

**12th Meeting of the Advisory Expert Group on National Accounts,
27-29 November 2018, Luxembourg**

Agenda item: 6.b.i

**Summary of outcome of AEG consultation the Recording of Central Bank Swap
Arrangements in Macroeconomic Statistics**

Recording of Central Bank Swap Arrangements in Macroeconomic Statistics – AEG consultation summary

1. Below is the summary of the response to the consultation among members of the Advisory Expert Group (AEG) on National Accounts on the issue of the Recording of Central Bank Swap Arrangements in Macroeconomic Statistics. The consultation paper was posted on 22 November 2017 and the deadline for the submission of comments was 22 December 2017. Six AEG members provided comments (the summary is based on these comments).

2. The paper proposed the following two options to record Central Bank swap arrangements:

Option A: Record off-market central bank currency swaps as an exchange of deposits with maintenance of value; and

Option B: Record standard (market priced) central bank currency swaps as an exchange of deposits with the simultaneous creation of a financial derivative, namely a forward contract.

3. The six AEG members who provided comments agreed with the options. The reasons provided include:

- Option B provides a fair reflection of the net value of the swap at each point in time. This treatment aligns with that of standard swaps and is better supported by accounting data.
- Option A is an acceptable alternative when the agreement is out of the market (agreed forward exchange rate very different from the market forward rate) and/or there are difficulties to properly value the embedded financial derivative
- If the swap is on-market the recommended recording is fully in line with the valuation and time of recording principles of the SNA. It is also in accordance with the market principles of interest rate parity.
- The solution for the off-market swap transactions also sets out to measure the various features of the transactions between the NCBs to ensure an adherence to these same valuation and time of recording principles in SNA.

4. One member noted that options A and B should be presented as equivalent options, the distinguishing criterion being whether the agreement is fully out of the market or not. He also noted that option A always delivers by construction a net value of zero, irrespective of the developments in spot rates and interest rates during the life of the agreement, and a net value of zero would not reflect economic reality for swaps of currencies with different interest rates. Also, to deliver zero net value, option A requires the recording of valuation adjustments (possibly exchange rate related) to liabilities denominated in domestic currency. This departs from established statistical standards. Another member asked whether a bespoke central bank swap, even when market priced, meets the criteria of a financial derivative such as whether it can be traded in financial markets in its own right.