

## CURRENCY UNION TECHNICAL EXPERT GROUP (CUTEG)

### OUTCOME PAPER (CUTEG) # 3 (July 23, 2004)

(1) Topic: **Architecture of a Currency Union**

(2) Issues – see CUTEG Issues Paper #3

(3) Outcome of the discussion:

1. The discussion revealed that the current *BPM5* methodology is not fully applied in the existing currency unions, and that in some instances, the CUCB is regarded as having its own assets and liabilities. So even in the centralized model of currency union there is no complete pass through of the CUCB assets and liabilities. The group came to the provisional view that the CUCB should be treated in the balance of payments as an institutional unit, non-resident of member countries of the currency union (CU) but a resident of the CU. This provisional view would have implications for the appropriate treatment of national agencies in national data in the centralized currency unions; one possibility being to consider the national agencies as institutional units for statistical purpose.

3. The discussions also revealed the possibility that a currency union could have no CUCB, but rather a system of national central banks with an overseeing monetary authority that is responsible for setting the single monetary, and possibly exchange policies of the currency union. This possibility needs to be taken account of when drafting the draft chapter.

(4) Rejected Alternatives:

On a provisional basis, the group did not support a strict application of the *1993 SNA* and *BPM5* recommendations for the treatment of the regional central bank.

(5) Actions before the next meeting of CUTEG

- To assist the group in this task, the BCEAO, BEAC and ECCB to each provide a paper that describes the current BOP treatment of national agencies in national data in their respective currency unions, including the treatment of banknote issuance (Issue 13) and reserves (Issue 10).
- Examine the consequences, and investigate the various options for the appropriate treatment of national agencies in national data, if the CUCB is treated as an institutional unit in a centralized system (Fund staff and BCEAO, BEAC and ECCB).