RESERVE BANK OF NEW ZEALAND

THE TREASURY
Kaitohutohu Kaupapa Rawa

Treasury Report: Retail Deposit Guarantee Scheme: Transitional Arrangements

Date:	28 April 2009	**Report No:**	T2009/1049

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	**Read** in advance of the financial system issues meeting with Treasury and RBNZ officials.	12.00-12.40pm, Wednesday 29 April 2009.

Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
Joanna Gordon	Manager	[Withheld – privacy]	[Withheld – privacy]	✓
Toby Fiennes	Head of Prudential Supervision	[Withheld – privacy]	[Withheld – privacy]	

Minister of Finance's Office Actions (if required)

SPS to give directly to the Minister of Finance. Copy to Cat Moody, Bryan Dunne and Paul Dyer.

Enclosure: **No**

28 April 2009

Treasury Report: Retail Deposit Guarantee Scheme: Transitional Arrangements

Executive Summary

At the financial system issues meeting on 16 April 2009 officials discussed with you the arrangements that could be put in place once the current retail deposit guarantee scheme expires in October 2010. The timeline and initial assessment of options that you were provided with is included in Annex 1.

You asked officials to articulate the case for extending the retail deposit guarantee scheme as a transition toward permanent arrangements and to report back to you with further information about the possible design features of a transitional scheme. This report responds to that request.

[

Withheld – under active consideration

]

Section 1 of the report outlines the case for extending the retail deposit guarantee scheme. It outlines one scenario of how not extending the retail deposit guarantee scheme is likely to impact on the financial sector - not extending the scheme at a time of lower depositor confidence is likely to cause the widespread withdrawal of deposits from both high and low quality non-bank deposit takers (NBDTs). This is likely to cause critical liquidity problems for many NBDTs, which will turn into credit problems, as institutions and receivers need to realise assets quickly. While the non-bank sector represents a relatively small proportion of the deposit taking sector (approximately 7% of eligible deposits under the retail deposit guarantee scheme/ $9 billion / 400,000 depositors), it could still have flow on effects for banks and their lending decisions via its effect on asset prices. If the scheme was removed once financial markets were more stable then depositors are less likely to withdraw their funds for NBDTs (particularly higher quality ones), and if asset prices have stabilised, the downward pressure on asset prices are likely to be less pronounced.

We consider the marginal fiscal cost of extending the scheme is relatively low. We are working on estimates of fiscal costs under the base cases of extending and not extending the scheme under different states of the economy. We also consider that the short-term extension is unlikely to create a significant negative distortion in financial markets due to its short duration.

Section 2 outlines the main design options of an extended scheme, and recommends a transitional scheme with the following features:

- **Fees**: More risk based fees (this report provides a spectrum of risk-based pricing options).

- **Eligibility**: Quality-based eligibility criteria (e.g., a credit rating of at least B, or a tier 1 capital ratio of at least 10%).
- **Managing Crown risk**: Greater flexibility to manage Crown risk in the guarantee scheme (e.g., ability to withdraw or alter the guarantee to manage institutional risk).
- **Coverage**: Reduced and differential coverage for banks and non-banks (e.g., $500,000 for banks, and either $50,000 or $100,000 for non-banks).
- **Timing**: Introduce for a year, with an option to extend if necessary.
- **Compulsory or opt in**: Compulsion for banks, and opt in for non-bank depositing taking institutions.

We can discuss the issues raised in this report with you further at the financial system issues meeting scheduled for Wednesday 29 April 2009.

Recommended Action

We recommend that you:

a **agree** to announce the extension of the retail deposit guarantee scheme alongside the 2009 Budget.

Agree/ disagree/ discuss further

b **agree** to announcing the following design features of the extension:

- More risk based fees (e.g., option 4 fee structure, plus higher fees on deposit growth in financial institutions with a low credit rating)

Agree/ disagree/ discuss further

- Quality-based eligibility (e.g., a credit rating of at least B, or a tier 1 capital ratio of at least 10%)

Agree/ disagree/ discuss further

- Greater flexibility to manage Crown risk in the guarantee scheme (e.g., ability to withdraw or alter the guarantee to manage institutional risk)

Agree/ disagree/ discuss further

- Reduced and differential coverage for banks and non-banks (e.g., $500,000 for banks, and either $50,000 or $100,000 for non-banks)

Agree/ disagree/ discuss further

- One year extension, with an option to roll the scheme forward if necessary

Agree/ disagree/ discuss further

- Compulsion for banks, and opt in for non-bank deposit taking institutions

Agree/ disagree/ discuss further

c [Withheld – under active consideration
]

Agree/ disagree/ discuss further

Joanna Gordon
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for Secretary to the Treasury

Toby Fiennes
Head of Prudential
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Hon Bill English
Minister of Finance

SECTION 1: THE CASE FOR EXTENSION

The case for extending the Scheme

1. The objective of the Crown Retail Deposit Guarantee Scheme (the Scheme) is to ensure continuing retail depositor confidence in New Zealand's financial system given ongoing international financial market turbulence.

2. In our view, this objective is still desirable and would be at risk if the Scheme was not extended beyond 12 October 2010 for the reasons outlined below.

   i. **Not extending the scheme risks significantly damaging New Zealand's financial markets and economy. There are a number of possible ways this might happen;** One possible scenario of how not extending the Scheme is likely to impact on the financial sector is that the removal of the guarantee at a time of low investor confidence is likely to cause widespread withdrawal of deposits from a large number of NBDTs, effectively a liquidity run that can then turn into a credit issue. The following sets out how this may flow through the economy, with critical questions about the size and breadth of contagion:

      - Guarantees are paid out on low-quality NBDTs at a time when underlying asset prices are particularly low;

      - In order to liquidate failed companies quickly the Crown is also likely to take a loss on the sale of unimpaired lines (e.g. car finance), with a wealth transfer to investors able to buy underpriced assets;

      - NBDT receiverships increase the number of mortgagee sales, while at the same time a shrinking NBDT sector reduces the number of potential buyers. This could lead to a downward spiral of asset prices, particularly for commercial property. Loss of depositor confidence means that high quality NBDTs face liquidity issues that force them to shrink or close. Good quality NBDTs may face insolvency if there is a significant fall in asset prices. Note that around $9 billion of deposits in NBDTs are currently covered plus another $10 billion in small banks, which together could form a systemic risk;

      - Banks are affected on properties jointly mortgaged with NBDTs and more generally by falling property prices that affect the underlying collateral on other lending. This reduces the credit worthiness of banks and reduces their ability to lend; and

      - Lines of credit are withdrawn from businesses using commercial property as collateral due to the value of that collateral falling. Banks withdraw other lines of credit in an effort to improve their own credit worthiness.

   If the scheme is withdrawn at a later date once financial markets have stabilised, investor confidence is restored, and the economy is recovering, we would expect:

- The NBDT sector will on average be of higher quality, for example by the introduction of the Reserve Bank's supervisory regime;
- Remaining NBDTs should be of higher quality and investors may be less risk adverse and this should reduces contagion within the sector;
- Demand for property will be stronger so prices will have bottomed and be recovering. This significantly reduces the risk of a negative spiral in asset prices.

ii. **International financial markets remain disrupted.** Although the position of major financial institutions is now better understood and measures have been taken to restore confidence, considerable uncertainty remains. We cannot be confident that the worst of the financial market turbulence is past. In saying this, we are mindful of the fact that the announcement around any extension of the Scheme has to be made very shortly.

iii. **The Australian deposit guarantee operates for three years (until 12 October 2011).** An end to the New Zealand Scheme ahead of the Australian one is likely to cause a flow of funds from New Zealand to Australian banks. Although ex ante we cannot be certain about the size of this flow, anecdotal evidence from the period around October 2008 suggests some flow is likely to occur. A flow of funds could weaken the retail deposit base of New Zealand banks and increase their reliance on wholesale funding. New Zealand banks are already significantly reliant on wholesale funding (which is more fickle). This could result in reduced lending from banks to the New Zealand economy. Non-alignment with Australian and international policy decisions on guarantees could also make New Zealand appear different and could generate more uncertainty.

iv. **Optionality**

a. [Withheld – under active consideration

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b. There are some NBDTs that could fail if the Scheme ended in October 2010 (potentially while the guarantee is still in place) but may not fail if the Scheme ended at a later time. For these NBDTs more time could allow them to strengthen their balance sheets and benefit from some recovery in the economy.

v. **The risk of needing to reintroduce the Scheme.** Ending the Scheme prematurely runs the risk of having to reintroduce it again should depositor confidence significantly deteriorate. Maintaining depositor confidence through a 'second entry and exit' of the Scheme would be difficult. We consider there would be a material risk of needing to reintroduce the Scheme if we shortly made an announcement that it was to end.

Costs of extension

3. Extending the scheme will prolong some distortions in the financial and investment markets including:

    i. Moral hazard – with a guarantee banks and guaranteed NBDTs are equally risky for depositors which, without accurate risk based pricing, may encourage higher risk/return institutions to grow; and

    ii. Inefficient allocation of capital – equity and debt instruments are disadvantaged as unguaranteed higher risk/return investment options.

4. In the longer-term these distortions could damage the efficiency of New Zealand's capital markets and harm productivity. However, we consider that a short-term extension is unlikely to create significant negative financial market distortions due to its short duration and given that worldwide capital markets are still unstable and unable to price risk effectively. Distortions can be partially managed by moving towards risk-based pricing (while acknowledging that neither we nor the market can accurately price risk in this uncertain environment) and by giving the Crown greater flexibility to manage risk in the scheme, e.g., the ability to withdraw or alter the guarantee to manage institutional risk. As discussed above, not extending the guarantee is likely to shock markets, losing investor confidence which could also damage market efficiency in the short-term.

5. Overall, we consider the marginal fiscal cost of extending the scheme is relatively low. An extension will prolong and potentially increase exposure for the Crown. However we do not think pay-outs under an extended scheme scenario are likely to be significantly higher than pay-outs under the status quo arrangement. In other words, if the Scheme is not extended, those institutions 'at risk' are likely to fail before the Scheme ends. If the Scheme is extended, these institutions may fail later and potentially with greater losses in some cases, but on the other hand some may pull through with the list of 'at risk' institutions unlikely to grow. We are working on estimates of fiscal costs under the base cases of extending and not extending the scheme under different states of the economy.

Objectives of an extended scheme

6. The objectives of the existing Scheme remain valid in our view and are relevant to an extended scheme. However, we also consider that an extended scheme should be seen as a path towards 'normal time' arrangements. [

Withheld – under active consideration]

More 'normal time' arrangements should closely reflect the objectives of the prudential regime administered by the Reserve Bank, namely, the soundness and efficiency of the financial system.

7. Taking into account the discussion above, we propose that the objectives of an extended Scheme be:

- To contribute to the soundness of the financial system by ensure continuing retail depositor confidence.
    - This includes managing the risk of significant capital flows to Australia.
- To facilitate the transition from blanket coverage [Withheld – under active consideration]
    - This includes better management of the Crown's exposure and of market distortions, [Withheld – under active consideration]

SECTION 2: DESIGN OPTIONS FOR EXTENSION

8. This section of the report sets out criteria that can be used to help assess transitional options and then summarises analysis on the key and recommended options for each design parameter:

- Fees – extent of commercial or risk-based pricing
- Eligibility – which institutions are able to be covered under the new scheme
- Managing risk growth – ability to withdraw or alter the guarantee to manage institutional risk
- Coverage – cap on deposits covered and whether this varies by institutional type
- Timing – length of time the transitional scheme is introduced for and the ability to extend
- Compulsory or opt in – whether the scheme should be compulsory for banks [Withheld – commercially disadvantage Crown]

Criteria to assess options

9. **Stability**

- Maintenance of financial stability and confidence
- Provide certainty and clarity for depositors and firms with a scheme that is credible and well understood
- Facilitate orderly exit

10. **Risk**

- Minimise Crown loss
- Retain future flexibility of the Crown
- Feasibility and certainty of implementation

11. **Efficiency**

- Minimise financial market distortions – reflect risk and prevent free riding

- Operate on a commercial basis
- Minimise distortions from competing objectives
- Promote competition and healthy financial market development – now and in the long-term
- Minimise administrative complexity

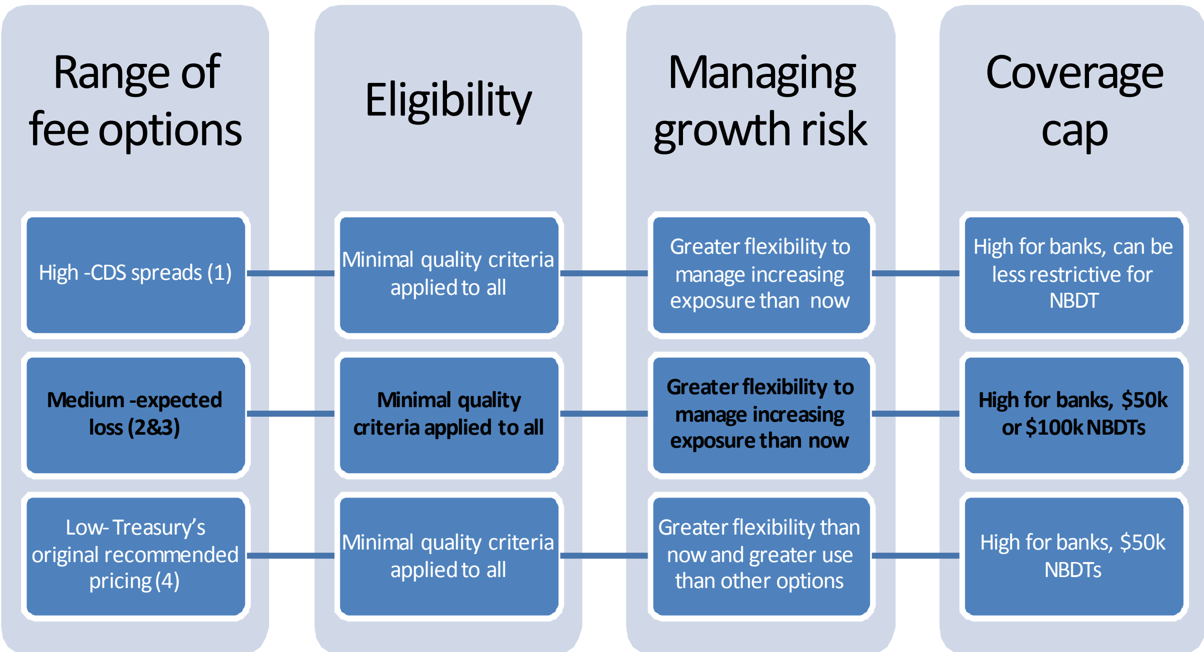
Analysis of options

12. Decision making on the key parameters of the scheme can be thought of in terms of a critical path of decisions to manage risk:

    1. **Fee level and structure** is the most critical decision as appropriate fee levels help to manage risk (e.g. of high risk institutions growing) and whether the scheme involves a subsidy
    2. **Institutional eligibility** can also help to manage risk but its ability to do so is restricted by the existence of the current guarantee. This is because removing the guarantee for some institutions is likely to lead to it being called
    3. **Managing risk growth** – managing remaining risk through the ability to alter guarantees, with stronger powers than currently
    4. **Capping coverage** – can help to manage risk by potentially reducing the amount of deposits covered or where they are held. [Withheld – under active consideration]

13. Other decisions are more independent, around the length of the transitional scheme, administrative arrangements including legislation, and whether it should be compulsory for banks.

Figure 1: Mapping of key design parameters (recommended option in black)



Fee level and structure – pricing to reflect likely loss

14. [Withheld – under active consideration
] We consider this should also occur in the transitional scheme as much as is practical,

being aware that setting any commercial/risk based pricing structure will be done in a very uncertain environment of future risk, and institutions may not be able to afford a 'fair' risk based price.

15. Fee structure design principles are as follows:

- Pricing differential that reflects risk. This is to reduce moral hazard and Crown risk, and to ease the transition to a well functioning market [Withheld – under active consideration]
- Commercial but not penal fees
- Minimise distortion of investment decisions between equity and deposits

16. Bearing these design principles in mind, we would recommend that the following features be adopted regardless of the pricing structure selected:

- Apply price to full book. However, if the full risk based fee was considered too high for the entire book you could charge a higher fee on growth in riskier institutions.
- Appropriate risk differential – note that this will inevitably not be fine-grained enough to reflect actual institutional risk and will involve some cross-subsidisation. However, the aim would be to minimise cross-subsidies.
- Adjust overall pricing periodically while maintaining certainty, for example, through an annual fee review if transitional arrangements are longer than a year
- Flexibility to adjust institution specific pricing if their risk changes significantly – e.g., if the institution's credit rating changed, which would affect fee payments from that point onwards
- Fixed fee percentage for unrated/small institutions for administrative simplicity, clarity and certainty

Table 1: Fee structure options

Option	Illustrative fee levels (bps)	Costs	Benefits
Option 1: Market price. This example is based on US corporate bond spreads (average for the year to 20 April)	AA- above[1] 155 A+, A and A- 580 BBB+, BBB, BBB- 730 BB+, BB 1140 Below BB, unrated 1530 Estimate of fees[2] Banks $1,655.5m NBDT $1,271.2m Total $2,926.7m	- These prices are very high and quite volatile reflecting the current uncertain and effectively dysfunctional environment. - These prices could be considered penal and are likely to be unaffordable for many NBDTs, especially mutuals. Potentially lead to some of the negative consequences outlined	- Full cost recovery (possibly over recovery) - Commercially based in the sense that the prices shown would not undercut the market. - Helps transition

[1] Pre-adjustment to account for implicit government guarantee. Accordingly currently AA rated banks would be charged at single A.

[2] If paid on the books of institutions in the guarantee at October 2008.

		in the case for extension - Take-up would be very low. Without compulsion unlikely to meet the stability objective - Expect considerable noise around this option	
Option 2: Current pricing (but applied to the whole book)	AA- above 10 A+, A and A- 20 BBB+, BBB, BBB- 50 BB+, BB 100 Below BB, unrated 300 Estimate of fees[2] Banks $106.8m NBDT $151.6m Total $258.5m	- Was not set at a rate intended to be applied to the whole book - may be over priced	- Full cost recovery (possibly over recovery) - Helps transition
Options 3: Theoretical price – price set by Basel II model, based on historical default probabilities, loss given default of 20%, assumptions about loss correlations and a 10% required rate of return	AA- above 10 A+, A and A- 13 BBB+, BBB, BBB- 35 BB+, BB 70 Below BB, unrated 120 Estimate of fees[2] Banks $106.8m NBDT $78.9m Total $185.7m	- Only an estimate of likely loss as we do not have information to make accurate assessment (cannot use history) - Take-up may still be low. Without compulsion banks are unlikely to join - Some noise from increases	- Commercial if it reflects likely loss to the Crown - Helps transition
Option 4: Theoretical price with NZ specific assumptions about loss correlations for banks *(to the extent this can replicate likely loss, it may be our recommended option)*	AA- above 20 A+, A and A- 30 BBB+, BBB, BBB- 35 BB+, BB 70 Below BB, unrated 120 Estimate of fees[2] Banks $213.6m NBDT $85.1m Total $298.7m	- As above, with higher costs for banks	
Option 5: Treasury's original recommended pricing	AA- above 7.5 A+, A and A- 20 BBB+, BBB, BBB- 40 BB+, BB 100 Below BB, unrated 100 Estimate of fees[2] Banks $80.1m NBDT $79.1m Total $159.2m	- Less commercial, Crown would expect to make a loss	- Higher take-up and less noise

17. The figures in the table above are indicative and are based on a number of assumptions. The main purpose of the table is to provide a sense of the difference between the options. Options may not be exclusive. For example, if less than full risk pricing was applied to the existing book then higher pricing could be applied to any growth.

18. We are not recommending selecting a final pricing structure at this point, given that changes in the market over the next few months will give us further information. However, it would be useful to discuss the extent to which you would like pricing to be purely commercial, versus partially based on other public policy objectives. The latter leads to more weight being put on fee affordability. As an indication of the fees that NBDTs are likely to be able to afford to pay, profit (after tax) for the entire NBDT sector last year was $171 million.

Eligibility – minimal quality based criteria for all institutions

19. The two key decisions on eligibility are what eligibility test to apply to new institutions, and whether to apply that eligibility test to institutions currently covered by the guarantee.

20. Eligibility design principles include:

- Cover institutions needed to maintain financial stability and confidence
- Encourage exit or merger for institutions with no future – while allowing stronger institutions to consolidate/recover
- Reduce Crown risk on an likely loss and gross loss basis
- Links to Reserve Bank prudential requirements

21. Removing the guarantee for all (or large groups of) NBDTs risks significantly shrinking the sector by undermining confidence and could actually increase the Crown's likely loss. However, a minimal quality threshold is a useful signal to send the market in terms of the future of the scheme, and could align it with the new regulatory framework being introduced by the Reserve Bank. The quality threshold can apply to institutions currently covered so long as it does not exclude so many as to create financial instability and loss of confidence.

22. The quality threshold we would suggest is a B rating or above, but for those that are exempt from the credit rating requirement (those with less than $20 million in deposits under the RBNZ NBDT prudential regime), a 10% tier 1 capital ratio. At present there are no operating NBDTs with a rating below B, although not all NBDTs are currently rated and some could be downgraded to less than B. There is currently one unrated NBDT believed to have a capital ratio of below 10%.

Levers to manage higher risk institutions from growing

23. To manage the risk of increased exposure for the Crown for high risk institutions we also recommend putting in place measures to ensure that the amount the Crown is guaranteeing for high risk institutions does not increase and in some cases an orderly exit is facilitated. If this is by merger, there is no cost to the Crown as a result of the guarantee not being triggered. However, exit will be very likely to trigger the guarantee. We recommend introducing levers beyond the current discretion to act if institutions are not acting in keeping with the objectives of the guarantee. Experience suggests that current provisions may not be fully adequate.

Cap on depositor coverage and co-insurance – significantly reduce the cap on coverage for NBDTs

24. Placing a cap on depositor coverage of the guarantee aims to reduce Crown risk on an likely loss and gross basis.

25. Restricting the coverage of banks has little impact on actual risk [Withheld – Crown commercial disadvantage]. However, restricting coverage would decrease the amount banks would have to pay in fees and could be a communication tool. We would recommend keeping the cap on coverage for banks high, such as $500,000 or the $ 1 million, per depositor per institution, it is set at now.

26. For NBDTs there is a much higher risk of default and moral hazard (where depositors invest in high returning institutions that have a higher likelihood of failing). Reducing the cap for these institutions could signal a transition to reduced coverage over time, and help to downsize more risky institutions that are heavily dependent on a few large investors. We would recommend a low cap for NBDTs, such as $50,000 or $100,000. A lower cap for NBDTs (i.e., $50,000) would expect to marginally increase the risk of failure of NBDTs.

Table 2: Finance company deposits as at September 2006[3]

Finance companies	
Deposit size	**Number of accounts**
<=$10,000	5,200
<=$50,000	12,600
<=$100,000	5,300
$100,000+	15,200

27. Table 2 shows that that the number of depositor accounts in finance companies with a deposit size of greater than $100,000 is high. This includes individual deposits and excludes accounts of incorporated companies. This information comes from a survey, and because of how the question is phrased, it could pick up investors total deposits in finance companies (rather than the size of their deposits in each finance company), and so it could overestimate the number of large deposits (e.g., over estimate the number of deposits in individual finance companies over $100,000). Lowering the cap from $1 million to $100,000 would have an impact on the Crown's exposure. However, Table 3 shows that the number of depositor accounts in banks with deposit size of greater than $400,000 is very small and lowering the cap for banks (from current cap of $1 million) would not have a significant impact on the Crown's exposure.

Table 3: Bank deposits as at September 2006[3]

[3] Data comes from SoFIE wave 4, which has been weighted to represent households in the year ending 30 September 2006. Data taken as reported with some imputation for a small number of deposits that were reported as a range. Note that individuals were given the option to report multiple deposits separately or combined. The results below exclude bank account liabilities and zeros i.e. amount is required to be positive (or combined amount is required to be positive when multiple accounts are reported together).

Banks	
Deposit size	**Number of accounts**
<=$500	1,073,300
<=$1,000	372,200
<=$5,000	836,100
<=$10,000	326,600
<=$50,000	423,700
<=$100,000	86,500
<=$400,000	66,200
$400,000+	7,200

Co-insurance

28. Co-insurance (where a portion of the deposit is guaranteed) has been proposed as an option. Co-insurance can be a helpful mechanism to ensure depositors consider risk when making investment decisions. However, recent international experience (e.g. Northern Rock) indicates that partial coverage is unlikely to prevent a run once depositors have lost confidence. Therefore, co- insurance may not be able to meet the extension objectives of ensuring retail depositor confidence and financial market stability in uncertain times. Our view is that adverse selection issues are best managed by charging appropriate risk based pricing and having the ability to act if institutions are deemed to be acting inappropriately.

Timing – extend for at least a year with flexibility to extend further

29. Given uncertainty in the financial environment and around the design of any permanent scheme it is recommended that flexibility is provided to allow the Executive to roll the scheme forwards if needed.

30. Setting aside the desirability of aligning with Australia (which may or may not be important), the key issue will be to exit from the scheme at a point where there is greatest opportunity for informed debate and management of the legislative process, as well as the necessary economic and financial stability. Whatever point of expiry is chosen, there remains a risk that institutions will fail leading up to the expiry date.

31. We recommend against some form of quantitative or qualitative trigger for removal of the scheme as this has the potential to undermine the stability an extended scheme is intended to provide.

Compulsory or opt-in for systemically important banks

32. [Withheld – Crown commercial disadvantage]
We recommend making the guarantee for banks compulsory. You may wish to consider slightly more favourable pricing for these banks to compensate for the compulsory nature of the scheme.

Administration

You have indicated your preference to use legislative vehicles.

Administration of the scheme

33. In the short-term using existing processes and personnel is most practical so it is recommended to continue to administer the scheme from the Treasury.

34. [Withheld – under active consideration

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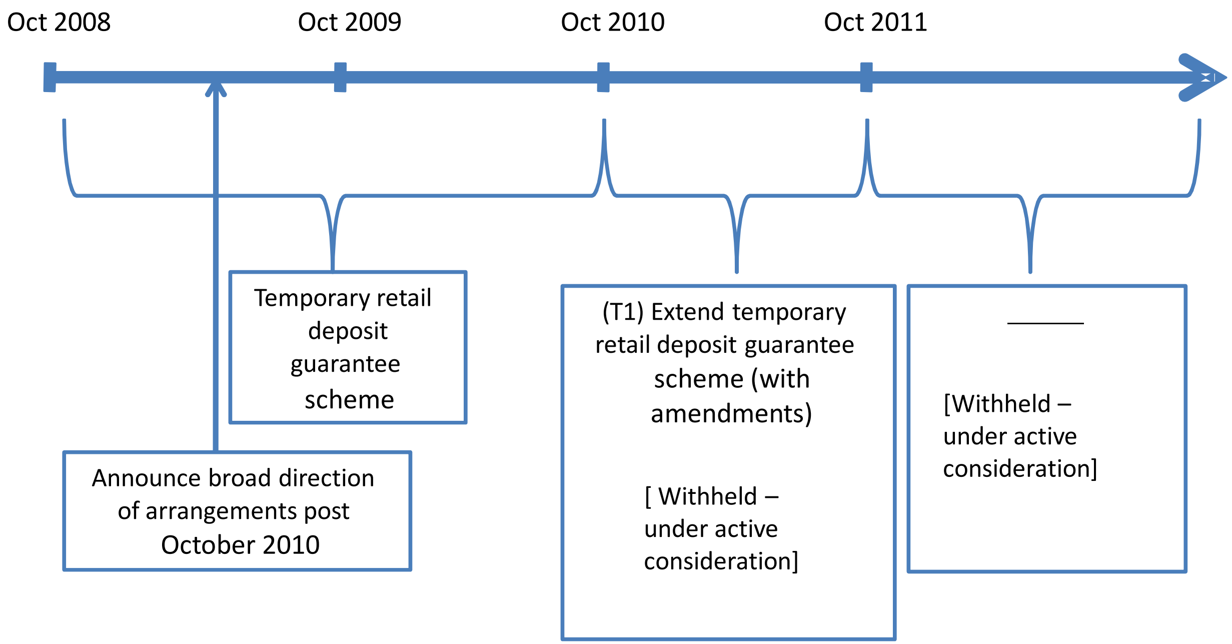
ANNEX 1: FINANCIAL SYSTEM ISSUES MEETING, 16 APRIL 2009 (SLIDES 3 AND 10)

Timeline of options



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Exit-transition: Policy options

Scenarios	Extend temporary scheme ("T1")	[Withheld – under active consideration]	Revert to no [Withheld – under active consideration]
Stability and confidence	Greatly assists in maintaining financial system stability and confidence.	[	Risk that this substantially undermines financial system stability and confidence.
Gross Crown potential exposure ; Net expected loss	Depending on amendments, liability likely to increase on the margins, as non-banks grow their deposit book; some potential upside if non-banks consolidate, and market conditions improve.		Liability does not increase further.
Crystallisation of liability	Liability crystallises later; as "crunch point" pushed out.	Withheld – under active consideration	Potential for larger proportion of liability crystallises sooner, as "crunch point" occurs sooner, non-banks have little time to orderly wind down or consolidate.
Credit conditions	Reduces any risk of deposits moving to Australia due to different schemes; potential downside as inefficiencies prolonged.		Potential for shifting of deposits to Australia, tightening credit conditions in New Zealand; inefficiencies removed sooner.
[Withheld – under active consideration**]**	[Withheld – under active consideration].	]	[Withheld – under active consideration]