The treasury single account (TSA)

Q 4-07. What is a treasury single account system?

A **treasury single account (TSA**) is a series of linked bank accounts through which all government transactions flow. The treasury manages a consolidated funds pool, a single account, for all funds of the central government. That is, the treasury holds all funds, with very few exceptions, under its management at its fiscal agent, which is often the central bank.

The single account concept is in marked contrast to the approach used in many countries where individual agencies are allowed to hold funds in separate bank accounts under their control. This is especially true with pending disbursements. Under the single account system, however, each spending unit, agency, or bureau is given accounting control and responsibility for the timing and use of its funds. It does not actually hold those funds outside the treasury.

Q 4-07.01. What are the advantages of a TSA?

The treasury single account system yields significant advantages to a government, viz. reduced operations costs, improved control over funds, and better control over debt issuance. The treasury can thus manage the government's cash and debt positions to ensure that sufficient funds are available to meet financial obligations, that "idle cash" is efficiently invested, and that debt is optimally issued according to the appropriate statutes

Q 4-07.02. What does a TSA offer in cash balance management?

Perhaps the most obvious advantage of funds pooling is that variations in individual fiscal flows are likely to smooth out over all spending units. This reduces the need for short-term borrowing at individual agencies (if it were allowed) because temporary surpluses in one bureau can cover shortfalls in another. The further impact of this result is that the government reduces the pool of idle cash that must be held as a liquidity hedge. Surplus funds either can be used to reduce short-term borrowing or can be invested to yield additional revenues.

Q 4-07.03. How does a TSA assist in promulgating cash management?

Putting all funds under the direction of the treasury enhances the value of cash management practice for the government. By using one treasury for all agencies, cash management efforts at the treasury become cash management improvements for the entire government. The treasury makes and receives payments for agencies and works to ensure that agencies use the most efficient and effective payment, collection, and cash management processes available. This coordinates the financial activities of the various agencies so that they can benefit from the treasury's expertise and more centralized process benefit from economies of scale. The aim is to minimize the float time that elapses between steps in financial transactions.

Q 4-07.04. How does a TSA assist debt management?

A TSA improves short-term forecasting which improves debt issuance. Given the importance of knowing its cash balance position, the treasury forecasts the government's daily balance by tracking daily cash receipts and outlays. Information is also captured daily from the treasury's cash concentration and deposit reporting system.[1] With this information, the scheduling of short-term debt issuance can be managed to the optimal level for current needs.

Q 4-07.05. What are the advantages of a TSA for the central bank?

The information improvement of the single account also provides support for monetary policy. The treasury should work closely with the central bank to help the bank achieve its policy goals. Increases and decreases in the treasury's cash balance position can affect the central bank's ability to meet its policy goals of reserve supply and interest rates. The treasury, by sharing more accurate and timely balance information with the central bank, will contribute to the bank's policymaking.

Q 4-07.06. What does a TSA contribute to investment management?

With better information about the day's cash needs and with reduced liquidity requirements, excess balances can be invested to yield interest earnings to supplement other receipts.

Funds may be placed at pre-screened depositaries to be callable on short notice. This allows the treasury to use its bank deposits as a buffer stock. Short-term surpluses can be invested and the same funds can be called in to cover daily liquidity needs during periods when outflows are heavier.

[1] The same system may also provide information on deposits, ACH transfers, and wire transfers to agencies to help them reconcile accounts.