Report on the Outcome of the Global Consultation on the Draft 2025 SNA

Chapter 12: Financial account

37 comments were received from 14 respondents.

Question 1 – Have the agreed recommendations been reflected appropriately?

One substantive issue was raised.

Issue 12.1.1: Questions were raised about the recording of crypto lending.

Proposed response: This issue is still under investigation. Once agreed, the recommendation for treating crypto lending will be included in the 2025 SNA.

Two minor additional issues were raised which are considered relevant for inclusion:

- Paragraph 12.58: It is proposed to restrict the recording of e-money used for direct payments to third parties as transferable deposits, only when they are liabilities of deposit-taking institutions.
- Paragraph 12.137: In line with GN F.4, it is proposed to add commodity derivatives to the standard breakdown of derivatives.

Question 2 – Is the material in the chapter clear?

No substantive issues were raised.

Ten minor additional issue were raised which are considered relevant for inclusion:

- Paragraph 12.8: It is proposed to remove the sentence "Financial claims represent all financial instruments that give rise to an economic asset that has a counterpart liability, including shares and other equity in corporations", as it is a duplication of previous text. [Note: Already done.]
- Paragraph 12.9: It is proposed to change the one but last sentence "In all cases of transactions involving financial instruments, except those relating to an exchange of financial instruments, the first pair of entries appears in one or more of the non-financial accounts" into the following (changes highlighted by underlining): "In all cases of transactions involving financial instruments mentioned above, the first pair of entries appears in one or more of the non-financial accounts".
- Paragraph 12.23: In the first sentence, it is proposed to change "contingent liabilities" into "contingent assets and liabilities".
- Paragraph 12.34: In the second but last sentence, it is proposed to note that the change in value may represent interest, to avoid the impression that it always relates to interest.
- Paragraph 12.69: In line with the glossary, it is proposed to remove the reference to "money market instruments". [Note: Already done.]
- Paragraphs 12.70 and 12.77: It is proposed to include references to debt tokens, i.e., debt instruments such as corporate bonds but relying on cryptography.
- Paragraph 12.81: It is proposed to fully align the text of this paragraph to paragraph 5.52 of BPM7, as follows: "The supply and receipt of cash under a securities repurchase agreement is treated as a loan or deposit. Margin calls in cash under a repo are also classified as loans or deposits (see paragraph 12.136

on margins for financial derivatives). It is generally a loan, but it is classified as a deposit if it involves liabilities of a deposit-taking corporation or is included in national measures of broad money. If a securities repurchase agreement does not involve the supply of cash (i.e., there is an exchange of one security for another, or one party supplies a security without collateral), there is no loan or deposit."

- Paragraph 12.112: It is proposed to add a reference to "non-financial assets" more generally, and add a reference to the paragraphs 5.165 to 5.173 regarding the delineation of investment funds.
- Paragraph 12.124: At the end the paragraph, it is proposed to remove the reference to "(usually other investments)", as it concerns a functional category distinguished in FDI. [Note: Already done.]
- Paragraph 12.120: It is proposed to change the title to "Entitlements to non-pension social insurance benefits.

Question 3 – Are there any errors in the chapter, or inconsistencies within this chapter or with other chapters?

One substantive issues was raised.

<u>Issue 12.3.1</u>: In paragraph 12.65, it is stated that unallocated gold accounts should be classified as deposits on the liability side, while paragraph 12.45 says that they should be classified as monetary gold if held by the central bank (and also classified as reserve assets). According to one of the respondents, this is an obvious inconsistency. Moreover, the respondent states that, also as a result of this, the instrument classification of unallocated gold accounts as an asset depends on its functional classification, which should never be the case; the instrument and functional classification should be totally orthogonal. It is suggested to classify unallocated gold accounts always as deposits. They should also be classified as reserve assets if held by the central bank, but without affecting their instrument classification as deposits.

Proposed response (based on the feedback from BPM ET): An argument for treating unallocated gold accounts held by central banks as monetary gold is that they give title to claim delivery of gold and therefore would be similar to gold bullion in practice. Conversely, as mentioned in paragraph 6.79 of BPM7, accounts held by the central bank that are only linked to the price of gold are classified as deposits. While the point about linking instrument and functional classification is noted, it is also worth mentioning that gold bullion is only treated as a financial asset when held by central banks. In other words, there is a link between a valuable and the functional classification in that case, and it is not clear why it would be worse to link the instrument and the functional classification when it comes to unallocated gold accounts held by central banks. There is also concern about changing the current practice without having a deeper discussion about the issue. Therefore, it is preferred not to change anything at this stage, but instead consider putting the topic on the 2025 SNA Research Agenda if AEG and BOPCOM feel strongly about this.

Two minor additional issues were raised which are considered relevant for inclusion:

- Paragraph 12.116: It is proposed to change "claims payable" to "benefits payable".

- Paragraph 12.145: In order to provide more clarity and to arrive at a better alignment with BPM7, it is proposed to change the text of this paragraph into the following (main changes highlighted by underlining): "This item includes accounts receivable or payable, other than those described previously, that is the amounts are not related to the provision of goods and services. It covers amounts related to wages and salaries, dividends, rent, taxes and social contributions, purchases and sales of securities, securities lending fees and gold loan fees, that have accrued but not yet paid. It also includes prepayments of those items. Claims arising from cash collateral agreements (including repayable margins for financial derivatives) are also included if they are not recorded in deposits or loans. Interest accrued should be recorded with the financial asset or liability on which it accrues, not as other accounts receivable/payable. However, for securities lending and gold loan fees, which are treated as interest by convention (see paragraphs xxx), the corresponding entries are included under other accounts receivable/payable, rather than with the instrument to which they relate."

Question 4 – Are there any other concerns?

One more substantive issues was raised.

Issue 12.4.1: Breakdown of debt securities. The current breakdown of debt securities contains a distinction between short-term debt securities, long-term debt securities, and crypto assets that qualify as debt securities. However, the latter category may contain both short-term and long-term instruments.

Proposed response: It is proposed to include a breakdown into four categories, by adding a distinction between short-term and long-term instruments for the crypto asset that qualify as debt securities.

Eight minor additional issues were raised which are considered relevant for inclusion:

- Paragraph 12.34: It is proposed to add a reference to the relevant paragraphs in chapter 7.
- Paragraph 12.56: It is proposed to change the current text of the paragraph into the following (changes highlighted by underlining): "This category includes crypto assets with a corresponding liability designed to act as a general medium of exchange that are not issued or authorized by the central bank or government. They consist of, for example, stablecoins with a claim on the issuer. Such stablecoins aim to maintain a stable value relative to a specified asset such as a fiat currency or gold, or a specified basket of assets, usually by being backed (or, at least, advertised as backed) by the assets of the issuer. Similar assets designed as a medium of exchange within a platform are also classified as debt or equity securities. Another category of stablecoins (i.e., without a counterpart liability) concerns those that are backed by an algorithm. Such crypto assets without a corresponding liability designed to act as a medium of exchange are recorded as non-produced non-financial assets; see chapter 11".
- Paragraph 12.64 and 12.136: Regarding the recording of repayable margins in cash related to financial derivatives, see issue 14.3.1.

- Paragraph 12.65: It is proposed to change the sentence "An allocated gold account gives full outright ownership of the gold and is equivalent to a custody record of title. The unallocated gold account does not give the holder the title to physical gold but provides a claim against the account provider denominated in gold" to the following (changes highlighted by underlining): "An allocated gold account gives full outright ownership of the gold and is equivalent to a custody record of title. The unallocated gold account does not give the holder the title to physical gold but provides a claim against the <u>account operator to deliver gold</u>."
- Paragraph 12.70: It is proposed to add the following after the end of the first sentence: ", as they imply a financial claim on the issuer (or another third party) and are negotiable by definition".
- Paragraph 12.93: It is proposed to change "... with a novel technology for being created, ..." to "... relying on cryptography for being created, ..."
- Paragraph 12.105: It is proposed to change "Non-financial units" to "institutional units" more generally. [Note: Already done.]
- Paragraph 12.122: It is proposed to move the reference to derivative crypto assets to the end of the paragraph.
- General: It is proposed to add one or two paragraphs on the recording of novation and portfolio compression (see paragraph 26 of GN F.4), based on relevant text in Box A7.1 of BPM7 Annex 7.

Disagreement with agreed recommendations for the update of the 2008 SNA – provided for information only

There were no recommendations regarding which respondents disagreed.

Substantive concerns with 2008 SNA text unaffected by agreed recommendations – provided for information only

There were no substantial concerns regarding the 2008 SNA text unaffected by agreed recommendations.

Other points for reflection:

Some respondents made additional comments or suggestions which may need further reflection, as follows:

- Two respondents proposed to consistently add codes to transactions, other flows and stocks. In this respect, it should be noted that this is not in line with the 2008 SNA, and that it would involve a considerable amount of extra work.