

**Q.1 After 1 January 1999, how should authorised institutions report positions originally denominated in the national currencies of the Euro-participating countries<sup>1</sup> in the Return of Interest Rate Risk?**

A.1 After 1 January 1999, positions originally denominated in the national currencies of the Euro-participating countries should be reported as positions in the Euro. Authorised institutions should report them on an aggregate basis under the new currency category "Euro (EUR)" provided in the revised STET/STEM templates. Assets and liabilities in these national currencies should be restated in the Euro at the conversion rates set in the relevant EU regulations and aggregated with other Euro assets and liabilities correspondingly. Long and short positions in off-balance sheet exposures of these national currencies should be aggregated similarly. Institutions should be aware that the 5% significance rule for reporting a currency will also apply to the Euro. As a result, an institution which has insignificant positions previously in individual national currencies will be required to report its Euro exposures if the aggregate position in the Euro exceeds 5% of its total on-balance-sheet assets in all currencies.

**Q.2 After 1 January 1999, how should authorised institutions report interest rate exposures originally denominated in the national currencies of the Euro-participating countries in the Return of Market Risk Exposures?**

A.2 The same principle shall apply here in that positions originally denominated in the national currencies of the Euro-participating countries should be restated in the Euro and reported under the new currency category "Euro (EUR)". Debt securities and interest rate derivatives in these national currencies and the Euro should be discounted by the appropriate yield curves (i.e. the yield curve of the underlying currency or the Euro yield curve, if it is available) to arrive at the present values of exposures. For example, a forward position in Deutschemark should be discounted either by the Deutschemark yield curve or the Euro yield curve. In addition, the existing offsetting rules as specified in the completion instructions of the Return will apply to all Euro positions. For example, a long position in a Deutschemark bond and a short position in a French franc bond can be offset against each other, and hence need not be reported in both Part I.1 and Part I.2 of the Return, if they are issued by the same issuer and have the same coupon and maturity.

<sup>1</sup> These countries are France, Germany, Italy, Spain, Belgium, the Netherlands, Luxembourg, Portugal, Austria, Finland and Ireland.