



## Proposed Recommendations Document:

### 1.15 Treatment of Cash Collateral

#### Summary Details

**Links to Related Guidance/Discussion/Issue Notes and Latest Manuals:**[GN F.10 Treatment of Cash Collateral](#)[Explanatory Note: Treatment of Cash Collateral in the 2025 SNA and BPM7](#)[SNA Action Point B.4](#)[Draft 2025 SNA](#) and [Draft BPM7](#)<sup>1</sup>**Global Consultation(s):**BP Consultation: [February 2021](#)**Discussions at the Advisory Expert Group on National Accounts (AEG) / Balance of Payments Committee (BOPCOM) Meeting(s):**BOPCOM: [November 2024](#); [February 2021](#)AEG: [October 2024](#)**Discussions at GFSAC Meeting(s):**

To be determined

**Summary of Proposed Recommendations:**

The proposed recommendation is to retain the *GFSM 2014* guidance on the recording of cash collateral provided in the context of financial derivatives, in line with the draft *2025 SNA* and *BPM7*. At the same time the principles for classifying cash margins for financial derivatives as deposits or other accounts receivable/payable will be broadened to generally apply to all types of cash collateral except those for reverse transactions (which are recorded as loans or deposits) in line with draft *2025 SNA*, para. 12.138. Although the initial guidance note discussed alternative options, the final version of the guidance note, the explanatory note, and the decision as per SNA Action Point B.4 (discussed in the October 2024 AEG meeting and the November 2024 BOPCOM meeting) was to bring the *2025 SNA* in line with the guidance in the *BPM6*, *GFSM 2014*, and *MFSMCG 2016* by removing the discretion given to compilers in deciding whether these margins should be recorded as deposits or other accounts receivable/payable.

<sup>1</sup> Links are to the “white cover” versions of the *2025 SNA* and *BPM7*. While technically still considered draft only editorial amendments will be made between these versions and the final versions.

## Background and Issues

1. The SNA/BPM guidance note (GN) F.10 on treatment of cash collateral examines agreements that entail the transfer of cash between two parties to secure credit exposures or other risks. These kinds of transactions are common as part of securities lending operations, clearing and settlement mechanisms in financial markets, brokerage agreements, guarantees to governments, or the constitution of certain collateralized payables. They could also be part of legal requirements in the framework of bankruptcy proceedings or other court disputes in certain jurisdictions. At the same time, cash collateral transactions also occur outside court proceedings when escrow accounts are set up, for example when real estate ownership changes and several steps need to be completed by the buyer and seller to complete the transfer of ownership.

2. The current macroeconomic statistical manuals provide clear and consistent guidance for the treatment of cash collateral associated with securities lending (e.g., repos and securities lending with cash collateral). *2008 SNA* (para 11.74) and *BPM6* (paras. 5.52 and 7.59), and *MFSMCG 2016* (para. 4.75) indicate that such transactions should be treated as a *deposit* or *loan* liability for the party receiving cash (the securities lender) and a corresponding asset for the party providing cash (the securities borrower). The recording of *deposits* or of *loans* depends on whether the claim is on deposit-taking corporations and is included in broad money, or not. Similarly, *GFSM 2014* (para. 7.159) indicates that the funds advanced by the security taker (cash provider) to the security provider (cash taker) are treated as a *loan* (or *deposit*) and the underlying securities remain on the balance sheet of the security provider.

3. The GN F.10 further explores the issue of varied and inconsistent guidance provided on cash collateral pledged in the context of “repayable margins” for financial derivatives contracts. Under *BPM6*, the *2008 SNA*, and the *GFSM 2014*, claims arising from these cash payments for repayable margins are considered *deposits* if the debtor’s liabilities are included in broad money. Under the *MFSMCG 2016* (para. 4.49) these cash payments are specifically classified as other deposits (particularly if issued by depository corporations and included in broad money). At the same time, *GFSM 2014* (para. 7.219) and the *BPM6* (para. 5.94), indicate that the claims are classified as *other accounts receivable/payable* in other cases, with *MFSMCG 2016* (para. 4.49) highlighting other cases to be especially related to financial auxiliaries. However, the *2008 SNA* (para 11.124) provides flexibility as it leaves the classification of the claims in such cases to the discretion of the compiler as *deposits* or as *other accounts receivable/payable*. Furthermore, the *European System of Accounts 2010 (ESA 2010)* (para. 5.136 (d)), departs from the *2008 SNA* and *BPM6* and requires the recording of loans for “repayable margins” in financial derivatives contracts when the claims are on units other than monetary financial institutions.

4. The GN F.10 initially recommended that cash collateral pledged in the context of financial derivative contracts (margins), should be recorded as *deposits* in all cases. However, through several iterations of discussions, the AEG and BOPCOM ultimately decided to bring the *2025 SNA* in line with *BPM6*, *GFSM 2014*, and *MFSMCG 2016* by removing the additional flexibility that was included in the *2008 SNA*. That is, by stating that these margins should be recorded as deposits if they are liabilities of deposit-taking corporations or other accounts receivable/payable otherwise. This treatment also applies to other types of collateral (except those for reverse transactions), including reserves held by the factor in a factoring arrangement.

### Proposed Recommendations

5. Maintain the existing *GFSM 2014* guidance on cash collateral provided in the context of financial derivatives, broaden the scope to include all types of cash collateral (except those for reverse transactions), and incorporate the clarifications included in the draft *2025 SNA* and *BPM7*.

### Rationale for Proposed Recommendations

6. The proposed recommendations aim to harmonize the updated *GFSM* with the *2025 SNA* and *BPM7*, a key objective of the *GFSM 2014* update process.

### Proposed Text for GFSM Update

- Text on securities repurchase agreements in *GFSM 2014* (paras. 7.159-7.160) to be clarified based on the draft *2025 SNA* (paras. 12.80-12.83).
- Text on margins in *GFSM 2014* (paras. 7.219-7.220 and 9.75-9.76) to be clarified based on the draft *2025 SNA* (paras. 12.138 and 25.80).