

EUROPEAN CENTRAL BANK

OPINION OF THE EUROPEAN CENTRAL BANK

of 2 March 2001

at the request of the Council of the European Union concerning a proposal for a European Parliament and Council Regulation amending Council Regulation (EC) No 2223/96 on the reclassification of settlements under swap arrangements and under forward rate agreements

(CON/00/10)

(2001/C 103/05)

1. On 27 March 2001 the European Central Bank (ECB) received a request from the Council of the European Union for an opinion on Commission proposal COM(1999) 749 final of 10 January 2000 for a European Parliament and Council Regulation amending Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community ⁽¹⁾. This opinion is based both on the text of the Commission proposal and on the text of the draft Regulation annexed to the outcome of proceedings of the working group Ecofin statistics of 8 November 2000 (doc. 13583/00 Ecofin 343 dated 29 January 2001) (hereinafter referred to as the 'draft Regulation').
2. The ECB's competence to deliver an opinion is based on Article 105(4) of the Treaty establishing the European Community. In accordance with the first sentence of Article 17.5 of the Rules of Procedure of the ECB, this opinion has been adopted by the Governing Council of the ECB.
3. The objective of the draft Regulation is to bring the recording of settlements under swap arrangements and forward rate agreements in the European system of accounts 1995 (ESA 95) in line with international standards, as currently laid down in the system of national accounts 1993 ⁽²⁾ and the balance of payments fifth manual ⁽³⁾. The proposal would exclude such settlements from the compilation of interest and, consequently, of net lending/net borrowing, recording them as financial transactions. For the purposes of the excessive deficit procedure ⁽⁴⁾ (EDP), however, the current ESA 95 methodology would be retained and settlements under swaps and forward rate agreements would be treated as interest and be included in the compilation of government interest expenditure and therefore of government deficit (net lending/net borrowing).
4. The ECB welcomes this change in the ESA 95 methodology that would correct the asymmetric treatment of settlements under swap arrangements and forward rate agreements compared to the statistical treatment of other types of financial derivatives. This change would enhance the usefulness of ESA 95 statistics for macroeconomic analysis of the economy as a whole.
5. While the ECB prefers to lay down in legal acts only one definition for important statistical indicators such as government net lending/net borrowing and government interest expenditure, the ECB accepts two definitions for government net lending/net borrowing and interest given the necessity of reflecting the cost of government borrowing in the EDP figures and at the same time remaining consistent with international standards. The ECB considers however that it is important to monitor and to explain the differences in the data compiled and published according to each of the two definitions in order to provide transparency in the EDP.

⁽¹⁾ OJ L 310, 30.11.1996, p. 1.

⁽²⁾ Submitted for approval to the United Nations Statistical Commission in 1999 and officially approved in 2000.

⁽³⁾ Financial derivatives: a supplement to the fifth edition of the balance of payments manual, 2000. International Monetary Fund, Washington.

⁽⁴⁾ Treaty establishing the European Community and Council Regulation (EC) No 3605/93 of 22 November 1993 on the application of the protocol on the excessive deficit procedure annexed to the Treaty establishing the EC (OJ L 332, 31.12.1993, p. 7).

6. This opinion shall be published in the *Official Journal of the European Communities*.

Done at Frankfurt am Main on 2 March 2001.

The President of the ECB

Willem F. DUISENBERG
