

**GFSAC Meeting: May 13-15, 2025****Cover Page****1.8 Valuation of unlisted equity***Paper: GFSAC/2025/05/13B***For Endorsement****No discussion****Global Consultation Responses:**

Do you agree with the recommendations and their incorporation into the update of the GFS manual?	Count
Yes	33
No	0
Partially	3
No Comment	1
Total	37

Global Consultation Comments:

Respondents who “partially” agreed with the proposals supported harmonization with the 2025 SNA and BPM7, however, had concerns around the implications of negative equity as well as seeking more clarity on valuation. One respondent noted that flexible implementation should be allowed for countries based on feasibility of implementation. Select comments are provided below:

- “We support the harmonisation of SNA and GFS and the idea of valuing unlisted equities. However, there are elements of PR 1.8 proposals that seem contradictory. For example, it states that equity prices -- particularly market prices -- can be difficult to obtain. But it then goes on to include prices in the preferred valuation methods. The term “transaction prices” is ambiguous and “market capitalisation” implies that an equity can be directly priced, which is at odds with the paper itself. So if the preferred methods are to involve pricing equities there needs to be guidance on how to derive indicative prices. For example, dividing the number of a units shares by its book value (a very crude estimation method)? Does the decision tree provide such guidance? If numbers of shares and earnings are available, equity valuations can be made using earnings per share. Has this been considered?”



- *“Introducing negative valuations for non-listed shares could raise issues with valuation consistency, distort economic data, and create discrepancies between private and public sectors, given the differences in how losses are recognized.”*

Several respondents that supported the proposals highlighted implementation difficulties and sought further clarity on the valuation methods proposed. One respondent suggested there should be more explanation on counterparts' recording when equity is deemed negative, as well as requesting further clarity on the application of the 10% guidance in the context of public corporations.

Questions for GFSAC:

- Do you endorse the draft Notice of Decision?



GFS Notice of Decision

DRAFT

1.8 Valuation of unlisted equity

GFS Notice of Decision:

Text in the *GFSM 2014* will be updated to align with guidance in the [2025 SNA](#) and [BPM7](#) on the preferred methods for valuing unlisted equity namely: own funds at book value (OFBV); transactions prices; and market capitalization. The text will define and describe these methods, reference information from the [2025 SNA](#) (para. 14.82) and [BPM7](#) (para. 7.16), while also incorporating the decision tree explaining selection criteria (Figure 14.1 in the [2025 SNA](#)).

An additional paragraph will be included, briefly describing alternative methods of calculating net asset value, present value/price to earnings ratios, and apportioning global value for situations with inadequate data for the preferred methods, as per [2025 SNA](#) (para. 14.83).

The *GFSM 2014* will also be updated to adopt the guidance in the [2025 SNA](#) (para. 14.86-14.89) and [BPM7](#) (Box 7.1) on negative equity, removing the current footnote 47 in the *GFSM 2014* (para. 7.173) which states that negative equity should be zeroed out in cases of limited liability. Clarification will also be included to explain that negative equity positions in public corporations should not be zeroed out when government owns less than 10% of shares.¹

Furthermore, *GFSM 2014* (footnote 14 in Chapter 10 and footnote 11 in Annex 3 regarding provisions) will be amended to reflect the impact of the various provisions on the valuation of unlisted equities, serving as indicators of asset quality and value deterioration.

GFS Related Documents:

GFS Proposed Recommendations Document	GFSM PR 1.8
GFS Discussion Note	Not applicable
GFS Global Consultations	April 2025
Discussions at GFSAC Meeting(s)	To be added

SNA/BPM Related Documents:

¹ The PR did not explicitly reference this issue, but it was raised during the global consultation as a useful clarification in reference to *2025 SNA*, para. 14.88.



Guidance/Issue Note	SNA/BPM GN D.2
Global Consultation(s)	SNA/BPM Consultation: December 2021
Discussions at the AEG/BOPCOM² Meeting(s)	Joint AEG/BOPCOM: Feb 2024 ; Oct 2023 ; Oct 2021

² AEG = Advisory Expert Group on National Accounts, BOPCOM = Balance of Payments Committee