



**Meeting of Inter-Agency Task Force on Finance Statistics**

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**Contingent Liabilities**

**Prepared by the Statistics Department**





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1. During the drafting of the *Public Sector Debt Statistics Guide*, the Government Finance Division developed methodological guidelines on contingencies, including a proposal for a typology of contingent liabilities, to enhance international comparison of data. Furthermore, some standard tables were prepared for countries to report data on contingencies.
2. The guidelines and tables in the latest draft version (February 17, 2011) of the *Public Sector Debt Statistics Guide* are attached to this document. They are presented as a foundation for further work on this area in the context of the revision of the *Government Finance Statistics Manual*.

## Public Sector Debt Statistic Guide

### Chapter 4: Selected Issues in Public Sector Debt

[...]

#### V. CONTINGENT LIABILITIES

##### Introduction

**4.3** Contingent liabilities create fiscal risks<sup>1</sup> and may arise from deliberate public policy or from unforeseen events, such as a financial crisis. The *GFSM* recommends that some contingent liabilities of a public sector unit are recorded in the form of memorandum items to the balance sheet.

**4.4** Given the need for public sector debt statistics compilers and analysts to monitor contingent liabilities, this section lays out a typology of contingent liabilities. The typology is mainly based on the *2008 SNA, BPM6*, the *External Debt Guide*, the *ESA95 Manual on General Government Deficit and Debt*, and related country experience. The typology supplements traditional approaches to public sector analysis. Figure 4.1 provides an overview of liabilities and contingent liabilities. In the remainder of this section, contingent liabilities are defined, the different types of contingent liabilities, how they may be measured, and the statistical treatment of one-off guarantees are discussed.

##### Definition

**4.5** *Contingent liabilities are obligations that do not arise unless a particular, discrete event(s) occurs in the future.* A key difference between contingent liabilities and liabilities<sup>2</sup> (and public sector debt), is that one or more conditions must be fulfilled before a financial transaction is recorded. With contingent liabilities, there is typically uncertainty over whether a payment will be required or not, and its potential size.<sup>3</sup>

**4.6** In general, contingent liabilities are not recognized as liabilities in macroeconomic statistics unless and until certain specified conditions prevail. However, for standardized guarantees (see paragraphs 4.12–4.13), the proportion of guarantees likely to be called for the pool of similar guarantees is treated as a liability, even though each individual arrangement involves a contingent liability.<sup>4</sup> In some cases, specific guidance is needed to determine whether an instrument is a liability (and financial asset for the counterparty) or a contingent liability. Banker's acceptances are treated as financial assets (and liabilities) even though no funds may have been

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<sup>1</sup> At the most general level, fiscal risks may be defined as any potential differences between actual and expected fiscal outcomes (for example, fiscal balances and public sector debt). Contingent liabilities are a specific source of fiscal risk. See Chapter 9 for a discussion of fiscal risks and vulnerability.

<sup>2</sup> Liabilities refer to those obligations recognized on a macroeconomic statistics balance sheet in the calculation of an institutional unit's net worth. Contingent liabilities are not included in the calculation of net worth.

<sup>3</sup> Uncertainty about the valuation of liabilities as a result of market prices does not make these liabilities contingent liabilities. These instruments remain liabilities to be recorded on the balance sheet.

<sup>4</sup> Standardized guarantees involve the same paradigm operating for nonlife insurance and a similar treatment is adopted.

exchanged.<sup>5</sup> There are other circumstances where future payments are not treated as liabilities (or financial assets), even though the size of the payment and the fact that it will be paid are known with a high degree of certainty. For example, an enterprise's future payments under a sales contract or future tax payments to government are not recorded as liabilities until an event occurs that creates a liability, such as the receipt of goods and services under a sales contract.

**4.7** A distinction is made between **explicit** and **implicit** contingent liabilities. In all macroeconomic statistical systems, *explicit contingent liabilities are defined as legal or contractual financial arrangements that give rise to conditional requirements to make payments of economic value. The requirements become effective if one or more stipulated conditions arise. Implicit contingent liabilities do not arise from a legal or contractual source but are recognized after a condition or event is realized.* While the focus of this *Guide* (and other macroeconomic statistical systems) is largely on explicit contingent liabilities, the importance of implicit contingent liabilities is discussed in Chapter 9, under Fiscal Risks and Vulnerability.

## **VI. Explicit contingent liabilities**

**4.8** Explicit contingent liabilities can take a variety of forms although guarantees are the most common. However, not all guarantees are contingent liabilities; some are liabilities. Different types of guarantees and their relation to contingent liabilities are discussed below.

**4.9** Examples of contingencies in a form other than guarantees are:

- Potential legal claims, which are claims stemming from pending court cases;
- Indemnities, which are commitments to accept the risk of loss or damage another party might suffer; and
- Uncalled capital, which is an obligation to provide additional capital, on demand, to an entity of which it is a shareholder (such as an international financial institution).

### **Types of guarantees**

**4.10** Three classes of guarantees are considered in the *2008 SNA*: guarantees that meet the definition of a financial derivative, standardized guarantees, and one-off guarantees.

#### *Guarantees in the form of financial derivatives*

**4.11** The first class of guarantees are those provided by means of a financial derivative, such as a credit default swap. In macroeconomic statistics, asset and liability positions in these types of financial derivatives—as for other financial derivatives—are financial assets and liabilities but not debt (see paragraph 2.6). Liabilities (and financial assets) in the form of financial derivatives are thus excluded from the **debt** presentation Tables 5.1–5.10, and from Table 5.12 on explicit contingent liabilities and net obligations for future social security benefits. However, as recommended in paragraphs 5.50–5.52) presenting information on financial derivative positions along with debt statistics—as shown in Table 5.11—may be important because these contracts can add to a public sector unit's liabilities and lead to significant losses.

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<sup>5</sup> A banker's acceptance involves financial institutions accepting drafts or bills of exchange and the unconditional promise to pay a specific amount at a specified date. The banker's acceptance represents an unconditional claim on the part of the holder and an unconditional liability on the part of the accepting bank; the bank's counterpart asset is a claim on its customer.

### *Standardized guarantees*

**4.12** *Standardized guarantees are those kinds of guarantees that are issued in large numbers, usually for fairly small amounts, along identical lines.* There are many guarantees of similar characteristics and a pooling of risks, and guarantors are able to estimate the average loss (default rate) based on available statistics by using a probability-weighted concept.<sup>6</sup> Examples of standardized guarantees are guarantees for export (trade) credit, exchange rates, various types of insurance (such as deposit, crop, or natural disaster insurance), agriculture loans, mortgage loans, student loans, and small and medium enterprise (SME) loans.

**4.13** Although it is not possible to establish whether any one guarantee will be called, it is standard practice to estimate the **default rate** of a pool of similar guarantees. This default rate establishes a **debt liability**—not a contingent liability—for a public sector unit, which is referred to as “provision for calls under standardized guarantee schemes”. This liability is part of the debt instrument “insurance, pension, and standardized guarantee schemes”. The value recorded in the public sector unit’s balance sheet is the expected level of claims under current guarantees minus any expected recoveries.<sup>7</sup>

### *One-off guarantees*

**4.14** *One-off guarantees comprise those types of guarantees where the debt instrument is so particular that it is not possible to calculate the degree of risk associated with the debt with any degree of accuracy.* In contrast to standardized guarantees, one-off guarantees are individual, and guarantors are not able to make a reliable estimate of the risk of calls.

**4.15** In most cases, a one-off guarantee is considered a contingent debt liability of the guarantor. Debt under one-off guarantees continues to be attributed to the debtor, not the guarantor, unless and until the guarantee is called.

**4.16** In contrast, a one-off guarantee granted by government to a corporation in financial distress and with a very high likelihood to be called is treated as if the guarantee is called at inception.<sup>8</sup> The activation of such a one-off guarantee is treated as debt assumption (see paragraphs 4.57–4.58) and this liability is part of the public sector unit’s balance sheet (and debt).

**4.17** One-off guarantees may be grouped into loan and other debt instrument guarantees and other one-off guarantees:

- **Loan and other debt instrument guarantees**—or “one-off guarantees” of payment—are commitments by one party to bear the risk of nonpayment by another party. Guarantors are only required to make a payment if the debtor defaults. Loans and other debt instrument guarantees constitute **publicly guaranteed debt**, defined as debt liabilities of public and private sector units, the servicing of which is contractually guaranteed by public sector units (see paragraphs 5.37–5.42, Chapter 5).

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<sup>6</sup> The treatment of standardized guarantees is similar to that of nonlife insurance. For more details, see Chapter 3 in this *Guide*, paragraphs 3.60–3.61, and 2008 SNA, Chapter 17, Part 3.

<sup>7</sup> Transactions in financial assets and liabilities for provisions for calls under standardized guarantee schemes are similar to the reserves for nonlife insurance; they include unearned fees and calls not yet settled.

<sup>8</sup> Such treatment should be undertaken with caution, not least to avoid double-counting of the debt and inconsistencies with other macroeconomic statistics (which still record the claim to the original debtor). Eurostat uses the following practical guidance with regards to publicly guaranteed debt: If government, as a guarantor, makes a payment on an existing guaranteed debt in three consecutive years, and this situation is expected to continue, then the debt is considered to be assumed, normally in its entirety (or for the proportion government is expected to repay, if there is evidence of that).

- The category **other one-off guarantees** includes credit guarantees (such as lines of credit and loan commitments), contingent “credit availability” guarantees, and contingent credit facilities. Lines of credit and loan commitments provide a guarantee that undrawn funds will be available in the future, but no financial liability/asset exists until such funds are actually provided. Undrawn lines of credit and undisbursed loan commitments are contingent liabilities of the issuing institutions—generally, banks. Letters of credit are promises to make payment upon the presentation of pre-specified documents.

Underwritten note issuance facilities (NIFs) provide a guarantee that a borrower will be able to issue short-term notes and that the underwriting institution(s) will take up any unsold portion of the notes. Only when funds are advanced by the underwriting institution(s) will a liability/asset be created. The unutilized portion is a contingent liability. Other note guarantee facilities providing contingent credit or back-up purchase facilities are revolving underwriting facilities (RUFs), multiple options facilities (MOFs), and global note facilities (GNFs). Bank and nonbank financial institutions provide back-up purchase facilities. Again, the unutilized amounts of these facilities are contingent liabilities.

**4.18** Loan and other debt instrument guarantees (publicly guaranteed debt) differ from the other types of one-off guarantees. This is because the guarantor guarantees the servicing of the **existing** debt of other public and private sector units. With the other one-off guarantees, no financial liability/asset exists until funds are actually provided or advanced.

**4.19** Information on the stock positions of publicly guaranteed debt can be particularly relevant for public financial policy and analysis. This *Guide* recommends to show guaranteed public sector debt (one-off guarantees of loans and other debt instruments), at nominal value, as a memorandum item to the public sector debt statistics (see Table 5.1), and details are provided in a separate table (see Tables 5.8a and 5.8b).

**4.20** Because one-off guarantees are explicit contingent liabilities, all one-off guarantees are included in Table 5.12, which provides details on the different types of explicit contingent liabilities and on net obligations for future social security benefits (an implicit contingent liability—see paragraph 4.21 below).

## VII. Implicit contingent liabilities

**4.21** As explained in paragraph 4.7, implicit contingent liabilities do not arise from a legal or contractual source but are recognized when a condition or event is realized. Examples of implicit contingent liabilities are the net obligations of future social security benefits, ensuring solvency of the banking sector, covering the obligations of subnational (state and local) governments, or the central bank, in the event of default, environmental liabilities, unguaranteed debt of public sector units, obligations to meet the guarantees of other public sector units if they cannot meet them, and spending for natural disaster relief.

**4.22** This *Guide* recommends including net obligations for future social security benefits<sup>9</sup> in a register of contingent liabilities, as shown in Table 5.12. Other implicit contingent liabilities that can be identified may also be included, if considered significant and/or analytically useful.

## VIII. Measuring contingent liabilities

**4.23** Standards for measuring contingent liabilities are still evolving because these liabilities are complex arrangements and no single measurement approach can fit all situations. Nonetheless, monitoring and measurement of contingent liabilities are encouraged, with a view to enhancing transparency. For example, a register of significant contingent liabilities of a public sector unit may be compiled as shown in Table 5.12.

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<sup>9</sup> Liabilities for nonautonomous unfunded employer pension schemes are liabilities and part of public sector debt when the employer is a public sector unit.

**4.24** There are several approaches to valuing contingent liabilities.<sup>10</sup> As noted in paragraph 4.19, this *Guide* recommends to show guaranteed public sector debt (one-off guarantees of loans and other debt instruments), at nominal value. Credit guarantees (such as lines of credit and loan commitments), contingent “credit availability” guarantees, and contingent credit facilities are recorded at their nominal amounts. Limitations of this approach are that it offers no information on the likelihood of the contingency occurring and it may overstate the possible risk. For loan and other debt instrument guarantees, the maximum potential loss is likely to be less than their nominal value, because not all debts will default. Several alternative methods of valuing the expected loss may be applied, each with its own limitations and advantages. These methods range from relatively simple techniques requiring the use of historical data to complex options-pricing techniques (see Box 4.1). The actual approach adopted will depend on the availability of information on the type of contingency. For this reason, it is particularly important to provide metadata on the method(s) used to value contingent liabilities.

#### **IX. Statistical treatment of one-off guarantees provided by public sector units**

**4.25** In most cases, the granting of a one-off guarantee is considered a contingency and is not recorded as a liability for the guarantor. The **activation** of a one-off guarantee in the form of loan and other debt instruments is an economic event following the granting of a one-off guarantee and is treated in the same way as a debt assumption (see paragraphs 4.57–4.58). The original debt is extinguished and a new debt is created between the guarantor (who becomes the new debtor) and the creditor. The guarantor is deemed to make a capital transfer to the original debtor, unless the guarantor acquires an effective financial claim on the original debtor, in which case it leads to the recognition of a financial asset (a liability of the original debtor).

**4.26** The activation of a guarantee may require full and immediate repayment of debt. The accrual principle for time of recording requires that the total amount of debt assumed is recorded at the time the guarantee is activated and the debt assumed. Assumption under a one-off guarantee is recorded when the call on the guarantee is made or when it is well established that such a call will be made. A one-off guarantee granted by a government to a corporation in financial distress, and with a very high likelihood to be called, is treated as if the guarantee was called at inception (see paragraph 4.15). A particular case in point is a bailout by government, which is discussed in paragraphs 4.111–4.120). Repayments of principal by the guarantor (the new debtor) and interest accruals on the assumed debt are recorded as these flows occur.

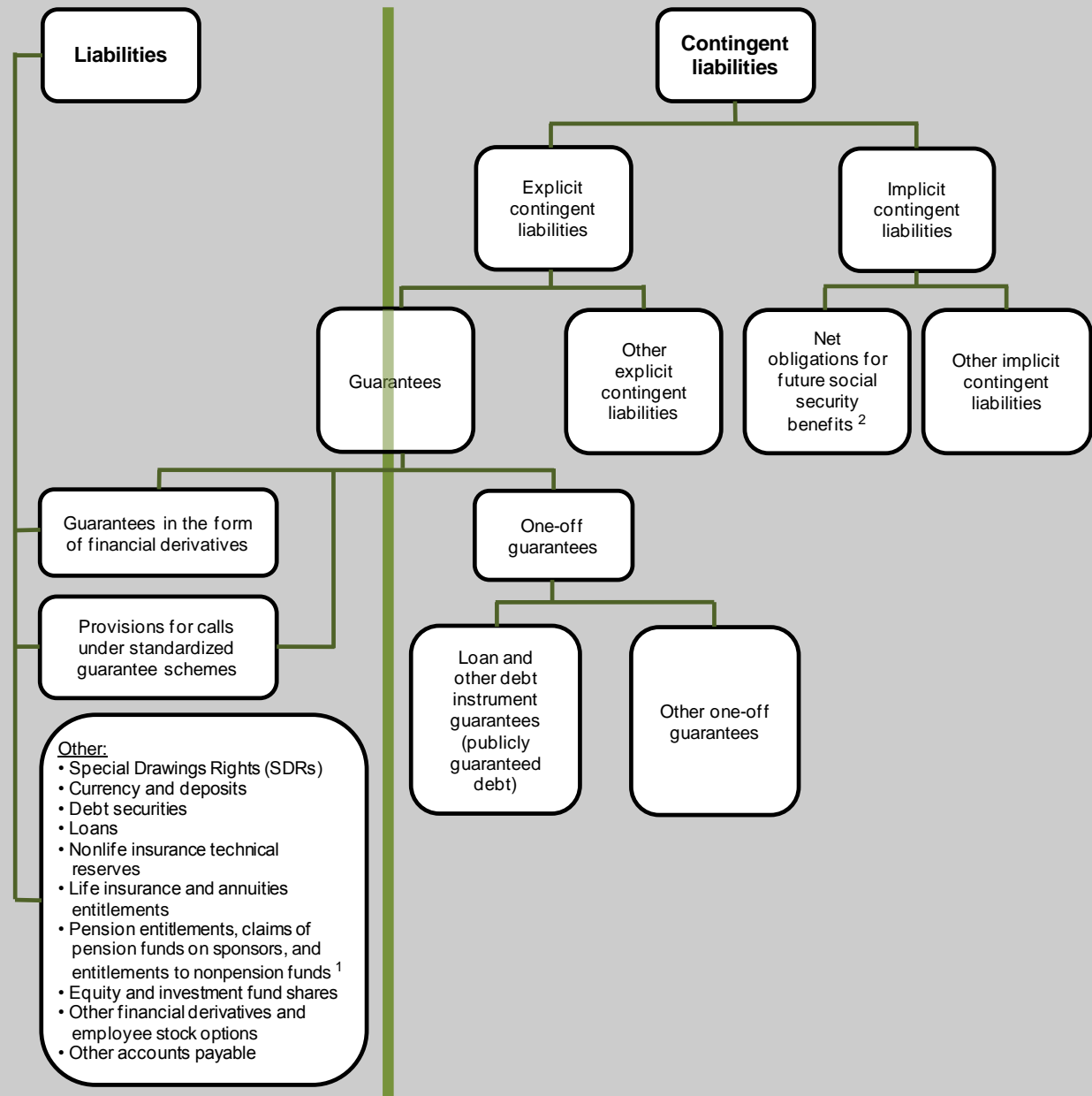
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<sup>10</sup> Some of these techniques are discussed in the *External Debt Guide 2003*, Chapter 9, and *Public-Private Partnerships, Government Guarantees, and Fiscal Risk*, International Monetary Fund, 2006, pp. 37–40.



**Figure 4.1 Overview of Liabilities and Contingent Liabilities in Macroeconomic Statistics**



<sup>1</sup> Includes liabilities for nonautonomous unfunded employer pension schemes.

<sup>2</sup> Excludes liabilities for nonautonomous unfunded employer pension schemes.

#### **Box 4.1 Some Alternative Measures of Valuing the Expected Loss from Loan and Other Debt Instrument Guarantees**

If the expected loss can be calculated, an additional approach is to value this loss(es) in present-value terms—expected present value. In other words, since any payment will be in the future and not immediate, the expected future payment streams could be discounted using a market rate of interest faced by the guarantor; that is, the present value. As with all present-value calculations, the appropriate interest rate to use is crucial; a common practice with government contingent liabilities is to use a risk-free rate like the treasury rate. Under this present-value approach, when a guarantee is issued the present value of the expected cost of the guarantee could be recorded as an outlay or expense (in the operating account) in the current year and included in the position data, such as a balance sheet.

Exact valuation requires detailed market information, but such information is often unavailable. This is particularly true in situations of market failure or incomplete markets—a financial marketplace is said to be complete when a market exists with an equilibrium price for every asset in every possible state of the world. Other means are then required to value a contingency. One possibility is to use historical data on similar types of contingent operations. For example, if the market price of a loan is not observable, but historical data on a large number of loan guarantees and defaults associated with those guarantees are available, then the probability distribution of the default occurrences can be used to estimate the expected cost of a guarantee on the loan. This procedure is similar to that employed by the insurance industry to calculate insurance premiums. Rating information on like entities is often used to impute default value on loan guarantees as well.

Market value measures use market information to value a contingency. This methodology can be applied across a wide range of contingent liabilities, but it is particularly useful for valuing loan and other debt instrument guarantees, on which the following discussion focuses. This methodology assumes that comparable instruments with and without guarantees are observable in the market and that the market has fully assessed the risk covered by the guarantee. Under this method, the value of a guarantee on a financial instrument is derived as the difference between the price of the instrument without a guarantee and the price inclusive of the guarantee. In the context of a loan guarantee, the nominal value of the guarantee would be the difference between the contractual interest rate ( $i_p$ ) on the unguaranteed loan and the contractual interest rate ( $i_g$ ) on the guaranteed loan times the nominal value of the loan ( $L$ ):  $(i_p - i_g)L$ . The market value of the guarantee would use market not contractual rates.

Yet another approach to valuing contingent liabilities applies option-pricing techniques from finance theory. With this method, a guarantee can be viewed as an option: a loan guarantee is essentially a put option written on the underlying assets backing the loan. In a loan guarantee, the guarantor sells a put option to a lender. The lender, who is the purchaser of the put option, has the right to “put” (sell) the loan to the guarantor. For example, consider a guarantee on a loan with a nominal value of  $F$  and an underlying value of  $V$ . If  $V - F < 0$ , then the put option is exercised and the lender receives the exercise price of  $F$ . The value of the put option at exercise is  $F - V$ . When  $V > F$ , the option is not exercised. The value of the guarantee is equivalent to the value of the put option. If the value of the credit instrument on which a guarantee is issued is below the value at which it can be sold to the guarantor, then the guarantee will be called.

Although the option pricing approach is relatively sophisticated, it is being applied in the pricing of guarantees on infrastructure financing and interest and principal payment guarantees. But standard option pricing has its limitations as well. This is because the standard option-pricing model assumes an exogenous stochastic process for underlying asset prices. However, it can be argued that the very presence of a guarantee (especially a government guarantee) can affect asset prices.

## Public Sector Debt Statistic Guide

### Chapter 5: Presentation of Public Sector Debt

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#### III. MEMORANDUM TABLES

##### Publicly guaranteed debt by maturity and type of debt instrument

**5.36** The last part of the summary presentation of gross debt (Table 5.1) shows total publicly guaranteed debt. Two memorandum tables are recommended for publicly guaranteed debt:

- Table 5.8a presents details of publicly guaranteed debt, at nominal value and for a specified institutional coverage, by maturity and type of debt instrument; and
- Table 5.8b presents details of the changes between the opening and closing stock positions of publicly guaranteed debt.

**5.37** Publicly guaranteed debt is defined as debt liabilities of public and private sector units, the servicing of which is contractually guaranteed by public sector units. These guarantees consist of loan and other debt instrument guarantees, comprising a specific type of one-off guarantees (see paragraphs 4.14–4.17).<sup>11</sup> Although this is debt of the private sector or other parts of the public sector, it represents a potential liability—an explicit contingency in this case—for the public sector unit providing the guarantee.<sup>12</sup> Such contingencies may be important for fiscal policy and analysis, as well as debt management. The statistics for Tables 5.8a and 5.8b should be compiled using the concepts outlined in Chapters 2 and 3 of this Guide.

**5.38** At the first level of aggregation, Table 5.8a distinguishes between guaranteed public sector debt and publicly guaranteed private sector debt:

- **Guaranteed public sector debt** is the amount of gross public sector debt liabilities, the servicing of which is contractually guaranteed by the public sector unit(s) covered in the public sector debt statistics in Tables 5.1 through 5.6. The magnitude of this amount depends on the institutional coverage of the public sector debt statistics. For example, when consolidated gross debt statistics in Tables 5.1 through 5.6 cover the entire public sector, guaranteed public sector debt is, by definition, equal to zero. However, when consolidated gross debt statistics do not cover the entire public sector (for example, covers the general government sector), guaranteed public sector debt represents that amount of debt that the guarantor (in this case, general government) has guaranteed for those public sector units that are excluded from the gross debt statistics (in this case, all public corporations).
- **Publicly guaranteed private sector debt** is the amount of gross private sector debt liabilities owed by resident units, the servicing of which is contractually guaranteed by those public sector unit(s) covered in the public sector debt statistics in Tables 5.1 through 5.6. If debt of the private sector unit is partially guaranteed by the

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<sup>11</sup> These tables exclude provisions for calls under standardized guarantee schemes which are liabilities (not contingent liabilities) of a public sector unit (see Chapter 3). Explicit contingent liabilities other than loan and other debt instrument guarantees are also excluded. Table 5.12 provides a register of all explicit contingent liabilities as well as net social security obligations (an implicit contingent liability).

<sup>12</sup> Once a guarantee is called, the liability is assumed by the guarantor and appears on the guarantor's balance sheet.

public sector unit (for example, if principal payments or interest payments alone are guaranteed) then only the nominal value of the payments guaranteed should be included within publicly guaranteed private sector debt.

- **Publicly guaranteed debt of nonresident units** should be included as a separate category in Table 5.8a, if significant.

**5.39** The second level of aggregation in Table 5.8a is by maturity (see paragraphs 5.15–5.17), while the third level is by type of debt instrument. These instruments are described in Chapter 3 of this *Guide*.

**5.40** Table 5.8b reconciles the stock position of gross publicly guaranteed debt with the flows during the reference period. Several types of flows may affect the stock position of publicly guaranteed debt:

- Interest accruing on the outstanding debt increase the level of publicly guaranteed debt;
- Debt-service payments by the debtor to the creditor decrease the level of publicly guaranteed debt;
- The granting of new guarantees increases the level of publicly guaranteed debt;
- The termination of guarantees as a result of a contractual (i.e., mutual) agreement between the guarantor and the original debtor reduces the level of publicly guaranteed debt;
- Debt assumed by the guarantor during the period as a result of explicit calls on guarantees (i.e., by contractual agreement) reduces the level of publicly guaranteed debt. For these transactions, a distinction could be made between those debt assumptions that resulted in the guarantor acquiring an effective financial claim on the original debtor and those that do not result in the guarantor acquiring an effective claim on the original debtor; and
- Other changes that may increase or reduce the level of publicly guaranteed debt. Included are other volume changes (i.e., flows that are not the result of a mutual agreement between the guarantor and the debtor). For example, the guarantor may unilaterally decide to terminate a guarantee (i.e., not by contractual agreement), thereby reducing the level of publicly guaranteed debt. Other flows may also include changes in the value of guaranteed debt denominated in foreign currencies, due to exchange rate movements. Other changes may also include cases where a debt is considered to be assumed after a number of consecutive defaults by the original debtor (see Chapter 4, footnote 8). This would reduce the level of guaranteed debt. When these “implicitly assumed guarantees” revert back to being guarantees, under certain conditions, this would increase the level of guaranteed debt. These details may be specified under “other flows” in Table 5.8b, if considered useful. Because the data are reported at nominal value market price movements are excluded from this table.

**5.41** Memorandum items may be added to Table 5.8b to provide additional information, such as:

- The fees paid during the period by the debtor to the guarantor to obtain the guarantees; and
- The total stock position of publicly guaranteed debt that has been assumed by the guarantor and that remains outstanding. As with the transactions, a distinction could be made between the debt assumed without the acquisition of an effective claim on the original debtor and debt assumed with the acquisition of an effective claim on the original debtor.

**Table 5.8a Publicly Guaranteed Debt by Maturity and Type of Debt Instrument, at Nominal Value**  
**[specify institutional coverage]**

<b>Total publicly guaranteed debt</b>
<b>Total guaranteed public sector debt <sup>1</sup></b>
<b>Short-term, by original maturity</b>
Currency and deposits
Debt securities
Loans
Insurance, pension, and standardized guarantee schemes
Other accounts payable
<b>Long-term, by original maturity</b>
<b>With payment due in one year or less</b>
Special Drawing Rights (SDRs)
Currency and deposits
Debt securities
Loans
Insurance, pension, and standardized guarantee schemes
Other accounts payable
<b>With payment due in more than one year</b>
Special Drawing Rights (SDRs)
Currency and deposits
Debt securities
Loans
Insurance, pension, and standardized guarantee schemes
Other accounts payable
<b>Total publicly guaranteed private sector debt</b>
<b>Short-term, by original maturity</b>
Currency and deposits
Debt securities
Loans
Insurance, pension, and standardized guarantee schemes
Other accounts payable
<b>Long-term, by original maturity</b>
<b>With payment due in one year or less</b>
Special Drawing Rights (SDRs)
Currency and deposits
Debt securities
Loans
Insurance, pension, and standardized guarantee schemes
Other accounts payable
<b>With payment due in more than one year</b>
Special Drawing Rights (SDRs)
Currency and deposits
Debt securities
Loans
Insurance, pension, and standardized guarantee schemes
Other accounts payable
<b>Total publicly guaranteed debt of nonresidents</b> <i>[specify details]</i>

<sup>1</sup> When consolidated gross debt statistics cover the entire public sector, guaranteed public sector debt is zero. This is because guaranteed debt is already included as debt in its own right. When consolidated gross debt statistics do not cover the entire public sector, guaranteed public sector debt covers the amount of debt that the guarantor has guaranteed for those public sector units that are not covered in the gross debt statistics.

**Table 5.8b Reconciliation between Opening and Closing Stock Positions of Publicly Guaranteed Debt, at Nominal Value**  
**[specify institutional coverage]**

<b>Total publicly guaranteed debt at the beginning of the period</b>
Plus: Accrued interest
Minus: Debt service payments <sup>1</sup>
Plus: New guarantees provided during the period
Minus: Guarantees terminated by contractual agreements during the period
Minus: Explicit debt assumption during the period
Without acquisition of an effective claim on the original debtor
With acquisition of an effective claim on the original debtor
Plus/minus: Other changes
<b>Total publicly guaranteed debt at the end of the period</b>
<b>Memorandum items</b>
Fees paid by debtor to guarantor for the guarantee
Outstanding stock of guaranteed debt explicitly assumed as at the end of the period:
Without acquisition of an effective financial claim on the original debtor
With acquisition of an effective financial claim on the original debtor

Note: The statistics are reported at nominal value, therefore, revaluation adjustments for changes in the exchange rates of guarantees denominated in foreign currencies are included but market price changes are excluded.

<sup>1</sup> By the debtor to the creditor.

### ***Explicit contingent liabilities and net obligations for future social security benefits***

**5.53** This *Guide* recommends presenting information on values of explicit contingent liabilities, if they are considered to be significant and/or relevant. Explicit contingent liabilities, which are discussed under Contingent Liabilities in Chapter 4, may be grouped into three main categories for presentational purposes, as shown in Table 5.12. Details of loan and other debt instrument guarantees (which most likely constitute the majority of one-off guarantees), are provided in Tables 5.8a and 5.8b (publicly guaranteed debt). The remaining categories are not covered elsewhere in the debt presentation tables and it is recommended to disseminate such information in Table 5.12, if considered significant and/or relevant. Additional subcategories may be listed in Table 5.12, as relevant.

**5.54** As explained in Chapter 2 of this *Guide*, no liability is recognized in macroeconomic statistical systems for social security benefits—such as retirement benefits and health care—payable in the future.<sup>13</sup> These obligations are implicit contingent liabilities. All contributions to social security schemes are treated as revenue (transfers) and all payments of benefits are treated as expense (transfers). The present value of social security benefits that have already been earned according to the existing laws and regulations but are payable in the future should be calculated in a manner similar to the liabilities of an employer retirement scheme. This amount minus the present value of social security scheme contributions, provide an indication of the net obligations that a government unit has for social security benefits payable in the future.

**Table 5.12 Summary of Explicit Contingent Liabilities and Net Obligations for Future Social Security Benefits**  
**[specify institutional coverage]**

<b>Total explicit contingent liabilities</b>
One-off guarantees
Loan and other debt instrument guarantees <sup>1</sup>
Other one-off guarantees <sup>2</sup>
Other explicit contingent liabilities not elsewhere classified
Legal claims
Indemnities
Uncalled capital
...
<b>Net obligations for future social security benefits</b>
Present value of obligations for future social security benefits
Minus: Present value of future contributions to social security schemes

<sup>1</sup> This *Guide* recommends disseminating details of loan and other debt instrument guarantees (i.e., publicly guaranteed debt) as shown in Tables 5.8a and 5.8b.

<sup>2</sup> For example, credit guarantees and other similar contingent liabilities (such as lines of credit and loan commitments) and contingent “credit availability” guarantees and contingent credit facilities.

<sup>13</sup> In contrast, social security benefits due for payment but not yet paid are included as accounts payable in a public sector unit’s balance sheet. Also included in the balance sheet (and thus excluded from implicit contingent liabilities) are public sector units’ liabilities for unfunded nonautonomous pension schemes for their employees.