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F.10 Treatment of Cash Collateral

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F.10 Treatment of Cash Collateral[1]

Repayable margins in financial derivatives give rise to claims which are classified in the Balance of Payments and International Investment Position Manual, sixth edition*, and the* System of National Accounts 2008 *as deposits, if potentially included in the monetary aggregates or as other accounts receivable/payable otherwise. This treatment is at odds with that of the* European System of Accounts *which classifies such claims as deposits if they are liabilities of monetary financial institutions, but as loans in other cases. This Guidance Note examines the treatment of cash collateral agreements in general terms, also beyond the specific case of repayable margins in financial derivatives. The focus of the discussion is placed on the more contentious issues of (i) claims not included in the monetary aggregates (the classification as deposits of claims on units whose liabilities are included in the monetary aggregates is not controversial) and of (ii) cases other than securities lending with cash collateral (in principle to be classified as loans if not included in the money measure). The Guidance Note recommends that a classification of deposits is appropriate for all cash collateral agreements irrespective of the units involved and their relationship with the monetary aggregates. An exception is the aforementioned case of securities lending, although the Guidance Note also recommends that that issue, and the related one of repurchase agreements, is examined separately in the context of the review of the standards.*

SECTION I: THE ISSUE

BACKGROUND

1. **We examine herein the treatment of cash collateral transactions, namely agreements that entail the transfer of cash between two parties to secure credit exposures or other risks.** This kind of deal is common as part of securities lending operations, clearing and settlement mechanisms in financial markets, brokerage agreements, guarantees to governments, or the constitution of certain collateralized payables. They could also be part of legal requirements in the framework of bankruptcy proceedings or other court disputes in certain jurisdictions. At the same time, cash collateral transactions also occur outside court proceedings when escrow accounts are set up, for example when real estate ownership changes and several steps need to be completed by the buyer and seller to complete the transfer.

2. **This Guidance Note examines deals where the party making the cash payment in the context of securing a credit exposure retains a claim against the party that receives the payment.** It does not cover cash transfers to counterparties in the course of the settlement of transactions to acquire assets issued by third parties or to offset net liability positions as required in certain financial derivatives contracts, as no collateral is provided and no claim on the counterpart arises in such cases.

3. **The Guidance Note does not cover either the segregation of cash assets in the course of bankruptcy proceedings in order for them to be subject to court or creditor authorization prior to**

[1] Prepared by Celestino Girón, Branimir Gruic, Patrick McGuire, Anne Mulkay, Philippe de Rougemont, and Laura Wahrig.

use. In those cases, no market transaction occurs, and their statistical treatment, in particular in terms of economic ownership, is out of the scope of this assessment.

4. **Examples of the transactions under examination here are investors' provisions of cash to the so-called "margin accounts" with brokers or dealers.** The payments are typically made after declines in value of securities acquired by clients "on margin" (i.e., partially financed) to compensate for the associated loss in collateral value (margin calls). Apparent similar cash payments to brokers and dealers in the context of so-called "cash accounts" or due to "variation margin" requirements are made by clients in order to settle the acquisitions of securities, and not to pledge collateral, and are therefore not part of the transactions examined in this Guidance Note.

5. **The current statistical standards provide clear and consistent guidance for the treatment of cash collateral transactions associated to securities lending.** *Balance of Payments and International Investment Position Manual, sixth edition* (*BPM6*), paragraphs 5.52 and 7.59, and *System of National Accounts 2008* (*2008 SNA*), paragraph 11.74 indicate that those transactions should be treated like repurchase agreements leading to the recording a deposit or loan liability for the party receiving cash (the securities lender) and a corresponding asset for the party transferring cash (the securities borrower). The recording of deposits or of loans depends on whether the claim is included in broad money or not (*BPM6,* paragraphs 5.43 and 5.53; *2008 SNA,* paragraphs 11.59, 11.75, and 17.254). Similarly, cash provided in the context of gold swaps are treated analogously to repurchase agreements, either as loans or deposits (*BPM6,* paragraph 5.55; *2008 SNA,* paragraph 11.77).

6. **The standards also provide guidance on cash collateral pledged in the context of financial derivatives contracts in *BPM6,* paragraphs 5.94 (a) and 8.39, and *2008 SNA,* paragraphs 11.59, 11.124, and 13.57 under the denomination of "repayable margins"***.* The claims arising from these cash payments (which exclude payments entailing settling asset positions) are considered as deposits if included in the monetary aggregates in the two manuals. At the same time, *BPM6* indicates that the claims are classified as other accounts receivable/payable in other cases—"*Repayable margin payments in cash are classified as deposits (if the debtor's liabilities are included in broad money) or in other accounts receivable/payable"* (*BPM6,* paragraph 5.94 (a))—while SNA leaves the classification of the claims in such cases to the discretion of the compiler as deposits or as other accounts payable/receivable —*"Some compilers may prefer to classify these margins within other accounts receivable or payable in order to reserve the term deposits for monetary aggregates"* (*2008 SNA,* paragraph 11.124).

7. ***The European System of Accounts* (*ESA 2010*) departs from the SNA treatment.** It requires the recording of loans for "repayable margins" in financial derivatives contracts when the claims are on units other than monetary financial institutions (*ESA 2010,* paragraph 5.136 (d)), thereby establishing the same treatment as for securities lending and repurchase agreements.[2]

8. **The standards also include guidance on the treatment of margin calls in cash in the repo market (provisions of cash triggered by reductions in the price of the securities collateralizing the**

[2] These discrepancies in methodological requirements have been pointed out by De Nederlandsche Bank in its BOPCOM note 18/24. The authors also indicated in the note their preference for the *ESA 2010* treatment. In the subsequent consultation process to Committee members, the inclusion of this item in the research agenda was unanimously supported. This Guidance Note follows up on this.

repo)[3] **as loans** (*BPM6,* paragraph 5.53 and *2008 SNA,* paragraph 11.75). However, at the same time *BPM6,* paragraph 5.94 establishes that *"[the] principles for the classification of margins [in the context of derivatives contracts] also apply more generally to margin calls relating to positions in other financial assets"*, which would require margin calls for repos to be treated as repayable margins in financial derivatives (i.e., be classified as either deposits or other accounts receivable/payable, but not as loans—this is most likely just a drafting issue and the intention of the authors might have actually been to exclude cash margin calls in repos from the cases treated in *BPM6,* paragraph 5.94). Some SNA/BPM text adaptations would be needed to remove these conflicting, ambiguous messages and establish a clear treatment for margin calls in cash in the repo market.

9. **Apart from the specific cases discussed in paragraphs 5 to 8, the standards do not provide guidance on generic pledging of cash collateral.** This leaves uncovered certain collateralized guarantees like those arising in the context of the contributions by banks to banking resolution regimes and deposit guarantee schemes or the escrow accounts.

10. **This Guidance Note examines the possibilities for providing a comprehensive and consistent, albeit not necessarily uniform, treatment of cash collateral in the international standards**. It aims at resolving the current drawbacks in the standards, which provide guidance on the subject that is partial, inconsistent across manuals (e.g., *BPM6,* paragraph 5.94 (a), *2008 SNA,* paragraph 11.124, and *ESA 2010,* paragraph 5.136 (d) in relation to repayable margins where the debtor's liabilities are not included in broad money), inconsistent in wording within the same manual (*BPM6,* paragraph 5.53 and *BPM6,* paragraph 5.94 in relation to margin calls in cash in repos) and allegedly leading to different treatments of transactions with a similar economic effect (*BPM6,* paragraph 5.53 & *2008 SNA,* paragraph 11.75; and *BPM6,* paragraph 5.94 (a) & *2008 SNA,* paragraph 11.59 in relation to margin calls under repo and repayable margins in financial derivative contracts respectively)**.**

ISSUES FOR DISCUSSION

11. **The issue at stake is the classification of the claims arising as a result of transferring cash to secure any kind of credit exposure.** As discussed above, apparent similar cash payments taking place to settle the acquisition of assets vis-à-vis third parties or to offset liability positions do not give rise to claims on the counterparty in the transaction.

12. **An interesting issue is whether the provision of cash in the context of generic margin calls could rather be recorded as a reduction of the credit exposure that it secures.** For instance, margin calls in cash under repo agreements when the market value of the repoed security falls below the required margin (usually the initial haircut) might be seen as reducing the liability position of the repo seller. However, in most cases the cash collateral conditions in the repo or securities lending agreement clearly distinguish separate terms for the cash collateral, for instance regarding the interest rate accruing on it which generally differs from the repo rate or the rebate rate.[4] When the existence of a financial claim

[3] For example, cash can be provided as collateral on temporal basis in a bilateral, non-CCP cleared repo. See the Technical Standards under SFTR and certain amendments to European Market Infrastructure Regulation (EMIR) for details.

[4] The Financial Stability Board (FSB) is currently facilitating global securities financing data collection based on the Standards and Processes for Global Securities Financing Data Collection and Aggregation (FSBDS) published in November 2015. The Bank for International Settlements (BIS) acts as a global data aggregator for the initiative. The

is evidenced in the context of cash collateral pledging, be them due to margin calls or otherwise, the classification of the asset requires further clarification.

13. **The available methodological guidance for some cash collateral transactions coincides in classifying the claims as deposits if the corresponding liabilities are part of the money definition** (see above). This advises for setting such a treatment as a general rule for all kind of cash collateral transactions. The classification as deposits aligns better with the national accounts balance-sheet structure of banks where payables with similar characteristics, in particular in terms of maturity (short term), are usually included in the money definition and classified as deposits, and not under the possible alternative category of loans (this is additionally a strong requirement in *ESA 2010,* paragraph 5.118). At the same time, it is recommended that the wording in *BPM6,* paragraph 5.53 and *2008 SNA,* paragraph 11.75 is amended so that they do not lead to the interpretation that repo margin calls are to be treated as loans in all cases.

14. **However, the current standards do not provide uniform and consistent guidance for cash collateral transactions that result in liabilities of units whose liabilities are not classified in the money aggregates.** For securities lending with cash collateral, assimilated to repurchase agreements (see above), and for margin calls in cash under repos (*BPM6,* paragraph 5.53 and *2008 SNA,* paragraph 11.75) the choice is loans (although as indicated above the wording in *BPM6,* paragraph 5.94 could be interpreted as implying that margin calls under repos are to be treated as other accounts receivable/payable). At the same time, for so-called “repayable margins” in financial derivatives contracts, *BPM6* prescribes other accounts receivable/payable (*BPM6,* paragraph 5.94 (a)); *2008 SNA* either deposits or other accounts receivable/payable at the discretion of the compiler (*2008 SNA,* paragraph 11.124); and *ESA 2010* loans (*ESA 2010,* paragraph 5.136 (d)).

15. **In the following narrative, we consider three options for an overreaching instrument classification of claims arising due to cash transfers made in order to secure risk exposures and to units whose liabilities are not included in the monetary aggregates.**[5] The collateral agreements that lead to liabilities of deposit-taking corporations are therefore excluded from the discussion below (such liabilities would in all cases be classified as deposits).

OPTION 1: OTHER ACCOUNTS RECEIVABLE/PAYABLE

16. **This is the current treatment in both *BPM6* and *2008 SNA* and would require minimum changes in the wording of the two manuals, even though it would require a change in the *2008 SNA* definition of other accounts payable/receivable.**[6] This option is based on the interpretation that loans and deposits should only apply to transactions entailing the clear intention of raising funds or placing funds by the parties involved, respectively, while the transactions under review here are motivated

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Frequently Asked Questions (FAQs) developed by the SFT Data Experts Group (DEG) to help implementing the FSBDS clarified the treatment of cash collateral in repos by asking them to be reported as a collateral, and not as a reduction of the repo loan.

[5] Not all data collections distinguish between loans and deposits for cash collateral. For example, previously mentioned FSBDS only define that the collateral should be presented by type of assets provided.

[6] *2008 SNA* paragraph 11.127 does not actually cover cash collateral, despite the flexibility allowed by paragraph 11.124 to depart from the deposit treatment.

by securing risk exposures. Particularly relevant to this interpretation are *BPM6,* paragraph 5.51 and *2008 SNA,* paragraph 11.72 by indicating that, in loan transactions, *"a creditor lends funds directly to a debtor."*

17. **Nevertheless, under this option, securities lending with cash collateral would presumably still be treated as loans given that repos and securities lending against cash are substitutes—see paragraph 5 (unless there is a decision to re-examine the treatment of repos).** The loan treatment would be justified in this case on the grounds that these transactions are often motivated by raising funds (or might have a strong funding motivation by one of the parties) that cannot be separated from other motives, such as placing funds or securing risk exposures.

18. The implementation of this option would only require resolving the drafting conflict on margin calls in cash under repos (*BPM6,* paragraph 5.53 and *2008 SNA,* paragraph 11.75 versus *BPM6,* paragraph 5.94), extending the treatment to generic cash collateral transactions, and modifying the definition of other accounts.

OPTION 2: LOANS

19. **The features of the claims associated to cash payments made to secure risk exposures are seen under this option as being in line with those of loans as described in *BPM6,* paragraph 5.51 and *2008 SNA,* paragraph 11.72 (i.e., entailing the provision of funds with absence of negotiability).** This implies that the *purpose* of such provision of funds is regarded as largely irrelevant.

20. **The focus is put here on the economic *effect* rather than on the economic *purpose,* following a line of reasoning similar as the one behind making no distinction between financial derivatives used for hedging and those used for investment purposes.** This option builds on the fact that the units' *purpose* is already disregarded in the well-established treatment of securities lending with cash collateral and repos. The funding *purpose* that would in principle be behind the classification as loans would not necessarily exist as some repurchase agreements (and securities lending with cash collateral) might be motivated by the desire to borrow or to lend a specific security, rather than by the desire to raise or provide funds or to place funds. Moreover, the *purpose* may not be the same for the two parties of a given repo transaction. Actually, market analysts commonly compare the repo interest rate of a transaction (rebate rate in securities lending) with the general money market interest rate to assess whether the transaction is dominated by funding or security demand forces. In addition, it is noted that dealers and clearing houses all have collateral investment policies that involve using cash collateral as funding or borrowing device, which would lead to conclude that the classification of the underlying claims as loans can be warranted also if an economic *purpose* perspective is taken.

21. Margin calls in various circumstances are seen here as responding to the same economic forces behind the initial terms in a repo or a securities lending with cash collateral: achieving equilibrium in value (including haircuts) between funds and pledged assets where either part can be seen as collateral for the other, to the *effect* that the risks and rewards of the underlying securities (be them derivatives or others) effectively stay with the unit to which the economic ownership is assigned.

22. **Moreover, a possible treatment as other accounts receivable/payable (Option 1) would be seen as not in accordance with the nature of the cash flows associated to the claims.** This would be mainly grounded in considering other payables as linked to timing difference between changes in ownership of assets (including financial assets) or products and the corresponding payments (*2008 SNA,*

paragraphs 11.127, 17.294, and 17.296; *ESA 2010, paragraphs* 5.240–5.244) and would require definitional changes in the instrument.

23. **Additionally, cash collateral pledging terms are in most cases including interest payments to the party constituting the deposit.** An interesting point in the discussion is the role that this fact should have in the instrument classification. The relevant feature here is the existence of regular *cash* interest payments (i.e., that the cash-flow stream of the asset present those regular cash payments), and not the accrual of (interest) income, which is conceptually present in all cash-flow streams other than those associated to financial derivatives; insurance, pensions and standardized guarantees; and equity. *2008 SNA,* paragraph 17.236 indicates that "*As far as possible, there should be no interest arising on other accounts receivable and payable since the amounts outstanding that give rise to interest payments should be classified as loans",* which, though incorrectly implying that other account receivable and payable cannot accrue interest (contradicting *2008 SNA,* paragraph 3.144 that indicates that trade credits should be recorded for the present value of the consideration promised, in order to avoid distorting the production accounts), could be understood as merely requiring the classification of assets making regular interest payments as loans. However, no similar requirement is present in either *BPM6* or *ESA 2010*. It is suggested that the particular issue of the links between periodic interest payments and the classification of claims as loans or other payables is examined and clarified in the manuals.

24. In considering loans as opposed to deposits—which in principle also entail the provision of funds and lack negotiability—this option aligns with the possible convention suggested in *BPM6,* paragraph 5.40 for distinguishing between loans and deposits in certain cases that compilers may opt for: *"When one party is a deposit-taking corporation and the other is not, a possible convention is that an asset position of a deposit-taking corporation is classified as a loan by both parties."* Option 2 would then extend by this possible convention as a compulsory treatment in the case of cash-collateral to all claims on non deposit-taking corporations. A drawback of this distinction is that it is well-established in the current manuals that central governments can generally have deposit liabilities, thus anyway the delineation between loans and deposits is not based on sectorisation.

25. **The implementation of this option implies changing the handbooks to include generic provisions on cash collateral beyond the few specific cases treated now, and to change the current treatment of "repayable margins" in financial derivatives contracts (*BPM6,* paragraph 5.94a; *2008 SNA,* paragraph 11.124), in both cases to prescribe the classification of the arising claims as loans** (when the claim is not part of money aggregates or when the liability arising is not issued by units whose liabilities are part of the money definition). This would eliminate the direct conflicts in and across manuals indicated above (see paragraph 10), and the additional indirect conceptual discrepancies with other prescriptions in the standards in the light of the detailed analysis of the nature of the claims (see in particular the discussion in paragraphs 22 to 24 above). However, this may not well reflect the nature of the instrument (the intention is not to fund the other party) and would nonetheless not result in achieving consistency with monetary aggregate statistics.

OPTION 3: DEPOSITS

26. **The proponents of this option do not see necessary to make a distinction of instrument class on the basis of the sector of the debtor, as results from options 1 and 2.** While it is still accepted the convention that non-negotiable liabilities that would be included in the monetary aggregates

should be classified under deposits, it is not seen as following from there that liabilities not to be classified in such aggregates, including those of institutions other than deposit-taking institutions, *should not* be classified the same in other cases, in particular in the case of cash collateral agreements (i.e., the requirements in the international standards regarding inclusion in the monetary aggregates would be "sufficient conditions" for the classification of claims as deposits, and not "necessary conditions").

27. **In fact, making a distinction of that kind could be highly distortive in this case given usual market practices.** It is not uncommon that two parties maintain margining requirements covering various contracts, and it is not simple to justify why a claim of one (say non-financial) party would be a deposit and the claim of the other (financial) party would be a loan, also in contradiction to the conceptual definition of loans in the manuals. The distinction would also prevent netting as the standards do not generally allow netting across instruments. However, it could be desirable that bilateral margining obligations on over the counter (OTC) derivatives are netted between two same parties in national accounts and balance of payments to prevent inflating balance sheets.

28. **Moreover, the obligations arising between the parties and the resulting cash flow structure in these transactions are seen as sufficiently similar to that of deposits as defined in the standards.** The "Collateral Arrangement Agreement" (CAA), usually accompanying the pledging, is seen as representing *"evidence of deposit"* as required in the *2008 SNA,* paragraph 11.59 and *BPM6,* paragraph 5.39 as the terminology, clauses, and operational arrangements in CAAs correspond to those establishing regular deposit accounts.

29. At the same time, one feature of such guaranteeing deposits is that often (not always) the depositor has the *initiative* to recuperate the funds by stopping the action that requires depositing. *Initiative* by the creditor is seen as a feature that distinguishes deposits from loans (see *ESA 2010,* paragraph 5.113 (b)).

30. The case of securities lending with cash collateral, as well as repos and associated margin calls, would be considered separately (with a decision to take to either unify the recording as deposits or emphasize the funding purpose and keep the loan classification). Moreover, it could also be considered the possibility to make exceptions for units not commonly seen as issuing deposits, in particular households.

31. **This option would require changing the current provisions as regards margins in financial derivatives and introducing standards on generic cash collateral obligations.** The changes would eliminate direct and indirect inconsistencies in the standards similar to Option 2. At the same time, this option would obviously not overrule the choice made by compilers to follow *BPM6,* paragraph 5.40.

SECTION II: OUTCOMES

NEW SUB-INSTRUMENT SUBCATEGORY

32. **In the light of the discussion above, it is recognized that margins and cash collateral have features that belong to loans (AF.4) in some cases, deposits (AF.2) in others and other payables (AF.8) in yet others.** Irrespective of the decision in terms of first-digit level instrument classification, it is

proposed to create a new instrument subcategory (AF.X8) under AF.4, AF.8, or AF.2 (depending on the first-digit level decision) to cover them.[7]

33. **In doing so, analysts could still separately identify and treat them in accordance with a specific analytical purpose.** However, the increase in compilation burden related to this additional detail needs to be considered.

34. **At the same time, securities lending with cash collateral would be excluded from this additional sub-classification in all cases and treated as loans/deposits as appropriate in the standard second-digit level categories.**

OPTION 3 IS RECOMMENDED

35. **It is difficult to argue that the economic substance of assets derived from similar collateral arrangements to secure similar risks changes only depending on which agents are involved.** Thus, maintaining separate treatments on the grounds of whether or not the liabilities can be included in the monetary aggregates, or are or not liabilities of deposit-taking institutions, would be artificial, and for instance prevent the netting of bilateral claims of the same nature arising between parties in the context of margin calls (see paragraph 27).

36. **Moreover, the technical assessment unanimously supported by the FITT members who expressed their opinion during the consultation, concludes that the features of the claims arising as a consequence of pledging cash collateral align with those of deposits as laid down in the standards.** In particular, they constitute non-negotiable claims represented by evidence of deposits (the CAAs). Furthermore, the definition of deposits in paragraph 4.29 of the *Monetary and Financial Statistics Manual and Compilation Guide (MFSMCG)* allows for debtors other than deposit-taking corporations (central government) to incur deposit liabilities.

37. **The assessment also concludes that a classification as loans (Option 2) would not be appropriate.** This is due to the absence of a funding intention—which is embedded in the loan definition in the standards ("*loans are financial assets that are created when a creditor lends funds to a debtor*"; *BPM6,* paragraph 5.51 and *2008 SNA,* paragraph 11.72)—as the purpose of these cash placements is rather securing risk exposures. Even though it is also true that cash collateral transactions do not have either the traditional purpose of deposits, the investment of funds, such condition is not so forcefully required in the definition of deposits (as laid down in *2008 SNA,* paragraph 11.59, *BPM6,* paragraph 5.39, and subsequent articles) as it is in the case of loans in relation to the funding purpose.

38. **Furthermore, a classification as other receivable/payable (Option 1) is not seen as appropriate either.** This is grounded in the evidence of deposits represented by the CAAs as described above, but also in the fact that the claims under examination here are not linked to timing differences between the acquisition of assets or products and the associated payments, a common, although perhaps not exclusive, feature of the category other accounts receivable/payable (*2008 SNA,* paragraphs 17.294 and 17.296).

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[7] The codes used in the tables are those within the classification hierarchies of the *2008 SNA* (see Annex 1: The Classification Hierarchies of the SNA and Associated Codes).

39. **As an exception, securities lending with cash collateral would in principle still be treated as loans.** This is due to their equivalence to repos, which are consistently classified as loans in the standards and where the funding purpose is more prominent and cannot be effectively distinguished from other possible purposes underlying the transaction.

40. **The possibility to also exclude from this treatment other cash collateral agreements that entail liabilities of units not typically associated with the issuance of deposits was not supported by a few respondents during the consultation process.** A respondent suggested no exemption, another a limited number, and a third one only very limited exclusions (perhaps circumscribed to households' liabilities only).

41. **At the same time, it is recognized that this Option 3 might be seen as contradicting the common association of deposits to the monetary aggregates** (as for instance recognized explicitly in *2008 SNA,* paragraph 11.124). Furthermore, the recommendation could be seen as not being in line with the possible convention set out in *BPM6,* paragraph 5.40 for distinguishing between loans and deposits that compilers may elect to follow, which is extensively used in macroeconomic statistics in Europe. Indeed, it is noted that the recommendation is inconsistent with the definition of deposits in *ESA 2010,* paragraph 5.79 as "*standardized, non-negotiable contracts with the public at large, offered by deposit-taking corporations and, in some cases, by central government as debtors*". This point, and/or the associated need to have further reflections from the perspective of monetary analysis before taking a decision, have been made by two members of the BPTT and three members of the AEG in the corresponding consultations. However, *2008 SNA* (also the *MFSMCG)* and even *ESA 2010* allow for debtors other than deposit-taking corporations (central government) to incur deposit liabilities and could also be seen as only allowing for some simplification as this point is not made in the definition of deposits. In addition, option 3 is not designed to necessarily overrule the recording option foreseen by *BPM6,* paragraph 5.40 that compilers may decide to follow (which is actually prescribed by *ESA 2010*).

REVIEWING THE TREATMENT OF REPOS AND SECURITIES LENDING WITH CASH COLLATERAL

42. **It is also suggested that, following the possible extension to all institutional units of the same treatment for generic cash-collateral claims, the specific case of cash collateral pledging to secure repurchase agreements/securities lending is also reexamined.**

Questions for Discussion:

1) *Does the Committee agree with Option 3 (classification as deposits of all cash-collateral related liabilities, including for units whose liabilities are usually not included in the monetary aggregates) recommended in the Guidance Note? In case you reject Option 3, please express a preference for a classification in line with either Option 1 (other accounts receivable/payable) or Option 2 (loans).*

2) *In case Option 3 is supported, does the Committee agree to allow for exceptions for liabilities of certain institutional units (e.g., financial auxiliaries, non-financial corporations, households) so that they could be treated as loans or other accounts payable? If yes, in which cases?*

3) *Does the Committee agree with proposing a new sub-instrument category (e.g., within deposits) to cover cash collateral claims?*