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Cash Collateral

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What is Cash Collateral

Cash collateral is cash and equivalents collected and held for the benefit of creditors during [Chapter 11](#) bankruptcy proceedings. According to 11 U.S. Code Section 363(a), the full definition of cash collateral is "cash, negotiable instruments, documents of title, securities, deposit accounts or other cash equivalents, whenever acquired, in which the estate and an entity other than the estate have an interest and includes the proceeds, products, offspring, rents, or profits of property and the fees, charges, accounts or other payments for the use or occupancy of rooms and other public facilities in hotels, motel or other lodging properties subject to a security interest as provided in section 552(b) [of this title] whether existing or after the commencement of a case under this title."

BREAKING DOWN Cash Collateral

Cash collateral is a formulation in the context of corporate bankruptcy proceedings. When a [creditor](#) such as a bank or a supplier has a claim on a company's assets, any cash collected or generated from the sale of assets is considered cash collateral. As money is brought in from accounts receivable collections, sale of remaining inventory or sale of property and equipment, the cash is placed in the cash collateral account.

The cash cannot be used by the [debtor](#) without the creditor's consent or by court order. In practice, a creditor may be amenable to the debtor using the cash to continue operations in an effort to relieve its financial distress, but if a new piece of equipment is purchased with