



## Proposed Recommendations Document:

### 2.8 Debt valuation issues

#### Summary Details

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|
| <b>Links to Related Guidance/Discussion/Issue Notes and Latest Manuals:</b><br><a href="#">DN 2.8 Debt valuation issues</a><br><a href="#">GFSM 2014</a> , <a href="#">2025 SNA (pre-edit)</a> and <a href="#">BPM7 (pre-edit)</a> <sup>1</sup>                                                                                                                                                                                                                             |                                  |
| <b>Global Consultation(s):</b>                                                                                                                                                                                                                                                                                                                                                                                                                                              | GFSM: <a href="#">March 2026</a> |
| <b>Discussions at the Advisory Expert Group on National Accounts (AEG) / Balance of Payments Committee (BOPCOM) Meeting(s):</b>                                                                                                                                                                                                                                                                                                                                             | N/A                              |
| <b>Discussions at GFSAC Meeting(s):</b>                                                                                                                                                                                                                                                                                                                                                                                                                                     | <a href="#">October 2025</a>     |
| <b>Summary of Proposed Recommendations:</b><br><br>The proposed recommendations to update the GFSM are: <ul style="list-style-type: none"><li>• to align the updated GFSM with the 2025 SNA on the definition of nominal value and guidance on asset-backed securities; strengthen practical guidance on calculating accrued interest;</li><li>• clarify the definition and compilation of remaining/residual maturity, including short- versus long-term splits.</li></ul> |                                  |

#### Background and Issues

1. Valuation is a central concept in government finance statistics, yet differences in valuation methods and terminology across manuals regarding nominal value can lead to confusion for compilers. Since the publication of *GFSM 2014*, public sector balance sheets and debt instruments have grown in size and complexity, with many new features (such as asset-backed, index-linked, and deep-discount securities) not fully addressed in existing guidance, often forcing compilers to rely on other manuals with differing approaches.
2. The lack of clear, comprehensive guidance on calculating accrued interest, the relationship between accounting measures (such as amortized cost) and nominal value, and the treatment of

<sup>1</sup> Links are to the pre-edit (or “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.

remaining maturity further exacerbates inconsistencies. In addition, continued reliance on cash-basis recording in some contexts can obscure fiscal realities and create gaps in coverage. Clarifying valuation concepts, particularly nominal value, would therefore improve consistency not only in balance-sheet positions but also in the recording of related transactions and other economic flows.

### **Issue A: Nominal Value of Debt Liabilities**

3. Although international statistical manuals share a common conceptual understanding of nominal value as the amount owed by the debtor, differences in wording and emphasis across manuals have led to confusion in how nominal value is calculated in practice. While the *2025 SNA* and *BPM7* define nominal value in broad terms, *GFSM 2014* and *PSDSG 2013*<sup>2</sup> elaborate on how to derive nominal value from the value of debt at creation plus subsequent economic flows, and the *2025 SNA* further expands this to explicitly include, within the economic flows, holding gains and losses (excluding market price changes) and other volume changes. Despite containing the necessary conceptual elements, the guidance lacks clarity and is supported by few practical examples, making it difficult to apply consistently across diverse debt instruments and highlighting the need for clearer, more operational guidance.

### **Issue B: Interest Accrual on Debt Securities**

4. There are multiple valid methods for calculating accrued interest on debt securities, particularly for instruments with more complex features such as coupons issued at a premium or discount, deep-discount bonds, and index-linked securities, but *GFSM 2014* provides limited practical guidance on how to apply and interpret these approaches. In practice, compilers rely on debt-management systems and other manuals (such as *PSDSG 2013* and *HSS 2015*<sup>3</sup>), yet the methodological basis and policy relevance of different interest measures, such as clean versus dirty price, effective interest rates, accrued interest over time, and resulting nominal values, are not clearly explained or linked within the GFS framework.

5. This lack of clarity is compounded by inconsistent treatment between cash and accrual recording and insufficient guidance on the impact of foreign-currency denominated debt and instruments such as cross-currency swaps. More practical and coherent guidance would help compilers understand which measures are most appropriate for different analytical and policy purposes.

### **Issue C: Asset-Backed Securities**

6. Asset-backed securities (ABS) are only briefly covered in *GFSM 2014*, with guidance largely confined to definitions and limited discussion under securitization. While related manuals (*2025 SNA* and *HSS 2015*) provide broader conceptual context, they do not fully clarify valuation, eligible underlying assets or revenue streams, or the treatment of special purpose vehicles (SPVs) for public-sector ABS. These gaps, combined with limited data and the evolving nature of ABS, hinder consistent valuation and compilation. More practical, government specific guidance would improve usability, although feedback to the global consultation on *Discussion Note 2.8 Debt Valuation Issues* suggested ABS are generally not material and additional guidance on ABS is therefore a low priority.

### **Issue D: Remaining / Residual Maturity**

---

<sup>2</sup> [Public Sector Debt Statistics Guide for Compilers and Users 2013](#) (PSDSG 2013)

<sup>3</sup> [Handbook on Securities Statistics](#) (HSS 2015)

7. Although the definition of remaining (residual) maturity is harmonized across macroeconomic statistical manuals, *GFSM 2014* offers limited practical guidance on how it should be calculated, particularly for large volumes of debt with heterogeneous maturities. Uncertainties remain regarding appropriate time units, whether short- and long-term splits should be based on nominal values or individual payment streams, and how to treat instruments without fixed maturity dates. Additional clarification is also needed on which contractually scheduled payments should be included in short-term remaining maturity and on the treatment of debt instruments beyond loans and securities to support consistent compilation.

### Proposed Recommendations

8. The proposed recommendation to address **Issue A** is to:

- Align the updated GFSM definition of “nominal value” with that in the 2025 SNA text and provide principle-based explanations of the relationship between nominal value and market value.

9. The proposed recommendation to address **Issue B** is to:

- Maintain the existing conceptual discussion in *GFSM 2014* on accrued interest, but provide high-level guidance on some of the different methods of calculating accrued interest and to explain the differences between these methods.

10. The proposed recommendation to address **Issue C** is to:

- Align the updated GFSM with the 2025 SNA on guidance related to asset-backed securities.

11. The proposed recommendation to address **Issue D** is to:

- Introduce clarifications in the updated GFSM on how to distinguish between short- and long-term debts by remaining/residual maturity.

### Rationale for Proposed Recommendations

12. The proposed recommendations are designed to improve consistency and clarity in government finance statistics by harmonizing with the *BPM7* and 2025 SNA, including clarifying key concepts, and providing guidance for further clarity.

### Proposed Text for GFSM Update<sup>4,5</sup>

**3.115** (nominal value bullet) • **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

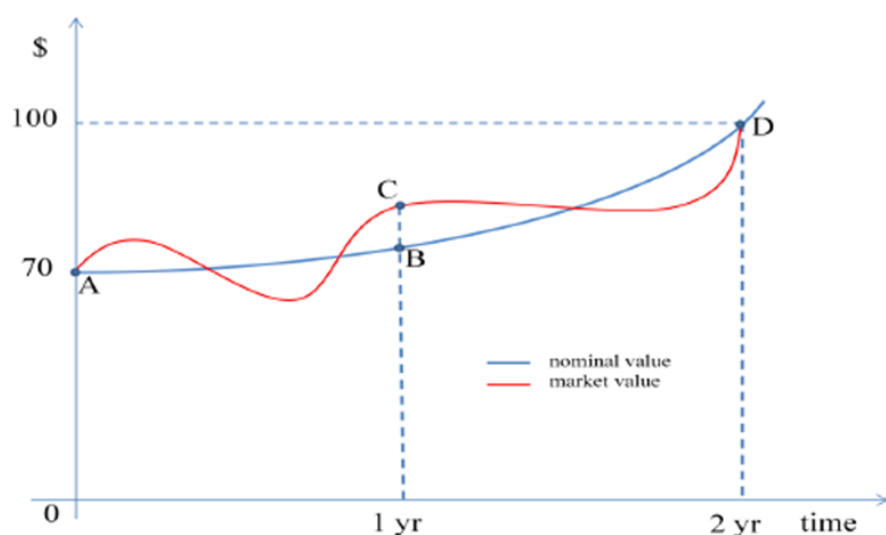
---

<sup>4</sup> The proposed text for the updated GFSM remains subject to further review and may not be finalized until the conclusion of the drafting phase of the GFSM update.

<sup>5</sup> Text shown in red indicates proposed additions; text shown with strikethrough indicates proposed deletions; and text shown in blue indicates text moved from elsewhere in the same section.

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). The following basic equation applies:  $\text{market value} = \text{nominal value} + \text{cumulative revaluations arising from market price changes}$ . 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 value is often estimated using the 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.~~

Figure 1: Depiction of Valuation Methods



**6.66** In macroeconomic statistics, interest is calculated according to the debtor approach.<sup>22</sup> According to this approach, interest is equal to the amounts the debtors will have to pay to their creditors over and above the repayments of the amounts advanced by the creditor. For fixed rate instruments, this approach assumes that interest expense is determined for the entire life of a financial instrument by the conditions set at inception of the instrument. Interest accrual is therefore determined by using the original yield to maturity. A single effective yield, established at the time of security issuance, is used to calculate the amount of accrued interest in each period to maturity. ~~The accrual of interest should be calculated by the compound interest method.~~<sup>[23]</sup> ~~Accrued interest on debt securities should ideally be calculated using an effective interest approach and may be derived using either a clean-price or dirty-price method,~~<sup>[footnote]</sup> depending on data availability. Under the effective interest method, interest accrues continuously over the period based on a single rate which is calculated from the discount or premium implicit in the issue price and contractual cash flows, rather than by separately accruing the discount/premium and the coupon.

*[footnote]* The dirty price of a debt security is the market price, including accrued interest due to coupon. The clean price does not include accrued interest due to coupon

**6.73** In some cases, debt securities are issued at a premium rather than at a discount. The method of determining the accrued interest expense is identical to the case of a discounted instrument except that the premium (the difference between the redemption price and the issue price—see paragraph 9.40) is amortized over the life of the instrument and reduces (rather than increases) the amount of interest accruing in each period. **The premium forms an integral part of the debt security and is included in its nominal value throughout the life of the instrument.** ~~These premiums are therefore recorded as an increase in cash receipts with a corresponding entry in other accounts payable for the unearned portion of the premium. A reduction in interest expense, with a corresponding reduction in the other accounts payable, is subsequently recorded over the period of the contract.~~ **Accordingly, the debt security should be recorded as a single liability under debt securities, with any premium included in its nominal value, and the gradual amortization of the premium reflected through lower accrued interest over the life of the instrument.** On the cash basis of recording, the full amount of premiums will be recognized as a reduction in interest expense at the time the debt instrument is issued.

**7.151 Asset-backed securities and collateralized debt obligations** are arrangements under which payments of interest and principal are backed by payments on specified assets or income streams. This process is also described as securitization (for more details, see paragraph A3.59–A3.66). Asset-backed securities are backed by various types of “assets”—for example, mortgages, ~~and credit card loans,~~ **nonfinancial assets, or by future income streams.** A general government unit may issue debt securities backed by specific streams of earmarked revenue. This is not an asset-backed security, as 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.

**7.266** A supplementary classification of debt liabilities and financial assets corresponding to debt instruments by maturity and type of financial instrument provides information on the liquidity dimensions of debt. The **maturity of a debt instrument** refers to the time until the debt is extinguished according to the contract between the debtor and the creditor. A debt instrument’s maturity can be either short-term or long-term:

- Short-term is defined as payable on demand or with a maturity of one year or less. This category includes arrears and interest on arrears.
- Long-term is defined as having a maturity of more than one year or no stated maturity (other than debt repayable on demand, which is considered short-term).
- **Debt securities with no fixed contractual end date (such as perpetual securities) are classified as long-term debt by maturity.**

**7.267** Maturity may relate to:

- Original maturity, which is the period from the issue date until the final contractually scheduled payment date, or

- ~~Remaining maturity or residual maturity, which is the period from the reference date (balance sheet date) until the final contractually scheduled payment date.~~
- Remaining maturity is determined with reference to the final contractually scheduled principal payment; interest payments due within the period do not affect the classification of debt by remaining maturity.

**7.268** This Manual recommends a three-way classification (see Table 7.12) that allows for deriving debt statistics on both original and remaining maturity bases:

- Short -term debt on an original maturity basis
- Long-term debt due for payment within one year or less
- Long-term debt due for payment in more than one year.

**7.269** To derive short-term debt on a remaining maturity basis, the second bullet above can be combined with the first bullet above. To derive long-term debt on an original maturity basis, the second bullet above can be combined with the third bullet above. Other aggregates on an original or a remaining maturity basis can be derived directly from Table 7.12. The classification codes in Table 7.12 correspond to those in Table 7.9; only a suffix has been added to indicate the type of maturity.

**7.270** Measuring the value of outstanding long-term public sector debt (original maturity) falling due in one year or less may raise practical difficulties, in which instance, one proxy measure that may be used is the undiscounted value of principal payments on long-term public sector debt liabilities (original maturity basis) due to mature in one year or less. **For practical compilation purposes, this approach may also be used to derive the split of outstanding debt into short-term and long-term by remaining maturity, without discounting individual future payment streams.** This proxy measure is incomplete in its coverage of interest payments falling due in the coming year but can be compiled using the principles for projecting payments in a debt-service schedule.