

OREGON ACCOUNTING MANUAL		Number 15.30.00.PO
Oregon Department of Administrative Services State Controller's Division	Policy	Effective Date July 27, 2005
Chapter	Accounting and Financial Reporting	.1 OF .2
Part	Securities Lending	
Section		Approval Signature on file at SCD

Authority [ORS 291.040](#)
 [ORS 293.590](#)
 [ORS 293.736](#)
 GASB Statement No. 3
 GASB Statement No. 9
 GASB Statement No. 28
 GASB Statement No. 34
 GASB Statement No. 40

Purpose and Scope

- .101 This policy establishes how **securities lending transactions** are to be recorded for financial reporting purposes in accordance with **generally accepted accounting principles (GAAP)**.
- .102 In accordance with State investment policies, the State Treasury's master custodian lends securities to **borrowers** for **collateral** that will be returned for identical securities in the future. The State receives **lender fees** from borrowers when securities are the collateral. As compensation for the use of cash collateral provided by the borrower, the State (as the **lender**) pays **borrower rebates**. These securities lending transactions are handled by a **securities lending agent** that receives **agent fees** for their services.
- .103 This policy applies to all state agencies that have designated investments in the Oregon State Treasury. It also applies to agencies required to prepare their own audited financial statements.

Reporting Securities Lending Activity

- .104 The costs of securities lending transactions, such as borrower rebates (interest costs) and agent fees shall be reported as expenditures or expenses (services and supplies). These costs must not be netted with income from the investment of cash collateral (interest revenue) or income from lender fees.
- .105 Revenues and expenditures (or expenses) associated with securities lending activities are subject to budgetary guidelines on a net basis.
- .106 Securities lent (the **underlying securities**) shall continue to be reported as assets (investments) on the lender's balance sheet.
- .107 Cash received as collateral on securities lending transactions and investments made with that cash shall be reported as assets. Liabilities for the obligation to return the cash to the borrower shall be reported as liabilities in the lender's balance sheet.

- .108 Securities received as collateral also shall be reported as assets if the lender has the ability to pledge or sell them without borrower default. In this case, a corresponding liability for the obligation to return the securities shall be reported. If the lender does not have the ability to pledge or sell unless the borrower defaults, the securities received as collateral shall not be reported as assets nor shall a corresponding liability be reported.
- .109 Disclosures required by GAAP shall be included in the notes to Oregon's **Comprehensive Annual Financial Report (CAFR)**. Such disclosures shall also be included in the financial statements of agencies required to prepare audited financial statements.