

CURRENCY UNION TECHNICAL EXPERT GROUP (CUTEG)

OUTCOME PAPER (CUTEG) # 3-1

JANUARY 24, 2005

(1) Topic: **Treatment of national agencies in a centralized CU**

(2) Issues – see CUTEG Issues Paper #3 and Draft Follow-up Paper 3

(3) Outcome of the discussion:

1. The group confirmed its provisional view that the CUCB of a centralized CU should be considered as an institutional unit in its own rights, with its own assets and liabilities. This decision is partly grounded on the papers provided by CUTEG members (BEAC, BCEAO, and ECCB) which give evidence that the current *BPM5* methodology is not fully applied in existing centralized CU and, consequently, the CUCB is already considered, at least in part, as an independent unit non-resident of member countries.

2. The group agreed in principle that the CUCB should be treated the same way in BOP/IIP regardless of the type of system, centralized or decentralized.

3. CUTEG was predisposed to the view that changes in reserve assets should continue to be shown in national statistics, based on underlying economic transactions as is currently the case.

4. Provisionally, CUTEG supported the creation, for statistical purpose, of a notional national agency of the CUCB resident in each member country. This way, transactions between the CUCB national agency and the residents in each country would not be recorded in the national b.o.p. This approach would not bring a fundamental change with current practice, as transactions of residents with the CUCB would not be recorded in the BOP/IIP of member countries. Such net changes in the position of a country vis à vis the CUCB would be strictly equivalent to the concept of “imputed reserves” used by some CUCBs. However, it was agreed that still more work and consultation remain necessary.

(4) Rejected Alternatives:

None.

(5) Actions

CUTEG to undertake further work and consultation on 3 and 4 above.