



Discussion Note: 2.8 Debt Valuation Issues

Summary Details

Task Team Responsible	Debt and Other Monetary and Financial Issues Task Team (TT2)
Authors of Discussion Note¹	Marc Wermuth, Mike Seiferling (sub-group: Tony Fong, Ingelia Puspita, Francesco Vercelli, Fernando Ferraz, Bassole Wilfried Gustave)
Summary of Issues and Draft Recommendations: <p>The existing guidance in the <i>GFSM 2014</i> on debt valuation is not always as clear as it could be, in particular with respect to more complex debt instruments and in terms of practical compilation guidance. This discussion note examines four specific issues related to debt valuation. Firstly, it considers different options for revised GFSM language on the definition of nominal value. The discussion note also looks at different approaches to the accrual of interest (related to debt securities) and to deriving the value of debt by remaining maturity (of all debt instruments), and considers options which might provide further clarity, and/or compilation guidance, on both these topics. Finally, the discussion note considers the current guidance on valuing asset-backed securities and whether this guidance might benefit from further expansion.</p> <p>The discussion note provides the following recommendations:</p> <ul style="list-style-type: none">• Align the updated GFSM definition of “nominal value” with that in the <i>2025 SNA</i> text and provide principles-based explanations of the relationship of nominal value and market value.• Maintain the theoretical discussion in <i>GFSM 2014</i> on accrued interest, but provide principles-based guidance on the different methods of calculating accrued interest available and to explain the differences.• Align the updated GFSM with the <i>2025 SNA</i> on guidance related to asset-backed securities.• Introduce clarifications in the updated GFSM for the definition of remaining/residual maturity to distinguish between short- and long-term debts.	

¹ The views expressed in this Discussion Note are those of the authors and/or Task Team and do not necessarily represent the views of the IMF.

Introduction

1. **The term ‘valuation’ appears 261 times in the *GFSM 2014*² and 142 times in the *PSDSG 2013*³.** The prevalence of this term reflects its importance in building macroeconomic statistics that best reflect economic reality. Since the drafting of *GFSM 2014*, public sector balance sheets have grown significantly with government and public corporations holding larger amounts of debt. The outstanding value of this debt may vary significantly depending on how it is valued.
2. **Differences in the values of outstanding debt with the same labelling⁴ can leave users confused and diminish trust in official statistics provided by the IMF.** Clear communication of the underlying methodological differences (coverage, valuation, etc.) in compiling public sector debt statistics is important for ensuring the correct interpretation of debt statistics.
3. **Variation in definitions may confuse readers and could benefit from clarification.** The challenges identified in the previous paragraph are amplified by differing language and methodologies ascribed to terms like ‘nominal value’. While the international macroeconomic statistical manuals (SNA, GFS, BPM, etc.) are conceptually aligned in defining nominal value as the amount owed by the debtor to the creditor, differences in wording and level of detail can result in differing interpretations in practice. Differing definitions for the same terminology creates confusion among compilers and users that should be clarified so that international manuals (SNA, GFS, BPM) have unified definitions which should be applied in the same way across all countries.
4. **There is a growing complexity of debt instrument characteristics that are not exhaustively covered in the *GFSM 2014*.** Modern debt instruments have become more varied and complex. For example, debt securities (asset-backed, index linked, deep discount, etc.) can have a wide variety of characteristics which will impact the way in which they are valued. Because of their evolving nature and complexity, not all of these are covered in detail in *GFSM 2014* leaving it to the compiler/user to apply principles and professional judgement. In practice, compilers often then use guidelines from other manuals that may use different methodological approaches and/or put emphasis on different relevant metrics to that of debt instruments.⁵ Therefore, it is important for GFS to find the right balance when tying together theory and practical/illustrative examples and linking the reader to further guidance for debt instruments not fully covered in the GFSM.
5. **A further source of confusion related to nominal value is that a focused, clear, exhaustive and motivated approach(es) to calculating accrued interest is not available in the *GFSM 2014*.** Different approaches exist for the calculation of accrued interest on debt securities which is not clearly covered in GFSM especially in the context of complex debt instruments mentioned in the previous paragraph.

² [Government Finance Statistics Manual 2014 \(GFSM 2014\)](#)

³ [Public Sector Debt Statistics Guide for Compilers and Users 2013 \(PSDSG 2013\)](#)

⁴ For example, see [Seiferling \(2020\)](#) for a comparison of debt statistics from three IMF databases, the [World Economic Outlook \(WEO\) database](#) (article IV reports), the [GFS database](#) and the [Public Sector Balance Sheet database](#).

⁵ In *GFSM 2014*, paragraph 7.143 only a handful of debt security types are mentioned (bills, bonds and debentures, loans which have become negotiable, preferred stocks/shares and asset-backed securities/collateralized debt obligations).

6. **The manual would benefit from greater conceptual clarity and consistency regarding valuation concepts.** Some statistical compilers use accounting source data, and it is often unclear whether explicit accounting measurement concepts, for example “at amortized cost” based on the effective interest method is in accordance with the concept of nominal value in GFSM or whether adjustments are necessary. Further confusion may arise because SNA also defines “amortized value” which differs from the valuation at amortized cost. Therefore, more clarity on what measurement components are part of the nominal valuation and which are not will enable the compilers to assess the need for adjustments to the source data. The GFSM would also benefit from further clarification and guidance relating to remaining (residual) maturity of debt instruments.

7. **A pure cash basis of recording creates political loopholes.** The *GFSM 2014* “recommends disseminating fully integrated flows and stock positions recorded on an accrual basis” (*GFSM 2014*, paragraph 1.27), as well as a Statement of Sources and Uses of Cash. Therefore, there are instructions throughout for recording specific transactions also on a cash basis that creates timing inconsistency (unpaid contracts may remain off a balance sheet for years during which time there could be a transfer of the executive) and lack of comprehensive coverage (for example in the case of accrued interest/arrears which are often found in low-income countries using cash-basis) which could be more clearly noted in the cash sections. For example, the *GFSM 2014* notes that “In the case of government borrowing, the cash basis of recording will report borrowing when funds are received by government, or when lenders pay government suppliers on behalf of government. Government lending should be recorded when the government makes payment, or when funds are provided to a borrower” (*GFSM 2014*, paragraph 3.105). The manual would benefit from explaining that cash accounting countries who possess information on financial commitments should be recording these (modified cash) and in practice, almost no countries are pure cash or pure accrual.

8. **The discussion of nominal value in this discussion note primarily relates to the valuation of stock positions of debt liabilities on the balance sheet.** However, the same conceptual framework also underpins the recording of transactions and other economic flows, as changes in nominal value over time arise from transactions (such as accrual of interest, repayment of principal), holding gains and losses, and other volume changes. Therefore, clarifying the valuation of positions also contributes to improved consistency in the recording of related flows

Issue A: Nominal Value of Debt Liabilities

Background to Issue

9. **Inconsistent use of terminology.** Although the reporting of debt at nominal value has long been a core component of GFS Manuals, there remains some confusion on exactly how to calculate nominal valuations. In part this is because the term nominal value is sometimes used differently outside macroeconomic statistics and may be defined differently in different parts of the world.

10. **While international statistical manuals share a common conceptual understanding of nominal value, they differ in how this concept is explained.** In the *2025 SNA*⁶ and *BPM7*⁷, nominal value is broadly defined as the “outstanding amount the debtor owes the creditor which is composed of

⁶ [2025 System of National Accounts](#) (2025 SNA)

⁷ [Balance of Payments Manual 7](#) (BPM7)

outstanding principal amount including any accrued interest”. *GFSM 2014* (paragraph 7.21) and *PSDSG 2013* (paragraph 2.120) both explain that the nominal value “reflects the value of the debt at creation plus any subsequent economic flows, such as transactions (e.g. accrual of interest or repayment of principal) plus exchange rate and other valuation changes other than market price changes”. The *PSDSG 2013* (paragraph 2.120) goes on to explain that nominal value “can be calculated by discounting future interest and principal payments at the existing contractual interest rate(s) on the instrument.” The draft *2025 SNA* (paragraph 4A.26) also slightly changed its previous wording which *GFSM 2014* and *PSDSG 2013* are based on to “subsequent economic flows, such as transactions, *holding gains and losses other than market price changes, and other volume changes*”. In other words, it removed the reference to exchange rate to incorporate any item of holding gains and losses except market price changes. Furthermore, it explicitly included other volume changes. While all the ingredients are there, the recipe could be clearer.

11. **GFS has limited concrete/practical examples.** Although the *PSDSG 2013* includes some examples in the Annex to Chapter 2 it is not always straightforward to apply this calculation to all debt instruments and some further guidance on how to calculate the nominal value for different debt instruments with different types of characteristics could be usefully provided. It may also be relevant to review the difference between the nominal value language in the *GFSM 2014* and *PSDSG 2013* with that in the new macroeconomic statistics glossary (see previous paragraph).

Options Identified to Address Issue

12. **Providing a clear and consistent definition of nominal value would be an improvement to the GFSM.** Task Team members felt that, given the prevalence of nominal value in the new SNA and uses for public sector entities (for example Debt Management Offices - DMOs) there should be a clear definition of nominal value consistent with other statistical manuals. For example, the definition in the glossary is very general (like in *2025 SNA*, paragraph 14.21) and is implicitly coherent with the one in the *GFSM* since the “outstanding amount the debtor owes to the creditor” also should include all valuation changes other than price changes (the latter are relevant only from the creditor perspective). This might be suggested from the *EDSG 2014*⁸ (paragraph 2.34): after the same “general” definition of nominal value, it continues with “So the nominal value reflects the value at creation plus any subsequent flows, such as transaction [...], valuation changes...”. Using “So” seems suggesting that including transactions, holding gains and losses other than market price changes, and other volume changes is a direct consequence of measuring the amount that the debtor owes to the creditor.

13. **Further conceptual guidance would be useful.** Some members felt that the slight differences in language used by different statistical manuals led to confusion for compilers. A clear practically useful definition and guidance was strongly encouraged to help compilers see these definitions be put into practice. This mostly concerns the elements which go into calculating nominal value (‘transactions’, ‘accrued interest’, ‘holding gains/losses other than market prices’, ‘repayment’, ‘economic flows’, ‘discounting future interest and principal payments’).

14. While the *GFSM 2014* does not recommend specific calculation methods for each type of debt instrument, nominal value may be derived using different approaches depending on instrument characteristics, data availability, and compilation systems. Any such method is acceptable for GFS

⁸ [External Debt Statistics Guide for Compilers and Users 2014](#) (*EDSG 2014*)

purposes provided it is fully consistent with the conceptual definition of nominal value. Detailed guidance is available in other statistical manuals and is not duplicated in the *GFSM 2014*.

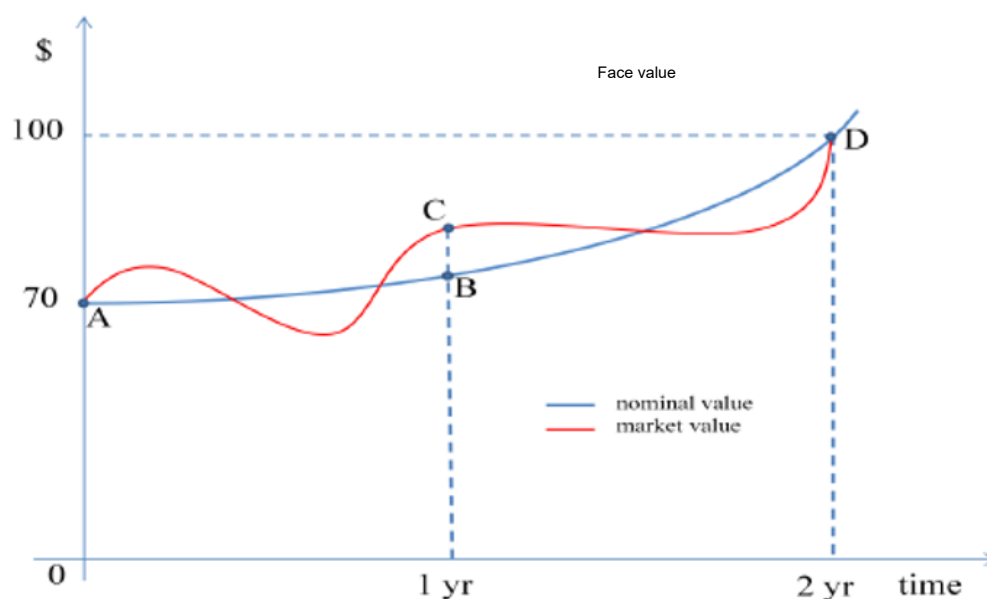
Option A1: Maintain the current guidance in *GFSM 2014*

15. This option would maintain the text: “Nominal value at any moment in time is the amount that the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows, such as transactions, exchange rate and other valuation changes other than market price changes, and other volume changes. For financial instruments other than debt securities, equity, and financial derivatives, the lack of generally available market values means that these values are estimated by using the nominal value.”

Option A2: Adopt modified *GFSM 2014* text

16. Adopt modified *GFSM 2014* text: “Nominal value is the amount that the debtor owes to the creditor at any given point in time. This means that nominal value is a reflection of the value of the financial instrument at creation plus any subsequent economic flows, such as transactions (e.g. accrual of interest or repayment of principal) plus exchange rate changes and/or other valuation changes other than market price changes. This is depicted in Figure 1 where nominal value reflects the amount the debtor owes the creditor at any point in time while the market value reflects the value at which that debt is being traded in secondary markets (incorporates market sentiment). Note that in some jurisdictions, nominal value may have alternative definitions so it is important to ensure definitional consistency when compiling international statistics based on GFSM. For financial instruments other than debt securities, equity, and financial derivatives, the lack of generally available market values means that these values are estimated by using the nominal value.”

Figure 1: Depiction of Valuation Methods



Option A3: Align modified *GFSM 2014* text with 2025 SNA definition

17. Align modified *GFSM 2014* text with the 2025 SNA: “Nominal value is the amount that the debtor owes to the creditor at any given point in time. Nominal value is calculated as the value of the financial instrument at creation plus any subsequent economic flows, such as transactions (acquisition/repayment and/or accrued interest), holding gains and losses other than market price changes, and other volume changes. This is depicted in Figure 1 where nominal value reflects the amount the debtor owes the creditor at any point in time while the market value reflects the value at which that debt is being traded in secondary markets (incorporates market sentiment). Note that in some jurisdictions, nominal value may have alternative definitions so it is important to ensure definitional consistency when compiling international statistics based on the *GFSM*. For financial instruments other than debt securities, equity and investment fund shares, and financial derivatives, (i.e., those that do not trade in secondary markets), market values is often estimated using the nominal value.”

Draft Recommendations

18. **The Task Team recommends Option A3.** Task Team members supported alignment with the amended SNA definition of nominal value and its elements and supported further principles-based explanations of the relationship of nominal value and market value.

19. **Depending on the option agreed the Task Team recommends the following activities:**

- Maintain consistency in the definition of nominal value with other statistical manuals (SNA, BPM, EDSDG, HSS⁹, PSDSDG¹⁰).
- Produce a supplementary note on the different uses of ‘nominal value’ and the context of uses (inside and outside macroeconomic statistics)
- Provide a clear definition along with an explanation of how nominal value is calculated and which components (e.g., discount/premium, accrued coupon interest, change in exchange rates, transaction costs) are included or excluded from the calculation of nominal value. Perhaps adopting a graphical depiction to illustrate which elements are included in nominal value, face value, and market value.

20. **At the October 2025 GFS Advisory Committee (GFSAC) meeting there was support for the Task Team’s recommendation of Option A3.** Members noted that this option would lead to more consistency and clarity.

Issue B: Interest Accrual on Debt Securities

Background to Issue

21. **There are a variety of legitimate and useful ways to calculate accrued interest on debt securities.** Approaches are well documented for simple issuances (for example, zero coupon discounted bonds, see *GFSM 2014*, paragraphs 6.62 – 6.71), but for debt securities with more varied characteristics such as coupon payments issued at premia/discount, there are different ways to calculate accrued

⁹ [Handbook on Securities Statistics 2015](#) (HSS 2015)

¹⁰ Some members felt that the PSDSDG definition could be clearer.

interest. For example, separating coupons and premia/discount using clean price as done in the *PSDSG 2013* (Annex to Chapter 2) or calculating an overall effective interest rate using dirty price as done in the *HSS 2015* (Annex 1). While deep discount bonds and index-linked bonds are discussed in *GFSM 2014* (paragraphs 6.72 – 6.83), there is not much practical guidance or contextualizing these metrics in a public policy framework. Both calculations can be useful/meaningful, but these are not discussed in *GFSM 2014*. Clarification of the different approaches and their interpretation/uses would allow compilers/users to better understand what metrics best fit their needs.

22. **There is a limit to the breadth and depth of bond characteristics covered in GFS.** In practice computing the value of outstanding debt requires methodological guidelines for calculating accrued interest on large volumes of different types of debt securities with differing characteristics. This is usually done using debt management software (DMFAS, CS Meridian, etc.) that has built-in formulas and algorithms, but the methodological foundations are not exhaustively covered in *GFSM 2014* or *PSDSG 2013*. There are other specialized manuals that dedicate attention to a wider variety of debt securities (for example, *HSS 2015*) but there is a question of how far the GFSM should go in providing clear methodological guidelines and examples that go beyond zero-coupon issued at discount (more exotic debt instruments require higher levels of mathematical difficulty). As a simple example, in *GFSM 2014* (paragraph 9.40) there is a discussion of debt securities issued at premium, but this is limited to definitions and general guidance.¹¹

23. **The GFSM would benefit from better practical clarity (or an accompanying guidebook for practitioners).** Practical interpretation of the different ways in which interest is calculated is not clear in *GFSM 2014*. For example, *GFSM 2014* (paragraph 6.65) discusses cash recording in the Statement of Sources and Uses of Cash where “interest payments are only recorded as an expense transaction when such cash flows occur” and “only principal repayment will reduce the debtor’s liability”. In *GFSM 2014* (paragraph 6.64) the accrual of interest is discussed but in a way that doesn’t parallel the cash discussion (no reference to the Statement of Operations) and the only reference to balance sheet implications here is “as interest accrues on a government bond, the value of the bond increases.” Moreover, for each of the components that go into the calculation of accrued interest for debt securities at nominal value, there are different metrics that are useful for policy purposes including effective (or implied) interest rate, the amount of accrued interest over time and the outstanding nominal value of debt at any point in time (compared with face or market value). Interpretations of these may also be useful here.

24. **Foreign currency impact on debt valuation.** Where debt is repayable in a foreign currency, this will impact the nominal value of debt (in national currency). Providing more clarity on how to measure the impact would be helpful to reinforce the definition of nominal value discussed above. This could include guidance on cross-currency swaps fixing the exchange rate.

¹¹ “For each reporting period, the holder of the debt security should record a transaction for the receipt of interest revenue arising from the difference between the issue and redemption prices and its reinvestment in an additional quantity of the debt security. The issuer of the debt security records the accrual of interest expense and an increase in its liability for debt securities. For debt securities issued at a premium, the difference between the issue price and the price at maturity should be amortized over the life of the instrument, reducing (rather than increasing) the amount of interest accruing in each period” (*GFSM 2014*, para 9.40).

Options Identified to Address Issue

25. **Clearer methodological guidance on approaches to computing accrued interest.** Task Team members noted that the calculation of accrued interest on debt securities can vary between statistical manuals (for example HSS, GFSM and PSDS). Moreover, there are different metrics that can be computed for different purposes (effective interest rates with/without coupons included). It would be useful to clarify different approaches and explain the differences
26. **Task Team members agreed that both methods (clean and dirty price) have merit,** depending on the availability of automated systems and the maturity and availability of accounting data on the effective interest calculation in the respective countries. There was a consensus that favored clarifying that different options are available to compute accrued interest along with an overview highlighting the principles of the calculation being aware that there is always a trade-off between simplicity/accessibility of examples and complexity of debt securities. While it was suggested that the GFSM could provide conceptual guidance for debt securities issued at premium and discount, members were hesitant to include a detailed example of how to calculate the different methods.
27. **Clarification of important metrics.** Task Team members noted that both methodologies (clean and dirty price) will give different results between issuance and maturity with the same value at maturity and recommended that further guidance be provided. The manual could also provide interpretations and uses of these metrics.
28. **Further guidance was encouraged by Task Team members for more complex debt securities.** This would include, but not be limited to, stripped securities, securities denominated in foreign currency with a cross-currency swap that fixes the exchange rate at redemption time.

Option B1: Maintain the current guidance in *GFSM 2014*

29. Maintain the theoretical discussion in *GFSM 2014* (paragraphs 6.62-6.83) that considers interest on a cash basis (paragraph 6.65), accrual of interest (paragraph 6.64), debt securities issued at discount or premium (paragraph 9.40), and index linked securities (paragraphs 9.41 – 9.42). However, propose more principles-based guidance be provided on the different methods of calculating accrued interest available and how they differ.

Option B2: Produce detailed guidance on accrued interest for all types of debt securities

30. Compile detailed guidance of all the different types and characteristics of debt securities that are issued by public sector entities. Based on this provide explanation on the different ways interest would accrue (issued at premium/discount, deep discount, index linked, stripped securities, securities repayable in a foreign currency, ABS, etc) and formulate that the discussion of accrued interest on debt securities will depend on the structure of the instrument. This additional guidance would complement the existing high-level methodological guidance already provided in *GFSM 2014*.

Option B3: Produce detailed guidance on accrued interest for all types of debt securities and include an new appendix on analytical guidance

31. Same as Option B2 but with an appendix or section that provides deeper analytical guidance for compilers and refers to other statistical manuals (HSS, PSDSG) so that compilers can practically compute accrued interest by following defined steps to arrive at estimates.

Draft Recommendations

32. **The Task Team recommends Option B1.** In the view of the majority of Task Team members, the GFSM would not be the adequate place to add specific examples, nor should it incorporate references to other guidance but rather stand on its own. A minority saw merit in providing at least some high-level examples which in their view better serves in the interest of compilers to adequately apply the guidance. In their view, a balance needs to be struck between being self-contained (all necessary guidance to apply is found within GFSM) and being non-exhaustive (not providing further guidance including examples of applying the principles in GFSM) as there is a need to provide the user/compiler with a reference to somewhere they can find more information.
33. **Depending on the Option agreed the Task Team recommends the following activities:**
- Highlight both methods (clean and dirty price) of calculating accrued interest (effective rate with coupon and discount/premium)
 - Clarify from a methodological view the different terms used in the manuals, such as simple interest method, compound interest method, effective interest method, separate method, linear method and group them together where appropriate.
 - Amend *GFSM 2014*, paragraph 6.73 to remove the current split of the face value and the premium between two different stock positions (debt securities for face value and other accounts payable for premium) which is not consistent with the calculation of an overall effective interest rate using dirty price, as described in the *HSS*.
 - Clarify the mechanics used to calculate the effective interest and its usefulness in policymaking.
34. **At the October 2025 GFSAC meeting there was support for the Task Team’s recommendation of Option B1.** Some GFSAC members saw value in the inclusion of some high-level examples while avoiding an exhaustive list of examples. This could potentially be achieved by slightly expanding Appendix 7 (GFS and Other Macroeconomic Statistics) and referring to external guidance to help compilers to better apply the principles in *GFSM 2014* which would be in line with the current practice (for example, *GFSM 2014* already refers to the *PSDSG 2013* in paragraph A7.98).

Issue C: Asset-Backed Securities

Background to Issue

35. **Asset-backed securities (ABS) are not well covered in the *GFSM 2014*.** ABS are defined in *GFSM 2014* (paragraph 7.151) as “arrangements under which payments of interest and principal are backed by payments on specified assets or income streams” with a brief overview of the securitization process in paragraphs A3.59-A3.66 that is broadly consistent with the *HSS 2015* (chapter 6). The *2025 SNA* defines securitization as involving “raising funds by selling a security backed by specific assets or income stream” (*2025 SNA*, paragraph 5.175). This is followed by an example of a mortgage lender selling a portfolio of loans to a securitization vehicle. The coverage in *GFSM* is largely focused on definitions and types of securitization with limited practical advice for how they should be valued and on what types of ABS are used by public sector entities (the examples mentioned in *GFSM 2014* of mortgages and credit card loans are limited replicates of *SNA* and may be less applicable to general government). The *HSS 2015* devotes more attention to explaining the securitization process and

statistical classification but lack illustrative examples and consideration of ABS's used in the government sector.¹² The data of collateralized transactions are not collected systematically by borrowing country DMOs and are sparsely available for IFIs¹³. *GFSM 2014* (paragraph A3.46) might be relevant as many ABS are not issued by government itself but by a restructuring agency in the form of a special purpose entity (SPE), or other type of public body.

36. **Estimating nominal value of asset backed securities.** The range of debt securities issued by governments continues to evolve with some linked to future income streams from government assets, the underlying market value of publicly owned assets, or even the quality of governance¹⁴. While some of these linked items will not qualify as an asset in the statistical system, even where recognized assets are involved, ABS are difficult to value as they are dependent on the value of underlying asset(s) which may not be easily observable and can change over time. Because of this, the issue of how to arrive at the most accurate nominal value of these asset-backed securities is not well covered in the *GFSM 2014* (or HSS).

37. **What can and cannot be securitized in *GFSM 2014* is not clear.** *GFSM 2014* defines securitization in paragraph A3.60 as “debt securities for which coupon or principal payments (or both) are backed by specific financial or nonfinancial assets or future revenue streams”. Paragraph A3.60 goes on to note that a “general government unit may issue debt securities backed by specific earmarked revenue.”, but in macroeconomic statistical systems, the ability to raise taxes or other government revenue is not recognized as a government asset that could be used for securitization. Nevertheless, the earmarking of future revenue, such as receipts from toll roads, to service debt securities issued by a general government (or public sector) unit may resemble securitization (see paragraphs A3.64¹⁵ and A3.66). The language here (and in paragraphs A3.64 and A3.66) is not clear enough in delineating between what kind of revenue streams can and cannot be securitized.

38. **The creation of securitization units (i.e., SPVs) should be divided into a separate paragraph and clarified.** The middle of *GFSM 2014* paragraph A3.64 states that “So, if “rights” to future government revenue are transferred to a securitization unit, the amount received from the securitization unit by the public sector unit, arising from the proceeds of the debt securities issue, is treated as borrowing, usually in the form of a loan.” There is insufficient prefacing of this sentence (the “so” is not really a so). Given the prevalence of securitization units, it would be useful to clarify the resulting relationship between the unit (i.e., SPV) and the government when ownership of the underlying assets is transferred. This is stated in *GFSM 2014*, paragraph A3.64 (recorded as a loan) but should be a paragraph on its own with clearer prefacing.

¹² A good example of clearer guidance with consideration of the public sector and practical examples can be found [here](#) (UK National Audit Office) and a short overview of valuing ABS can be found [here](#) (RBA).

¹³ IMF and World Bank, 2023: [Collateralized Transactions: Recent Developments and Policy Considerations](#).

¹⁴ Sri Lanka recently issued governance linked bonds (GLB) in their debt restructuring where the ‘underlying asset’ is the quality of government as defined by a set of KPIs.

¹⁵ For example, *GFSM 2014*, paragraph A3.64 begins with “No asset securitization involves securitization of future revenue streams. As mentioned in paragraph A3.60, the ability to raise taxes or other government revenue is not recognized as a government asset that could be used for true-sale securitization.” But some future revenue streams can be securitized as noted in paragraph A3.60.

39. **Better practical guidance is needed on the recording and valuation of ABS.** Additional guidance is needed on how to approach the valuation of these instruments in those scenarios where there may be uncertainty regarding the value of the underlying assets and the discounted future income streams from those assets. If more detailed guidance is beyond the scope of the updated GFS, it would be useful to provide users/compilers with a reference point to obtain further guidance. It would furthermore be useful to discuss ABS specifically in the context of the government sector.

Options Identified to Address Issue

40. **Overly theoretical guidance.** Some Task Team members felt that current guidance was overly theoretical, not easy to understand and there was little practical guidance. For GFS purposes, it would be useful to refer more to the context of the public sector. In particular, the increased focus in terms of sovereign debt restructuring. An example of this can be found in the UK National Audit Office (NAO) [Introduction to Asset Backed Securities](#).

Figure 1

Types of securities

Security name	Description
Residential mortgage-backed security (RMBS)	Backed by mortgages for the purchase of residential real estate. Includes 'prime' mortgages, where borrowers have strong credit histories, 'buy to let' mortgages, or 'non-conforming' mortgages.
Commercial mortgage-backed security (CMBS)	Backed by mortgages for the purchase of commercial property.
Consumer asset-backed security (Consumer ABS)	Backed by personal financial assets such as auto loans, credit cards, student loans and other consumer loans.
Corporate asset-backed security (Corporate ABS)	Backed by the cash flows from receivables such as leases on aircraft or other corporate equipment, small and medium enterprise (SME) loans, trade receivables. Also includes 'whole business' securities (WBS) based on the cash flows of an entire business unit, such as franchise or brand royalties.
Collateralised debt obligation (CDO)	Backed by a mixture of loans/receivables and/or asset-backed securities. Also includes 'collateralised loan obligations' (CLO) backed by loans, often to medium-sized corporates.

Source: National Audit Office

Figure 2

Government-owned assets that could be securitised

Category	Description
Residential mortgages	UK Asset Resolution Limited (UKAR) holds £42.3 billion of assets as of May 2016. These are predominantly owner-occupier and buy-to-let type mortgages. UKAR has been actively reducing the assets on its balance sheet since 2014, for example: <ul style="list-style-type: none"> the recent £13.3 billion sale of former Northern Rock assets which included securitised loans; and a £2.7 billion sale of loans in 2014 which did not include a securitisation. The new owner subsequently used these loans in two securitisations.
Consumer loans	The Department for Business, Energy & Industrial Strategy owns £56.9 billion of Higher and Further Education loans as of March 2016 (carrying value).
Corporate loans	The British Business Bank supports £2.3 billion of finance to more than 40,000 smaller businesses and a further £2.9 billion of finance for small mid-cap businesses. ¹

Note

¹ British Business Bank annual report 2015. Not all of these assets may qualify for securitisations.

Source: National Audit Office

Source: UK National Audit Office

41. **More practical guidance for government sector ABSs would be useful.** With increasingly complex (and volatile) underlying assets backing ABS, some members felt it would be beneficial to provide additional guidance on the classification (instrument type) and valuation (market vs. fair value) of these instruments. It may be useful to tie this to the valuation of index-linked securities whose value is also dependent on an underlying indicator. Note that the discussion on index-linked securities (*GFSM 2014*, paragraph 9.41) could also be improved/clarified especially as these are becoming more prevalent and exotic in the government sector (including [governance linked bonds](#)). The above-mentioned UK NAO Introduction to ABS provides some helpful guidance with better clarity than *GFSM 2014*.

42. **Further guidance on recording holding gains/losses associated with ABS would be useful.** Due to their (potentially) volatile nature, some members felt it would also be beneficial to provide input on compiling data for other economic flows for ABS. In this context, it would be useful to discuss the difference between market and nominal value of ABS and may link these in with securities repurchase agreement (*GFSM 2014*, paragraph 7.159)

43. **Further information on the type and variety of public-sector ABS would be useful.** Some Task Team members, however, cautioned against adding practical guidance beyond the methodological

paragraphs in the *GFSM 2014*. They pointed out that there is a big variety of public-sector related ABS which cannot be all covered in the manual. In addition, ABS with new characteristics emerge on a regular basis so it would be difficult to keep up to date. Other members pointed out that there is a need to provide sufficient guidance or reference for the users/compilers within the *GFSM*.

Option C1: Align the updated GFSM with the 2025 SNA

45. Not significantly expand the current guidance in *GFSM 2014* but align it with the *2025 SNA*. Particularly, *2025 SNA* (paragraph 12.73) which states: “Asset-backed securities are backed by various types of financial assets, for example, mortgages and credit card loans, non-financial assets, or by future income streams (such as the earnings of a musician or a government’s future revenue) that are not recognized in themselves as an economic asset in macroeconomic statistics.” This paragraph will particularly have to be assessed against the current wording in *GFSM 2014* (paragraph 7.151) which explicitly states that “debt securities backed by specific streams of earmarked revenue...is not an asset-backed security, as in macroeconomical statistical systems, the ability to raise taxes...is not recognized as a government asset”.

Option C2: Align the updated GFSM with the 2025 SNA and compile a list of ABS issued by public sector entities

46. Align the guidance with *2025 SNA* in accordance with Option C1 and, similarly to option B2, additionally attempt to compile a list of all the different types of ABS that are commonly issued by public sector entities and elaborate detailed guidance of how to value them. This could include the theoretical guidance from *GFSM 2014* and *2025 SNA* but would also include links to more practical interpretations, for example the UK NAO’s “Introduction to Asset Backed Securities”.

Option C3: Align the updated GFSM with the 2025 SNA and compile a list of ABS issued by public sector entities, with examples

47. Same as Option C2 but with practical examples and a list of types of assets securitized in the public sector included within the *GFSM* rather than linking to other sources for guidance.

Draft Recommendations

48. **The Task Team recommends Option C1.** In the view of Task Team members, the *GFSM* would not be the adequate place to add specific examples, nor should it incorporate references to other guidance. However, they agreed that further research should be undertaken to analyze the most common ABS in the public sector in order to assess whether new characteristics warrant the amendment of the current methodological guidance.

49. **Depending on the Option agreed the Task Team recommends the following activities:**

- Consider reviewing ABS examples relevant to the government sector to assess possible additional characteristics to take into account when updating the existing methodological guidance in *GFSM 2014*.
- Provide guidance on how to treat any difference between the transaction price of the ABS and the value of the underlying asset recognized in the balance sheet
- Provide guidance on how to treat any adjustments in the ABS when the collateral becomes (partly) uncollectible.

- Tie the ABS discussion to that of other relevant securities (index linked) and derivatives (swaps).

50. **At the October 2025 GFS Advisory Committee (GFSAC) meeting there was support for the Task Team’s recommendation of Option C1.** GFSAC members agreed that the current guidance is insufficient but generally only envisaged the inclusion in the GFSM of limited additional guidance. However, some members saw advantages in Option C3, particularly within companion material, which could expand on the types of assets securitized in the public sector and how these should be treated.

Issue D: Remaining / Residual Maturity

Background to Issue

51. **A harmonized definition of remaining maturity provides coherence across manuals.** The definition of remaining maturity is harmonized across macroeconomic statistical manuals (SNA, BPM, GFSM, PSDSG, HSS). For instance compare, *GFSM 2014* (paragraph 7.267) – “the period from the reference date (balance sheet date) until the final contractually scheduled payment date”, *BPM7* (paragraph 5.116(b)) – “remaining maturity of a debt security is the period from the reference date until the final contractually scheduled payment”, and *2025 SNA* (paragraph 33.85) “the period from the reference date until contractually scheduled final payment.”

52. **Clarification on units of time with large issuance volumes would be useful.** In practice debt securities are issued in large volumes with a variety of maturities. The date of maturity is usually defined for a particular calendar day making days the natural unit of measurement, however, manuals simplify maturity defining periods to (i) short term at issuance (matures within 365 calendar days of issuance), (ii) long term (matures in over 365 days of issuance) and (iii) short term by remaining maturity (matures within 365 days from present day). This aggregation allows for simplified communication of maturity profiles in debt bulletins, etc., but does not help with methodological challenges, especially with large volumes of different types of debt securities with differing maturities (and interest compounding).

53. **Practical and harmonized guidance in GFS on remaining/residual maturity would be useful.** Public debt reporting templates include information on the remaining (or residual) maturity of debt. However, the *GFSM 2014* provides minimal guidance on how to calculate this (although *GFSM 2014*, para 7.270, notes that the undiscounted value of principal payments on long-term public sector debt liabilities can be used as a proxy). As with nominal value, other macroeconomic statistical manuals differ slightly in its description, although the [BPM Clarification Note 2](#) provides a standard definition to be used in the BPM, which distinguishes between a conceptual definition and a practically acceptable compilation. Clarity is required in the updated GFSM on how to calculate remaining / residual maturity within the GFS framework when reporting public sector debt. As the total reported debt must be split into a part with remaining maturity of one year or less and a part with a remaining maturity of more than one year it is often unclear in practice whether the split should be based on the valuation of the total reported debt (face or nominal value) rather than based on a conceptually purer present value approach of each individual payment stream.

54. **There is room for clarification on the contractually scheduled payment dates.** Because the above definition makes clear that only those instruments with a contractually agreed maturity date fall within the scope of the remaining maturity, instruments with no fixed date don’t have a remaining maturity because of the absence of a specified ‘final’ payment. However, the definition unintentionally gives room

for the interpretation of remaining maturity which could be understood in a way that only those payments should be included in short-term residual maturity for which the whole debt instruments which will contractually end within one year rather than covering all contractually scheduled debt service payments (interest and principal) during the next year irrespectively when the debt instrument expires.

55. **A discussion of remaining maturity in the context of other debt instruments would be useful.** While remaining maturity for most debt securities and loans will be relatively clear, it may be useful to provide further guidance on treatment of other debt liabilities (for example, accounts payable, pension obligations, SDRs, cash, etc).

Options Identified to Address Issue

56. **GFSM 2014 guidance on remaining maturity is clear for most debt instruments.** Task Team members felt that *GFSM 2014* (Table 7.12) is clear in explaining the remaining maturity based on the categories mentioned above across debt instruments. It was agreed that this presentation is useful for communication of debt statistics but is less useful for the computation of outstanding debt securities.

57. **Further clarity on what constitutes short term debt, by remaining maturity, would be beneficial for some instruments.** The guidance must be made clearer in terms of which payments should be included in short-term remaining maturity. The guidance regarding the split between calculated short-term and long-term debt, by remaining maturity, could be clarified. Specifically, as whether to compile based on the undiscounted or discounted payments.

58. **Clarity on the instrument scope for maturity would be useful.** While the case of calculating the remaining maturity for debt securities, loans, deposits and SDR allocations may be mechanically relatively straightforward, subject to the above clarifications, how should debt on other accounts payable, defined-benefit pension liabilities, standardized guarantees etc. be approached? Here, it may be relevant to consider not only what should be calculated conceptually but whether any standard simplifying conventions should be considered.

59. **The following options were considered by the Task Team and GFSAC:**

Option D1: Further clarify the current guidance in *GFSM 2014*

60. Improve the current guidance in *GFSM 2014* and make clearer which payments should be included in short-term remaining maturity and provide guidance on how to calculate the split between short- and long-term debt based on undiscounted or discounted payments (e.g., the valuation of the total reported debt or the conceptually purer present value approach). Also, align with the *2025 SNA* where appropriate.

Option D2: Further clarify the current guidance in *GFSM 2014* and include numerical examples

61. Improve the current guidance and align with *2025 SNA* as in Option D1 and additionally, provide numeric examples of how to calculate the split between short- and long-term debt and which elements fall into the short-term remaining maturity.

Option D3: Further clarify the current guidance in *GFSM 2014* and include numerical examples, for all financial instruments

62. Same as Option D2 but with guidance which encompasses all financial instruments (and not just debt securities) with a remaining maturity such as loans, standardized guarantees etc. As public sector balance sheets become more complex, clearer and more comprehensive guidance covering loans, guarantees, pension liabilities, and other instruments with remaining maturity would enhance analytical usefulness and improve consistency in reporting across countries.

Draft Recommendations

63. **The Task Team recommends Option D1.** However, Task team members saw merit in enhancing guidance to cover all instruments with a remaining maturity as proposed in Option D3.

64. **Depending on the Option agreed the Task Team recommends the following activities:**

- Provide clarification on which payments belong to the short-term and which to the long-term category.
- The methodological principles of BPM Clarification note 2 could be incorporated into *GFSM 2014* which similarly allows for a practical approach to use the undiscounted value of principal payments instead of discounting them.
- Provide clarification on the treatment of securities with no fixed contractual end date.
- Provide a comprehensive breakdown of remaining maturity classification for all debt instruments.

65. **At the October 2025 GFS Advisory Committee (GFSAC) meeting there was support for the Task Team’s recommendation of Option D1.** However, several members also favored Option D3 as they felt it was important to clarify definitions and reporting guidance for all relevant financial instruments, including complex cases such as pension liabilities.

Preliminary Views of the GFSAC

66. **An earlier version of the discussion note was discussed at the GFSAC meeting of October 2025.** This version of the discussion note has addressed suggestions made by GFSAC members at that meeting and the Task Team recommendations in the note are consistent with the preliminary views of most GFSAC members. More information is available in the [Summary of Discussions](#) of the October 2025 GFSAC meeting.

Questions for Global Consultation

Issue A: Nominal Value of Debt Liabilities

- Indicate your preferred choice: Option A1, Option A2 or Option A3. Please explain the reason for your choice and provide any other additional comments (including any alternative options you would like to propose).
- For compilers, do you currently compile debt at nominal value? And, if so, how do you currently derive nominal value in your country’s compilation systems?

Issue B: Interest Accrual on Debt Securities

- Indicate your preferred choice: Option B1, Option B2 or Option B3. Please explain the reason for your choice and provide any other additional comments (including any alternative options you would like to propose).
- For compilers, do you currently calculate interest accrued? And, if so, which method(s) for calculating accrued interest (clean price, dirty price, effective interest method, etc.) are most commonly used in your country? If different methods are used, are they for different purposes?

Issue C: Asset-Backed Securities (ABS)

- Indicate your preferred choice: Option C1, Option C2 or Option C3. Please explain the reason for your choice and provide any other additional comments (including any alternative options you would like to propose).
- In your country, does government issue ABS? And, if so, how are they reported in your public sector debt statistics?

Issue D: Remaining / Residual Maturity

- Indicate your preferred choice: Option D1, Option D2 or Option D3. Please explain the reason for your choice and provide any other additional comments (including any alternative options you would like to propose).
- In your country, do you currently compile debt into short- and long-term by remaining maturity? And, if so, are there specific debt instruments which are challenging for you to identify the remaining maturity?