

## SNA Chapter 25

Chapter Title: Selected issues on financial  
instruments

Annotated Outline

# **Chapter 25 2025 SNA: Selected issues on financial instruments: Annotated Outline<sup>1</sup>**

(New SNA chapter)

## **I. Introduction**

- This new SNA chapter will include parts of what was covered in SNA08 Chapter 17 (Cross-cutting and other special issues). As such, it discusses additional details specific to certain instruments<sup>2</sup>. It does not require a major re-write, but the discussion and exposition of certain topics can likely be improved.
- One small, proposed change is to move the section on recording of flows associated with financial assets and liabilities to the end of the chapter.
- The following topics are covered in this chapter: Section II will discuss the treatment of standardized guarantees; Section III will deal with employee stock options; and Section IV will cover more details regarding the recording of flows associated with financial assets and liabilities.

## **II. The treatment of standardized guarantees**

- Starting point for this section is Part 3 of the 2008 SNA Chapter 17. There are no material conceptual issues to underline with respect to this section. It is proposed that the interpretability of the text can be improved by adding some examples.

## **III. Financial derivatives**

- This section will expand on the discussion of financial derivatives in 2025 SNA Chapters 12 and 14. It will cover different classifications for financial derivatives and add more details on these types of instruments, under both exchange-traded (EXT) and over the counter (OTC) derivatives. Examples will be included, as required.
- The functions and uses of derivatives in hedging, arbitration and speculation will be discussed. The broader risks that trading in certain types of derivatives under specific financial conditions (i.e., the last financial crisis) will also be discussed.

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<sup>1</sup> Prepared by Patrick O'Hagan and cleared by the SNA Project Manager and the SNA Lead Editor.

<sup>2</sup> AEG members are invited to suggest other financial instruments which may require a more detailed discussion in this chapter.

- Aspects of the accounting for financial derivatives will also be discussed, in support of compilation and as a background to Section VI.

#### **IV. Employee stock options (ESOs)**

- The starting point for this section is Part 6 of the 2008 SNA Chapter 17. This guidance has not really changed, except to note that by the new classification standards for derivatives the following applies: ESOs are equity instruments (market risk category), equity (instrument category) and not cleared by trading venue and clearing status (akin to over the counter (OTC) derivatives).
- The existing discussion in 2008 SNA Chapter 17 is quite dense and likely quite difficult to follow for all compilers, and it could be elaborated on in parts. It is proposed to expand and clarify the discussion using numerical examples and diagrams that illustrate the sequence of accounts entries under different situations (e.g., scenarios under grant, vesting and exercise dates).
- Another small change would be to distinguish more clearly between ESO's and other stock options.

#### **V. Loan provisions, write-offs, and allowances**

- This section will expand on the discussion of loans in 2025 SNA Chapters 12 to 14. It will explain the concept of provisions against loans booked in a specific period, including both general and specific provisions, and distinguish provisions from write-offs. The allowance account, which is deducted from the loan asset balances in the source data some countries, and which represents the accumulation of provisions plus other non-transaction adjustments, will also be discussed.
- Aspects of the accounting for provisions and allowances against loan assets will also be discussed, in support of compilation and as a background to Section VI. Examples will be included, as required.
- A more general discussion of provisions, in line with the recommendations put forward in Guidance Note WS.9 on the recording of provisions, will probably be provided in the 2025 SNA Chapter 14 on balance sheets. The text in this section will be closely aligned with the more general discussion of provisions, to avoid duplication of text to the extent possible.

#### **VI. The recording of flows associated with financial assets and liabilities**

- The starting point for this section is Part 4 of the 2008 SNA Chapter 17. The groundwork for this section could be better laid by including in the introduction a discussion of transactions versus other flows and linking these to the sequence of accounts. This could be followed by the objectives of the section.
- The table (or tables) *Indications of the flows associated with different financial instruments* could be expanded to include other transactions as well as other changes in the volume of assets while

not downplaying the entries in the production (implicit financial services), primary income, or revaluation account. This would imply corresponding adjustments in the text.

- In particular, the section on financial derivatives should be expanded to better account for the challenges in properly accounting for the flows.

### **Schematic Overview**

<b>I</b>	<b>Introduction</b>
<b>II</b>	<b>The treatment of standardized guarantees in the SNA</b>
<b>III</b>	<b>Financial derivatives</b>
<b>IV</b>	<b>Employee stock options</b>
<b>V</b>	<b>Loan provisions and allowances</b>
<b>VI</b>	<b>The recording of flows associated with financial assets and liabilities</b>

### **References**

Financial production, flows and stocks in the system of national accounts

GN F.14 Treatment of Factoring Transactions

GN F.7 Impact of FinTech on Macroeconomic statistics

GN F.6 Capturing Non-bank Financial Intermediations in the System of National Accounts and External Sector Statistics.

GN F.4 – Financial Derivatives by Type.

GN F.5 – Treatment of Credit Default Swaps.

GN F.1 – More Disaggregated Institutional Sector and Financial Instrument Breakdowns.

### **Key Stakeholders Consulted**

- SNA and BPM Editors
- IMF Statistics Department, Monetary and Financial Statistics