



## **9.3 F10 Treatment of Cash Collateral**

15th Meeting of the Advisory Expert Group on  
National Accounts

April 6–8, 2021

# Outline

- **Background**
- **GN: Issues for discussion**
- **GN: Outcomes**
- **Public consultation**
- **BOPCOM discussion**
- **Questions for the AEG**

# Background

- **The classification of claims arising in cash collateral agreements**, such as repayable margins with CCPs, (cash) collateral in securities lending operations, escrow accounts, deposits in court disputes, ...
- **Current (*incomplete*) guidance is**
  - ▶ **Consistent** for cash collateral associated with securities lending—loans or deposits, depending on whether the claim is included in broad money or not
  - ▶ **But inconsistent** for repayable margins:
    - *BPM6*: other accounts payables for “repayable margins;” *2008 SNA*: at discretion; *2010 ESA*: loans

***The GN looks into the classification of liabilities of non-deposit-taking institutions for cash collateral other than for securities lending***

## GN: issues for Discussion

- The GN considers three options for the classification of liabilities of non-deposit-taking institutions for cash collateral (other than for securities lending)

### Options

- ▶ **Option 1—other accounts payable:** the rationale is that the claims are not linked to either the provision of funds or the placement of savings (as loans and deposits are), but to secure risk exposures. This is the current treatment in *BPM6* and *2008 SNA* (with some leeway for the compiler) and would require minimum changes
- ▶ **Option 2—loans:** economic effects of claims are similar to loans in securities lending and repos (and these are treated as loans); in line with the ESA convention that deposits are only liabilities of MFI-like institutions
- ▶ **Option 3—deposits:** economic effects of claim do not change depending on the unit for which the claim is a liability (and for deposit takers, the claims are treated as deposits)

# GN: Outcomes

- **The GN proposes Option 3**, for the reason indicated above and ...
  - ▶ The features of the claims arising from cash collateral align with those of deposits as defined in the standards
  - ▶ “Deposits” is better than “other accounts payable,” for the claims are not linked to bridging the time gap between a change in ownership of products and assets and the corresponding payment (as other accounts payable usually are)
  - ▶ “Deposits” is better than “loans”, for the SNA/BPM do explicitly require a link between loans and a funding purpose (and they don’t require so forcefully a link between deposits and the placement of funds)
  - ▶ This approach is consistent with MFSMCG as it allows for debtors other than deposit-taking corporations to incur deposit liabilities.
- **The GN also proposes to consider**
  - ▶ Allowing for exceptions for liabilities of certain institutional units (e.g., financial auxiliaries, non-financial corporations, households) so that these could be treated as loans or other accounts payables
  - ▶ Creating a new instrument subcategory under the relevant first-digit level instrument

# Public consultation

- **The public consultation reflected mixed views**
  - ▶ Supporters of Option 3 (deposits) and those against were almost **equally split**, with a slight majority being against
  - ▶ Out of those who supported the proposed Option 3, the majority indicated that not only deposit-taking and other financial corporations but also **other institutional sectors (e.g., non-financial corporations) should be allowed to record deposit** liabilities for cash collateral
  - ▶ Out of those who did not support the proposal, a slight majority preferred recording cash collaterals in accounts payable while the rest preferred recording them as loans
  - ▶ Majority of respondents did **not support the proposal to introduce a new sub-instrument category** to cover cash collateral, indicating that the usefulness of the data would not justify the additional reporting/compilation burden it would entail.

# BOPCOM discussion

BOPCOM Summary of Discussion is posted here:

<https://www.imf.org/external/pubs/ft/bop/2021/pdf/VM1/21-12.pdf>

## • Again, mixed views

- ▶ **Some Committee members supported option 3** (deposits). Other Committee members favored option 2 (loans) while a few members preferred option 1 (other accounts receivable/payable).
- ▶ Those that supported **deposits**... *cash collateral better fits the concept of deposits; the option yields consistency across issuing sector; cash collateral obligations are not intended for raising funds*
- ▶ Those that supported **loans** ... *cash collateral meets the main criteria for loans (provision of funds, no negotiability); loan is used for other borderline cases (e.g. repos) and is a common convention for liabilities of others than deposit-taking corporations; cash collateral is not intended for placing funds (and are usually not standardized products)*
- ▶ Those who supported **option 3** considered that it **should be applied with no exception** for certain types of institutional units. The Committee did **not support** introducing a **new sub-instrument** category.

## • Follow-up

- ▶ ***“After the AEG discussions, FITT to propose a way forward based on the guidance provided by Committee and AEG members.”***
- ▶ ***“The Committee acknowledged that, in the absence of substantive agreement, the fallback solution of no change to the current standards would prevail.”***

# ***Questions for the AEG***

- 1. Does the AEG 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 payable) or Option 2 (loans).*
- 2. In case Option 3 is supported, does the AEG 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 AEG agree with proposing a new sub-instrument category (e.g., within deposits) to cover cash collateral claims/liabilities?*