



STATISTICS

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

For Global Consultation

2028 Monetary and Financial Statistics Manual (MFSM)

Proposed Recommendation

2.7 Financial Derivatives by Type

Summary

Links to Related Guidance/Discussion/Issue Notes and Latest Manuals: F.4 Financial Derivatives by Type 2025 System of National Accounts (SNA) and Integrated Balance of Payments and International Investment Position Manual, Seventh Edition (BPM7) ¹	
Global Consultation(s):	SNA Consultation: May 2021
Discussions at the Advisory Expert Group on National Accounts (AEG) / Balance of Payments Committee (BOPCOM) Meeting(s):	AEG: July 2021
Discussions at MFSAC Meeting(s):	March 2026
Summary of Proposed Recommendations: <p>The proposed recommendation is to broaden and refine the classification and presentation of financial derivatives in the <i>2028 Monetary and Financial Statistics Manual (2028 MFSM)</i>, in line with the <i>2025 SNA and BPM7</i>. The proposal is to (i) introduce more granular classifications of financial derivatives based on market risk categories in the framework, and require supplementary information on classifications by instruments and trading venues; (ii) explicitly recommend reporting of the notional amounts of derivatives; (iii) offer methodological guidance for novation and portfolio compression; iv) clarify the issue of separating the exchange rate changes from other revaluation for financial derivatives; and (v) clarify when net recording of stock positions in financial derivatives is acceptable while maintaining gross recording as the standard.</p>	

Background and Issues

1. The Guidance Note (GN) F.4 (*Financial Derivatives by Type*) examines alternatives to the classification schemes in macroeconomic statistics for derivatives with the aim of generating more analytically useful measures for users. The previous versions of the macroeconomic statistics manuals (*SNA 2008*, *BPM6*, *MFSMCG* and *2014 GFSM*) offer few breakdowns tantamount to a lack of information along several dimensions on the types of derivatives being recorded (although the *MFSMCG* does include the classification of derivatives by type as a supplementary information). Derivatives are classified into two broad categories: forward-type contracts and options—alongside an identification of standard instrument types that fall under each broad category.
2. GN F.4 highlights that this broad presentation provides no characterization of the risks associated with different types of derivatives, noting also that due to the dual nature of some of the derivatives (e.g. credit default swaps) not all can be easily classified within these two categories. The GN F.4 therefore proposes introducing the classifications by: (a) market risk category as standard component, (b) instrument, and (c) trading venue.
3. The *BPM7* (paras 5.109-5.111) and *2025 SNA* (paras 12.139-12.140), therefore, introduce three ways to break down financial derivatives: (a) by market risk – as the standard breakdown; (b) by instrument – as a supplementary breakdown; and (c) by trading venue – supplementary breakdown.

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.

When financial derivatives span multiple risk categories and cannot be reported separately in terms of their individual components, the revised manuals recommend reporting them under a single risk category,² based on the most significant underlying risk. While the *2028 MFSM* may keep the discussion on defining the derivatives by type, it should emphasize providing granular data on derivatives by the same categories, which will bring *2028 MFSM* further in line with other derivative datasets (in particular the [BIS OTC](#) derivatives statistics). In particular, identifying foreign currency derivatives as a distinct market-risk category is important, given that such derivatives are characterized by very large volumes and may entail actual exchanges of currencies that affect balance-sheet currency composition.

4. GN F.4. highlights the importance of reporting the notional values of foreign exchange related financial derivatives, as they provide useful information to assess the economy's currency exposures. Although the *BPM6* memorandum tables require reporting of notional amounts as memorandum items and the *MFSMCG* as supplementary information, only a few countries could provide these data. Based on the recommendation of the GN, the usefulness of having information on the currency composition of notional values of derivatives linked to foreign currencies is reflected in both the *2025 SNA* (para 12.141) and *BPM7* (paras A7.46-A7.48). Although the *MFSMCG* already includes notional values of financial derivatives as supplementary information, similar to the *2025 SNA* and *BPM7*, the *2028 MFSM* shall explicitly recommend reporting the notional amounts of derivatives.

5. The GN also underscores the absence of methodological guidance in macroeconomic statistics manuals for recording of novation and portfolio compression—the so-called post-trade processes that emerged from the stricter clearing and reporting obligations for derivatives markets, following the 2008 global financial crisis. *Novation* is an activity where a bilateral contract between two market participants is replaced by two bilateral contracts between each of the original parties and a clearing house (CCP). *Portfolio compression* is the process of replacing a number of derivatives contracts among participants with fewer new contracts. Consequently, *BPM7* (Box A7.1.) and *2025 SNA* provide clarification and additional guidance on recording Post Trading Activities in Financial Derivatives, which should also be incorporated into the *2028 MFSM*.

6. Finally, the GN calls for clear guidance on what constitutes an exchange rate revaluation for financial derivatives that include a foreign exchange risk. Contrary to the *BPM6* (para 9.31), the GN recommends that for derivatives with a foreign exchange component, where it is not practical to separate exchange rate changes from other revaluations, all such revaluations should be classified as due to other price changes rather than exchange rate revaluations. The *MFSMCG* does not address the issue of separating exchange rate changes from other revaluations for financial derivatives, and the updated *2028 MFSM* would benefit from including guidance on this issue.

7. The GN also recommends clarifying the guidance on net recording of assets and liabilities. The *2025 SNA* (para. 25.83) and *BPM7* (A7.26) note that net recording of financial derivatives is acceptable only in cases when gross recording is impractical (example in cases where several payments by both counterparties are made in a period when a derivative contract switches between asset and liability positions (e.g., forwards and swaps). While the *MFSMCG* recognizes that the need for such netting is expected to be relatively rare for most categories of assets and liabilities due to the unavailability of source data on a gross basis, such as derivative contracts settled on a net basis (para 2.44 f8, 5.62), the updated text could be improved in line with the *2025 SNA* and *BPM7*.

² If there is doubt about the correct classification of multi-exposure financial derivatives the allocation of risk components should be made according to the order of precedence adopted by the BIS: equity, foreign exchange, single-currency interest rate, credit, commodity, and other.

Proposed Recommendations

8. The following recommendations are proposed for the 2028 *MFSM*:
- Consider whether further aspects of the 2025 *SNA* (Chapter 25, Selected Issues in Financial Instruments, Section C on Financial Derivatives) should be included in the 2028 *MFSM* (for example, paras 25.84-25.86, 25.42-25.44, 25.63) or if users should be directed instead to the 2025 *SNA* for further context.
 - Introduce the 2025 *SNA* (paras. 12.139 and 25.87-25.92) granular classification of financial derivatives by market risk categories (namely: foreign currency derivatives; single currency interest rate derivatives; equity derivatives; commodity derivatives; credit derivatives; and other derivatives) as supplementary reporting. Also, to align with 2025 *SNA* (paras. 12.140 and 25.92-93), introduce the supplementary reporting of breakdown by instrument (namely: options; forwards and related instruments (other than futures and swaps; futures; swaps; credit derivatives; and other and hybrid derivatives)), and by trading venues (namely: exchange-traded derivatives, OTC derivatives (cleared); and OTC derivatives (not cleared)). Table 7A.8 of the *MFSMCG* should be updated to reflect the latest instrument breakdown in the 2025 *SNA*.
 - As a memo item to the standard presentation of MFS, introduce a breakdown of financial derivatives into foreign currency derivatives and all other derivatives.
 - Provide methodological guidance on novation and portfolio compression in line with the 2025 *SNA* (paras. 12.135-12.136 and 25.76-25.77), including information on issues such as the identification of eligible contracts, obtaining consent from all parties involved, and time of recording of the novation. With regard to portfolio compression, clarity and information should also be provided on issues such as the value, the parties involved and time of recording.
 - Include guidance on separating the exchange rate changes from other revaluation for financial derivatives. Namely, for derivatives with a foreign exchange component, where it is not practical to separate exchange rate changes from other revaluations, all revaluations should be recorded as due to other price revaluations in line with *BPM7* (para A7.31).
 - Introduce a paragraph to align with the 2025 *SNA* (para 25.82-25.83) and *BPM7* (para A7.26) to clarify that net recording is only acceptable in specific cases, such as in the cases where several payments by both counterparties are made in a period when a derivative contract switches between an asset and liability position (para 5.217c).
 - Emphasize the importance of reporting notional values for derivatives that are linked to foreign currencies.

Rationale for Proposed Recommendations

9. The proposed recommendations aim to ensure that the updated *MFSMCG* captures the evolving nature of financial markets and assist in providing more analytically useful measures for financial stability analysis and financial sector management.

Proposed Text for the 2028 *MFSM* Update

10. Text on financial derivatives in the 2028 *MFSM* to be expanded based on the 2025 *SNA* and *BPM7*, as outlined above.