign swap recorded as an exchange of currency and deposit assets with the simultaneous creation of a financial derivative, namely a forward contract.

2. Under the off-market central bank swap, each central bank acquires a foreign asset in foreign currency, and creates a foreign liability in domestic currency. Since the liability deposit account in domestic currency is fully indexed to a foreign currency (the currency of the partner economy), the liability in domestic currency should be treated as being denominated in that foreign currency. As a result, periodic revaluation adjustments to the liability should be carried out to reflect the total amount of domestic currency needed to buy the foreign currency to be delivered, including any interest payment.

3. Under the standard (market priced) currency swap, both central banks will have an asset in foreign currency and a liability in domestic currency for the exchanged deposits, and a financial derivative whose value (asset or liability) will fluctuate depending on the spot exchange rate, interest rates agreed for the use of funds, prevailing market interest rates, and time to maturity at the moment of valuation.

4. The *GFSM 2014* in paragraph 7.215 mentions but does not include any detailed description of central bank currency swap arrangements, only making a reference to the *BPM6*, paragraphs 6.102-6.104.

Proposed Recommendations

5. It is recommended that the *GFSM 2014* be updated to align with the draft *2025 SNA* and *BPM7*. The proposed recommendation is to:

- Briefly distinguish between off-market central bank swaps and standard (market-priced) currency swaps of central banks; and
- Describe the recording of the respective stocks and flows.

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. An updated version of *GFSM 2014* could refer to or explicitly include part of the descriptions in draft *2025 SNA* (para. 12.52) and *BPM7* (paras. 6.107-6.111).