

**CURRENCY UNION TECHNICAL EXPERT GROUP (CUTEG)**

**OUTCOME PAPER (CUTEG) # 13-14  
(July 23, 2004)**

**(1) Topic: Issuance and Migration of Banknotes in a Currency Union**

(2) Issues – see CUTEG Issues Paper #13-14

(3) Outcome of the discussion:

1. Given the definition of a domestic currency in a currency union (CU) adopted by the group in the discussion of Issue 12, from a national perspective the CU banknotes issued by another CU central bank (CUCB or CUNCB) are a domestic currency and an external asset at the same time. The group considered that from a methodological viewpoint this is clear. However, in the absence of data on currency in circulation in any member country, special problems can arise for national data in a currency union.

2. If the issuer of the banknote can be identified, as it is the case in the BCEAO, BEAC and the ECCB, in principle the methodology can be applied in the national data. Although in these currency unions one major practical problem is that these banknotes are sorted by country of origin (and therefore can possibly be recorded as external assets) only when they are withdrawn from circulation by the central bank.

3. When the issuer cannot be identified, such as in the Eurosystem, and in the absence of data on currency in circulation, approximations in national data are inevitable. Also, in the Eurosystem, the issuance and the migration of banknotes creates changes of intra-currency union claims and liabilities among member countries, as the amounts put into circulation by NCBs are not the same as the amounts NCBs legally issue. Some changes in intra-currency union claims and liabilities are due to balance of payments transactions (internal and external migration of banknotes), and others are not (issuance of banknotes to residents). On practical grounds, it is virtually impossible to make a distinction between these two sources of change and so the Eurosystem has decided that these changes should not be recorded in the balance of payments as they are as likely as not to create errors and omissions.

4. The group considered that these intra currency union claims and liabilities seem to be more of a technical nature than genuine claims and liabilities. Nonetheless, it was agreed to undertake a more thorough conceptual analysis of changes in intra-currency union claims and liabilities. IMF staff will examine the reliability of the conceptual guidance for the treatment of intra-currency union claims and liabilities on the assumption that all the information, including the currency in circulation in each member country, are available.

(4) Rejected Alternatives:

None.

(5) Actions before the next meeting of CUTEG

- Fund staff to examine the reliability of the conceptual guidance for banknotes and intra-currency union claims and liabilities on the assumption that all the information, including the currency in circulation in each member country, are available (Fund staff).