

CURRENCY UNION TECHNICAL EXPERT GROUP (CUTEG)

OUTCOME PAPER (CUTEG) # 10-1

JANUARY 24, 2005

(1) Topic: **Concepts of control and availability of reserves in a CU**

(2) Issues – see CUTEG Issues Paper #10 and Draft Follow-up Paper#10

(3) Recommendations:

1. CUTEG confirmed its provisional view that reserves assets shown in BOP/IIP of CU member countries should only include those assets that are classified as reserve assets at the CU level. However, one representative was concerned that the financing of intra-CU imbalances could still be relevant in the context of specific CUs and, therefore, some countries may consider that the holding of foreign currency assets in banks resident in other countries of the CU could be eligible for reserves even when these holdings are not considered as such at the CU level. The other members of CUTEG did not support this view. One representative considered that this issue relates to the definition and coverage of reserve assets – i.e. whether deposits or other assets in foreign currency held in resident banks (in a country or within a CU) should be considered eligible. CUTEG decided that a paper justifying the majority view be prepared to support further consultation before any final decision is taken.

2. The group agreed on adopting a broad definition of monetary authorities in a CU, including national monetary authorities.

3. The group agreed that the definition of reserve assets of a CU should be consistent with the one recommended in international methodology. Consistent with international methodology, borderline cases on the classification of reserve assets should be determined collectively between the CUCB and all national monetary authorities that are part of the CU decision making body.

4. The group agreed that the issue of effective control and availability on certain assets (for example, foreign assets of the monetary authorities in banks resident in the CU) should be decided in the wider discussion of methodology of reserve assets.

(4) Rejected Alternatives:

None.

(5) Actions

CUTEG members agreed that a paper be drafted justifying the view that reserves assets shown in BOP/IIP of CU member countries should only include those assets that are classified as reserve assets at the CU level.