

**Summary Conclusions**  
**First Meeting of the Currency Unions Technical Expert Group**  
**IMF Committee on Balance of Payments Statistics**

**June 28-30, 2004**

**Washington, D.C.**

The first meeting of the Currency Unions Technical Expert Group (CUTEG) was held during June 28 - 30, 2004 at IMF Headquarters in Washington, D.C. This report indicates issues/topics for which the CUTEG prepared outcome papers and summarizes the discussions/decisions on issues/topics for which the CUTEG did not prepare outcome papers at this stage. This report also summarizes decisions of CUTEG on administrative matters.

## **I. ISSUES/TOPICS OF THE FIRST MEETING**

### **A. Definitional Issues**

#### **Definition of currency union**

- See CUTEG outcome paper # 1.

#### **Architecture of a currency union**

- See CUTEG outcome paper # 3.

#### **Definition of domestic and foreign currency**

- See CUTEG outcome paper # 12.

#### **Distinction between Currency Union and Regional Statement**

- See CUTEG outcome paper # 4

### **B. Residence and sectorization**

#### **Special Purpose entities and holding companies, and residence of special purposes entities**

- The discussion was based on BOPTTEG issues papers # 9, #9a and #10. The group noted that reaching agreement on the complex issues of whether to recognize special purpose entities as institutional units and, if so, determining their sectorization is particularly important for the compilation of currency union (CU) BOP/IIP. Because the consolidation of financial flows and stocks in a currency union is performed within each reporting sector, and as it entails the contribution of data from each currency union member, consistent guidance is needed on whether or not the SPE should be looked through, and if it should be classified according to the main economic activity of the related production unit. In recognizing the institutional unit and/or defining its sectorization, if two different principles have to be followed—one for national balance of payments purposes and another for the compilation of the national contribution to the currency union balance of payments—an additional level of complication would be created in compiling CU bop data. This issue is not relevant for CU data only.

### **Multiterritory enterprises and criteria for identification of branches**

- The discussion was based on BOPTTEG issues papers # 5 and 6a. The group noted that the relevance in this discussion of the *European Company Status Legislation*. Although this legislation implies that a company established under any EU country's legislation is allowed (licensed) to operate and set up branches in any other EU country, the group noted that from a legal standpoint the company will have to be incorporated in one EU country, and pay taxes to it. However, the possibility that cross-european activity could be concentrated in company headquarters, located in a single country, with national agencies in other countries, raises the question of the recognition of branches as institutional units. This issue is discussed in Outcome paper 5. Also raised is the more complex issue of whether, in economic unions (and, even more, currency unions) the very notion of center of economic interest for multiterritory enterprises can be related to a single member country at all.

### **Institutional sector classification**

- The discussion was based on the BOPTTEG issue paper # 7. Of the minority of the group that spoke the preference was for the institutional sector classification based on the *1993 SNA* and the *MFSM 2000*, rearranged to be compatible with the *BPM5* classification. (Table 4.1b on the BOPTTEG issue paper #7)

### **Residence in a currency union and residence in a single economy**

- See CUTTEG outcome paper # 5

### **Residence and sectorization of regional institutions in overlapping regional currency and other economic arrangements**

- See CUTTEG outcome paper # 6.

### **C. Reserve assets and other allocation of flows**

#### **Definition and allocation of reserve assets in a currency union**

- See CUTTEG outcome paper # 10

#### **Allocation of financial flows**

- See CUTTEG outcome paper # 11

### **Issuance and migration of banknotes in a currency union**

- See CUTEg outcome paper # 13 and 14

### **Treatment of intra-currency union claims and liabilities, including currency union settlement and clearing arrangements**

- See CUTEg outcome paper # 15

## **II. ADMINISTRATIVE MATTERS**

- The group agreed on the updated list of issues for CUTEg, and the distribution of work in preparation for the next meeting of CUTEg.
- The group agreed that it will continue its work through electronic communication (including EDG).
- The Secretariat will circulate the draft outcome papers and summary of conclusions to members for comment within five days, to the Secretariat. After the outcome and summary of conclusions papers are finalized, they will be posted on the IMF's external website.
- The next meeting of the CUTEg will be held during December 14 – 16, 2004 at ECB Headquarters in Frankfurt am Main (Germany).