



STATISTICS

**Monetary and Financial Statistics Advisory
Committee (MFSAC)**

For Global Consultation

2028 Monetary and Financial Statistics Manual (MFSM)

**Proposed Recommendation
2.5 Reverse Transactions**

Summary

Links to Related Guidance/Discussion/Issue Notes and Latest Manuals: F.3 Reverse Transactions 2025 System of National Accounts (SNA) and Integrated Balance of Payments and International Investment Position Manual, Seventh Edition (BPM7) ¹	
Global Consultation(s):	BPM Consultation: February 2021
Discussions at the Advisory Expert Group on National Accounts (AEG) / Balance of Payments Committee (BOPCOM) Meeting(s):	BOPCOM: February 2021
Discussions at MFSAC Meeting(s):	March 2026
Summary of Proposed Recommendations: <p>The proposed recommendations for the updated <i>2028 Monetary and Financial Statistics Manual (2028 MFSM)</i> are to: (i) maintain the methodological framework of recording reverse transactions, (ii) include illustrative example on recording reverse transactions in the MFS for the recording of negative assets for short-sales, (iii) provide additional guidance regarding reverse transactions, including the clarification on recording of “manufactured interest” or “manufactured dividends” payments, (iv) briefly discuss the recording of reserve transactions on commodities, and (v) stress the analytical value of separate identification of repo-related transactions and positions as supplementary information.</p>	

Background and Issues

1. The Guidance Note (GN) F.3 (*Reverse Transactions*) revisited current concepts, definitions, and treatment of Reverse transactions to ensure consistent recording of different arrangements under reverse transactions. Reverse transactions are arrangements that involve a change of legal ownership of securities or gold with a commitment to repurchase the same or similar securities or gold, either on a specific date or with open maturity. While recognizing that the methodological framework for reverse transactions in earlier macroeconomic statistics manuals (*2008 SNA, BPM6, MFSMCG and 2014 GFSM*) based on the concept of economic ownership remains fully relevant, this GN examines areas that require additional methodological guidance and clarifications on the recording of positions and transactions associated with these transactions.
2. GN F.3 explored several issues related to the practical application of the guidance in the *BPM6* and *2008 SNA*, resulting in additional clarification on the recording of short (negative) positions (*BPM7 A7.58-A7.59*) and the manufactured dividends/interest (*BPM7 A7.60-A7.63*). The GN recommended maintaining the methodological framework of recording reverse transactions with no change in economic ownership of the underlying assets, and recording of securities (equity and debt securities)/gold lending fees as interest and short positions generated by on-selling as negative assets.

¹ 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.

3. Recording of short/negative positions (including their income streams and from-whom-to-whom implications) for reverse transactions was also addressed. The GN recommends clarifying that negative positions are used to overcome the double-counting of the security held by both the economic (original) owner and the final owner (the party who bought the borrowed security). The *2025 SNA* (par 12.83) and *BPM7* (paras A7.58-A7.59, box A7.2.) further clarify the recording of reverse transactions. While *MFSMCG* already provides clarification on recording of negative positions (para 4.77), the *2028 MFSM* would benefit from illustrative example on recording reverse transactions in the MFS.
4. The GN recommends recording “manufactured interest” or “manufactured dividends” payments² corresponding to on-sold securities as positive credits/revenues for the security lender and negative credits/revenues for the security borrower (i.e., the on-seller who pays the manufactured interest or dividends). Consistent with the lender’s position against the issuer, the security lender should identify the partner for manufactured interest/dividends by the economy and sector of the security issuer, not the security borrower which pays the manufactured interest/dividends to the security lender. The GN provides detailed examples on the recommended recording of dividends, accrued interests, and manufactured dividends through its Annex Tables 2-3, and 5-6. Consequently, the *2025 SNA* (paras 8.124-8.125, A4.93) and *BPM7* (paras A7.60-A7.62) revised the treatment of “manufactured” interest/dividends. The *2028 MFSM* should incorporate the clarification on recording of “manufactured interest” or “manufactured dividends” payments, which is currently missing in the *MFSMCG*.
5. The GN also discusses the usefulness of clarifying the recording of reverse transactions on commodities (and other nonfinancial assets) as well as stressing the analytical value of separate identification of repo-related transactions and positions as supplementary information. The *2025 SNA* (para 12.85) notes the same way of recording reverse transactions that involve commodities (or other non-financial assets) as for securities and gold. *BPM7* (para A7.67) emphasizes the usefulness of compiling supplementary data on loans/deposits and collateralized securities, gold, and other items (i.e., commodities) under reverse transactions, which would comprehensively cover movements of these assets regardless of the change in their economic ownership. While *MFSMCG* already identifies repos separately as “of which” category of loans in the main presentation, reported data on other above items should be encouraged as supplementary.
6. The *MFSMCG* discusses three of the major types of reverse transactions: repurchase agreements (repos, paras 4.71-4.79), securities lending (paras 4.80-4.84), and gold swaps and gold loans (paras. 4.85-4.87). However, there is no general definition of reverse transactions, apart from being referenced as a general term that covers “repos, securities lending, gold swaps and gold loans” (para 4.88).

Proposed Recommendations

7. The following recommendations are proposed for the *2028 MFSM*:
 - Adopt the definition of reverse transactions as used in the *2025 SNA* Glossary of SNA Terms and Definitions, including its addition to the *MFSM* Glossary, noting the recording of reverse transactions on commodities SNA (para 12.85).

² Payments of interest and dividends by the security taker (borrower) to the economic owner (security provider) when securities under a reverse transaction are on-sold to a third party.

- Include illustrative example on recording reverse transactions in the MFS, including when negative positions emerge because of on-selling of the underlying securities to third parties.
- Reflect the treatment of interest and dividends under reverse transactions as described in the 2025 SNA (paras 8.124-8.125, A4.93) and BPM7 (paras A7.60-A7.62)); for example, through a box that incorporates the illustrative examples in the GN Annex II tables, as additional guidance to compilers.
- Encourage compiling supplementary data on deposits and collateralized securities, gold, and other items (i.e., commodities) under reverse transactions.
- Consider including a reference to manufactured dividends in the discussion on *Other accounts payable/receivable – Other[F89]* (paras 4.195a, 4.197a).

Rationale for Proposed Recommendations

8. The proposed recommendations aim to ensure the clarity and consistency in the treatment of the different types of reverse transactions across the different statistical frameworks.

Proposed Text for the MFSMCG Update

9. The changes relate to the adjustment of the text in the 2028 MFSM as outlined above, to align with the relevant text in the 2025 SNA and BPM7. In particular:

Definition of Reverse Transaction in the SNA Glossary: Contractual arrangements involving a change of legal ownership of securities, gold or other assets (e.g., commodities) with a commitment to repurchase the same or similar securities, gold or other assets, either on a specified date or with open maturity.

2025 SNA para 8.125: In the case the legal ownership of securities changes under a reverse transaction, the economic owner of securities continues recording the accrual of interest and dividends on the securities, including when the security is further on-sold to a third party. If the reverse transaction covers the period when interest and dividends are payable, and during that period the taker has on-sold the asset, then the security taker (borrower) is typically obliged to compensate the security provider (lender). In such cases, it is recommended to record positive credit in interest, or dividends, for the security lender, and negative credit in interest, or dividends, for the security borrower.

BPM7 para A7.60: The economic owner of securities continues to record dividends and the accrual of interest on the securities even when the legal ownership changes under a reverse or a custodian has on-sold the securities to a third party. If the reverse transaction covers the period when dividends or coupons are payable, the security taker is typically obliged to pass these amounts on to the security lender. Even if securities under a reverse transaction are on-sold by the security taker to a third party, the security taker is still obliged to compensate the amounts to the security lender. The payments are called “manufactured interest” or “manufactured dividends.”

BPM7 para A7.61 Manufactured interest and dividends corresponding to on-sold securities are recorded as positive credits/revenues for the security lender and negative credits/revenues for the security borrower (i.e., the on-seller who pays the manufactured interest or dividends). The recording of negative credits/revenues for the security borrower provides coherence between income and positions in the underlying instrument. It reflects the negative position in the security the borrower records on the balance sheet and IIP, and for debt securities, it would match an increasing negative asset position when interest accrues. The recording of negative credits/revenues in interest/dividends for the security borrower also

offsets the double-recording of positive credit (by the security lender and the security holder to whom the security is on-sold).

SNA para 12.85 Reverse transactions that involve commodities (or potentially other non-financial assets) are recorded in the same way as the above reverse transactions for securities and gold.

BPM para A7.67 Reverse transactions are not separately identified in the standard presentation of the external accounts. Provision of cash is recorded under loans or deposits, but assets used as collateral (e.g., securities) are not recorded because there is no change in their economic ownership. To identify these items, a table could be compiled on a supplementary basis to show loans/deposits and collateralized securities, gold, and other items (i.e., commodities) under reverse transactions, covering movements of these assets comprehensively regardless of the change in their economic ownership. This information may have high analytical value, particularly for economies that are actively involved in reverse transactions.