

**15<sup>th</sup> Meeting of the Advisory Expert Group on National Accounts,  
6-8 April 2021, Remote Meeting**

**Agenda item: 9.2**

**F.3 Reverse Transactions: Outcome of the Public Consultation**

*The public consultation showed strong support for the proposals in this guidance note (GN) to maintain the current methodological framework of reverse transactions (RTs); to introduce further clarifications in the updated BPM and SNA for recording short positions in the international investment position (IIP) and related entries in the income and financial accounts; to acknowledge that commodities can be used as collateral in RTs; and to discuss the usefulness of separately identifying RTs in the updated BPM and SNA to encourage those countries where these transactions are relevant to provide supplementary information.*

*However, a majority of respondents did not support the proposals to record manufactured dividends/interest as fees (thus as interest) in the income account, and to identify the partner economy and sector for manufactured dividends/interest by the economy and sector of the security borrower (the payer of the manufactured dividends/interest). Most respondents preferred recording payments of manufactured dividends/interest as negative credit in the income account for the security borrower, and identifying the counterpart economy and sector for manufactured dividends/interest by the economy and sector of the security issuer. In line with the majority views from public consultation and given similar views expressed by a few FITT members earlier, the GN co-authors revised these two recommendations accordingly.*

*This GN is presented to the AEG/ISWGNA for a final decision.*

1. Do you agree with the proposals to (i) maintain the methodological framework in BPM6 and 2008 SNA as described in Issue 1; (ii) introduce further clarifications for recording short positions in the IIP and the related entries (including income streams) in the income and financial accounts in the updated BPM and SNA (as described in Issue 2); (iii) record income for security lenders, borrowers, and on-sellers as described in Issue 3, including the recording of interest debits for the security borrower for manufactured interests or dividends; (iv) identify the partner economy and sector for “manufactured dividends and interest” as described in Issue 4; and (v) include commodities in the items used in RTs as described in Issue 5?

- (i) **Almost all respondents supported the proposal to maintain the methodological framework of RTs in BPM6 and 2008 SNA.**
- (ii) **All public comments supported the proposal to introduce further clarifications for recording short positions in the IIP and the related entries (including income streams) in the income and financial accounts in the updated BPM and SNA.**

- (iii) **The majority of respondents during public consultation did not support the proposal to record fees (thus interest) as credit/debit in the income account for manufactured dividends and interest.**
- Instead, the prevailing view was to record manufactured dividends and interest in the income account as negative credit for the security borrower (and positive credit for security lender) to be consistent with the negative asset positions recorded in the IIP for the security borrower who on-sold the borrowed security. Comments also indicated that this is the current prevalent practice. **In line with the majority views from public consultation and given similar views expressed by a few FITT members earlier, the GN co-authors revised this proposal in the GN to record negative credit in the income account for the security borrower and positive credit in the income account for the security lender.**
- (iv) **The majority of respondents during public consultation did not support the proposal to identify the partner economy and sector for manufactured dividends/interest by the economy and sector of the security borrower.**
- To be consistent with the proposal to record negative credit as described above, most respondents preferred to identify the partner economy and sector according to the economy and sector of the security issuer, not the security borrower. **In line with the majority views from public consultation and for consistency with the previous recommendation, the GN co-authors revised this proposal to identify the partner economy and sector for manufactured dividends/interest by the economy and sector of the issuer.**
- (v) **Almost all public consultation respondents supported the proposal to acknowledge that commodities can be used as collateral in RTs.**
2. *Do you agree with the proposal to discuss the usefulness of separate identification of RTs in the updated BPM and SNA without introducing a table as described in Issue 6? This proposal would be forwarded to the authors of F.1 who are looking at the overall classification of financial sectors and instruments.*

**The majority of respondents supported the proposal to discuss the usefulness of separately identifying RTs in the updated BPM and SNA without introducing a table.**