

European system of national and regional accounts (ESA 95): reclassification of settlements under swaps arrangements and under forward rate agreements

2000/0019(COD) - 03/12/2001 - Final act

PURPOSE: To reclassify settlements under swaps arrangements and under forward rate agreements.

COMMUNITY MEASURE: Regulation 2558/2001/EC of the European Parliament and of the Council amending Council Regulation 2223/96/EC as regards the reclassification of settlements under swaps arrangements and under forward rate agreements. **CONTENT:** Council Regulation 2223/96/EC sets common standards and definitions for Member States to apply when preparing national accounts for the statistical requirements of the European Community. The purpose of this is to ensure comparable results between the EU Member States. The current accounting methodology relied on for the implementation of Regulation 2223/96 is "European System of Accounts" (ESA) 95. Under the original versions of ESA 95 swaps and forward rate agreements were deemed non-financial transactions, recorded in property income, under the item interest. In light of problems raised due to this classification new legislation has been enacted where by swaps and forward rate agreements will be classified under the item financial derivatives and included in ESA 95 under the title "Securities other than shares". In order to make the necessary changes, Annex A of Regulation 2223/96 has been amended. The most essential changes include the provision that: - No payment resulting from any kind of swap agreement is to be considered as interest and recorded under property income. All settlements are to be recorded in the financial account. - Transactions under forward rate agreements are not to be recorded as property income. Rather, they are to be recorded under the item financial derivatives. A new Annex (Annex V) has been introduced entitled "Definition of government deficit for the purpose of the excessive deficit procedure". This specifies that balancing items used for the definition of government deficit should take flows on interest exchanged under swap contracts and FRA's into account. **ENTRY INTO FORCE:** 28/12/01.