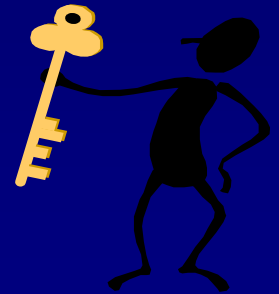


FFIEC 002 Introductory Reporting Seminar

Henry Castillo
Alex Santana
Rich Molloy
Patricia Maone
Mike Tursi



August 2, 2001

Purpose and General Instructions

Henry Castillo



Purpose of the Call Report

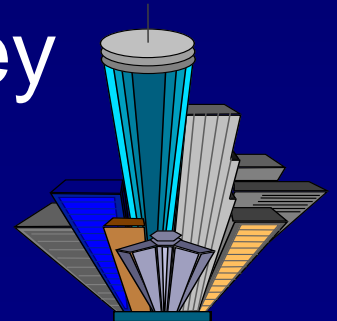
↓ The FFIEC 002 is used to:

- Provide information used in the supervision of U.S. branches and agencies of foreign banking entities
- Collect information to conduct economic analyses

General Instructions

↖ Who must report?

- All U.S. branches and agencies of foreign banks are required to submit an FFIEC 002 to the Federal Reserve Bank (FRB) in whose district they are located



General Instructions

- ↖ With prior permission from the FRB, reports for two or more branches or agencies may be combined provided:
 - The offices are located in the same city, state and Federal Reserve district and
 - The report does not combine insured and uninsured branches

Definitional Difference

FFIEC 002 vs FR 2900

FFIEC 002

- U.S. branches or agencies are not required to consolidate

FR 2900

- U.S. branches or agencies of a foreign bank located in the same state and within the same Federal Reserve District are required to submit a consolidated report

General Instructions

- ↖ Where and when to submit the report?
 - The report is as-of the last calendar day of each quarter and is due to the Federal Reserve Bank no later than 30 days after the as-of date
 - If the due date falls on a weekend or a holiday

Submission of the FFIEC 002

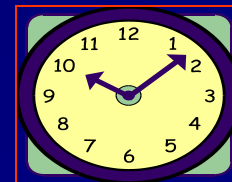
↖ Electronic submission of the FFIEC 002

– Benefits

↗↗ Eliminates need for two hardcopies

Submission of the FFIEC 002

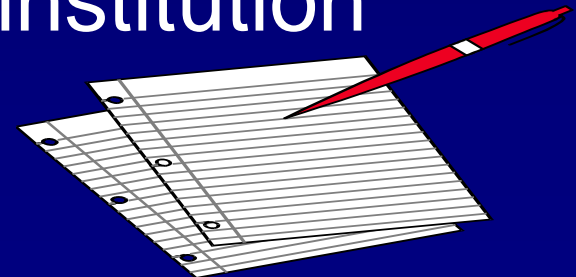
- ↗ ↗ More time to prepare report. Allows filing up to 5:00 pm on the due date
- ↗ ↗ Validity errors are identified before submission



General Instructions

↖ Signatures

- The original report must be signed by an authorized officer and the senior executive official of the reporting institution



Regulatory Reports Monitoring Program

Required by FDIC Improvement Act of 1991

↖ Purpose

- To encourage banking organizations to file timely, complete, and accurate reports
- To ensure adequate follow-up is conducted so late
and false reporters file timely and accurately in the future

Regulatory Reports Monitoring Program

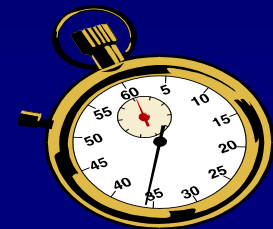
↖ Timeliness

- Any reports received after 5:00 pm on the due date will be considered late
 - ↗ ↗ Unless postmarked three calendar days prior to the due date, or
 - ↗ ↗ Submitted to an overnight service the day before the due date

Regulatory Reports Monitoring Program

↖ Timeliness

- Submission of initial data via facsimile even if prior to the deadline, does not constitute timely filing



Regulatory Reports Monitoring Program

↖ False reporting

- Computer “validity edit checks” are used to monitor basic reporting requirements
- Copies of edit checks are mailed annually or when the report changes



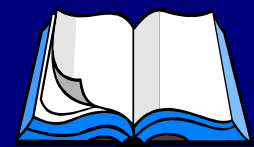
General Instructions

↖ Accounting basis

- The FFIEC 002 report should conform to U.S. Generally Accepted Accounting Principles (U.S. GAAP)
- When reporting treatment of a transaction is not addressed in the instructions or U.S. GAAP, discuss the transaction with the Federal Reserve Bank staff

General Instructions

- Consistent with the U.S. GAAP all schedules of this report should be prepared on an accrual basis



General Instructions

↖ Completion of the report form

- Amounts denominated in foreign currencies must be reported in U.S. dollars
- The rates used for this conversion should be those in effect on the as-of date



International Banking Facilities (IBFs)

- ↗ An IBF is a set of books a depository institution maintains for a “shell” institution, established in the U.S., but treated like a branch located overseas
- ↗ IBFs were first established in 1981 to allow depository institutions to compete more effectively with non-U.S. banking centers for overseas deposits and loans

International Banking Facilities (IBFs)

- ↖ IBFs are treated as non-U.S. offices and are exempt from certain U.S. laws, including:
- Reserve requirements
 - FDIC insurance assessments
 - State and local income taxes (in some states)



International Banking Facilities (IBFs)

↖ IBF restrictions

- IBF can only extend credit or accept deposits if the funds will be used to finance operations outside the U.S. to the following customers
 - ↗ ↗ Foreign residents (including banks)
 - ↗ ↗ Other IBFs
 - ↗ ↗ The establishing entity of the IBF

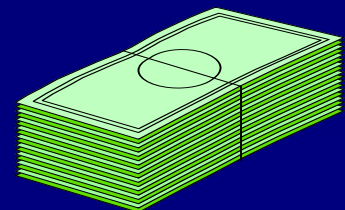
International Banking Facilities (IBFs)

- ↖ The maturity of IBF deposits must be:
 - At least overnight for foreign banks, other IBFs, and the establishing entity
 - At least two business days for nonbank foreign residents



International Banking Facilities (IBFs)

- Deposits and withdrawals of nonbank customers must be in the amount of at least \$100,000
- IBFs are prohibited from issuing negotiable instruments

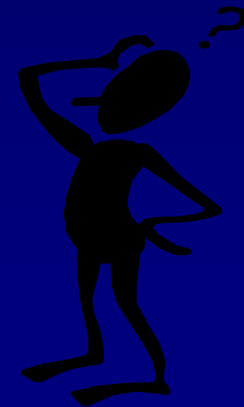


Related Institutions

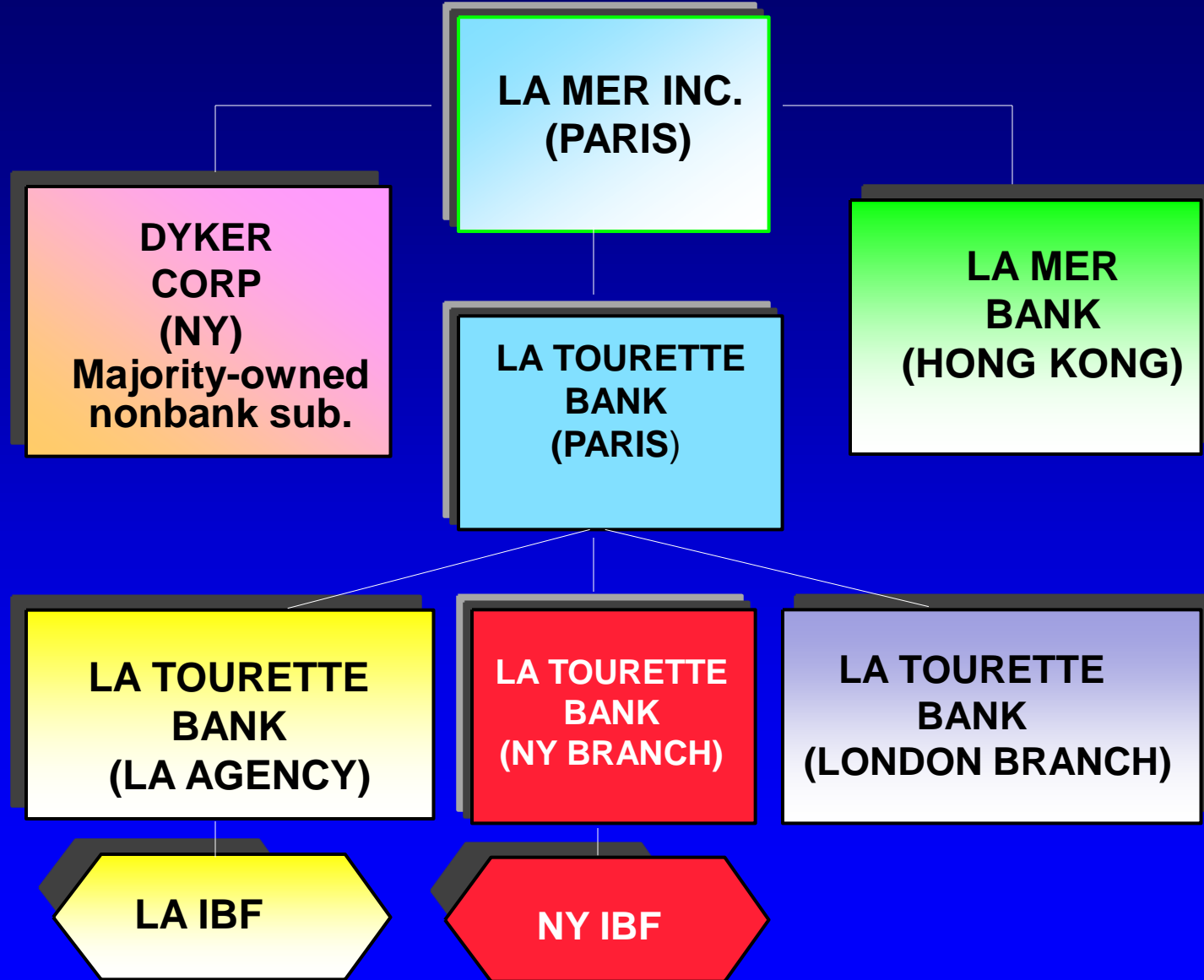
- ↖ Related institutions include:
 - The head office of the reporting institution and its other branches and agencies
 - The holding company of the foreign parent bank

Related Institutions

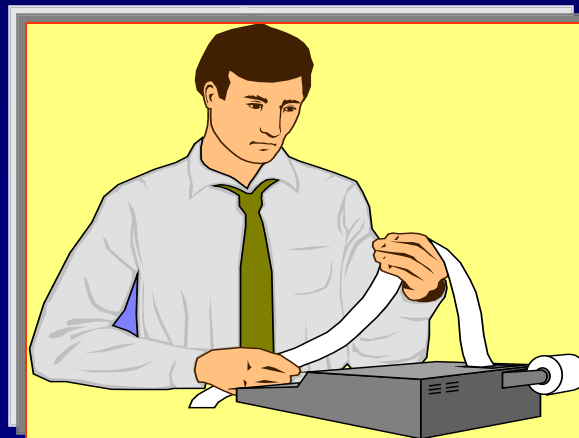
- Depository institutions that are majority owned by the foreign parent bank or the holding company
- Any other majority-owned banking subsidiary



Foreign Bank Organization Chart



Financial Accounting Standard Board Interpretation No. 39 (FIN 39)

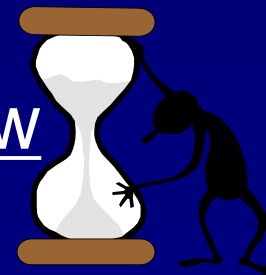


Offsetting of Amounts Related to Certain Contracts

- ↖ A right of setoff exists when the following conditions are met:
 - There are two parties to the transaction, and each owes the other determinable amounts

Offsetting of Amounts Related to Certain Contracts

- The reporting party has the right to set off the amount owed with the amount owed by the other party
- The reporting party intends to set off
- The right of setoff is enforceable by law



Website

↖ The FFIEC 002 and the FFIEC 002S
report
forms and instructions are available at:

http://www.ffiec.gov/ffiec_report_forms.htm



Summary

- Reports filed should be timely and accurate
- Electronic submission via the Internet
- The Call Report should be prepared based on the U.S. GAAP
- IBFs should only engage in international activities
- Netting of transactions should comply with FIN 39

Schedule RAL

Assets and

Liabilities

Alex Santana



June Report Changes

Schedule RAL - Assets and Liabilities

- ↖ “Other bonds, notes, debentures and corporate stock”, Line 1.c.
 - Report separately Mortgage-backed securities and Other asset-backed securities, Lines 1.c.(2) and 1.c.(3)

- ↖ “Federal funds sold and securities purchased under agreements to resell”, Line 1.d.
 - Combine U.S. branches and agencies of other foreign banks and Other commercial banks in the U.S., Lines 1.d.(1) and 1.d.(2)

June Report Changes

Schedule RAL - Assets and Liabilities

- ↖ “Federal funds purchased and securities sold under agreement to repurchase”, Line 4.b.
 - Combine U.S. branches and agencies of other foreign banks and Other commercial banks in the U.S., Lines 4.b.(1) and 4.b.(2)

June Report Changes

Schedule RAL - Assets and Liabilities - Memoranda

- ↖ “Assets under the reporting branch or agency’s management in proprietary mutual funds and annuities”, Line M 9.
 - Report only asset levels not sales volume

- ↖ “Amount of assets netted against liabilities to non-related parties...”, Line M 12.
 - Deleted

June Report Changes

Schedule RAL - Assets and Liabilities

Statutory or Regulatory Requirement

- ↖ “Average liabilities for the preceding calendar quarter”, Line 3.a.
 - Reporting period changed from current quarter-end to the preceding quarter-end

June Report Changes

Schedule RAL - Assets and Liabilities

Other

- ↖ “Equity securities with no determinable fair values (not held for trading)”
 - Report in “Other assets”, Line 1.h.
 - Exclude from Memoranda Lines 3. and 4.

Securities

FASB Statement No. 115 (FAS 115)

↖ Securities held-to-maturity

- Only debt securities for which an institution has the intent and the ability to hold to maturity may be included in the held-to-maturity portfolio

Securities

- These securities should be reported at the amortized cost (purchase price adjusted for amortization of premium or accretion of discount if the security was purchased at other than par or face value)
 - ↖ Schedule RAL, Lines 1.b. and 1.c.

Securities

↖ Securities available-for-sale

- Debt and equity securities for which the institution does not have the intent AND ability to hold to maturity, yet does not intend to trade actively as part of its trading account

Securities

- Securities available-for-sale should be reported at fair value on Schedule RAL, Lines 1.b. and 1.c.
- Gains or losses in the value of these securities should be reported on Schedule M, Part I, Line 2.a.

Securities

↖ Trading securities

- Debt and equity securities that an institution buys and holds for the purpose of selling in the short term
- Trading securities should be reported at fair value on Schedule RAL, Line 1.f.

Securities

- Appreciation (gain) or depreciation (loss) in the value of these securities should be reported in earnings (income or loss) on Schedule M, Part I, Line 2.a.

Securities

- ↖ Circumstances of sale or transfer considered consistent with FAS Statement No. 115 (FAS 115) held-to-maturity classification
 - Evidence of significant deterioration in the issuer's creditworthiness

Securities

- A change in tax law that eliminates or reduces the tax exempt status of the interest on the debt security
- A major business combination or disposition

Securities

- ↖ Circumstances of sale or transfer considered
 - “tainting” under FAS 115 held-to-maturity classification
 - Changes in foreign currency risk
 - Changes in market interest rates

Securities

- Changes in funding sources
- Changes in the security's prepayment risk, the marginal tax rate, or the institution's liquidity needs

Securities

- ↖ A sale or transfer of a held-to-maturity security for reasons considered inconsistent call into question the positive intent and ability to hold other securities in the held-to-maturity portfolio to maturity

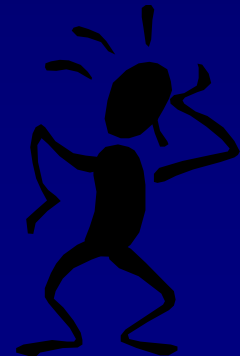
Securities

- ↖ As result of such a transfer or sale, the entire portfolio is considered **tainted** and all held-to-maturity securities must be reclassified as available-for-sale and reported at fair value
 - For two years after the reclassification, purchases of debt securities should not be classified as held-to-maturity



Securities

- The income and expense from unrealized gains and losses should be reported as part of unremitted profit or loss on Schedule M, Part I, Line 2.a.
- Such transfers should be done in consultation with your outside accountants



Securities

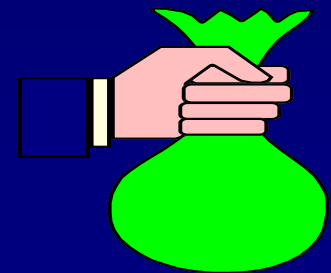
Include in securities

- ↖ Pooled securities in which the reporting institution sells participations
- ↖ “Pledged” securities

Securities

Include in securities

- ↖ Medium-term notes
- ↖ Industrial revenue bonds
- ↖ Commercial paper



Securities

Include in securities

- ↖ Mortgage-backed securities (MBS)
 - Collateralized mortgage obligations
 - Stripped MBS (e.g., IOs, POs)

Exclude

Securities backed by home equity loans



Securities

Include in securities

- ↖ Other asset-backed securities
 - Asset-backed commercial paper (not held for trading)
 - Securities backed by:
 - ↓↓ Home equity loans
 - ↓↓ Commercial and industrial loans
 - ↓↓ Automobile loans
 - ↓↓ Other consumer loans

Exclude

Mortgage-backed securities

Securities

Exclude from securities

- ↖ When-issued securities
- ↖ Securities borrowed
 - Report these on Schedule L, Line 7., if they meet the specific reporting criteria



Trade Date vs Settlement Date Accounting

- ↖ Securities should be reported as of the trade date (trade date accounting)
- ↖ Trade date accounting requires that on the trade date (as opposed to the settlement date)
 - The security purchased be reported in the appropriate security category on Schedule

Trade Date vs Settlement Date Accounting

- The corresponding obligation to pay for the security on settlement date should be reflected as a liability on Schedule RAL, Line 4.f.
- On settlement date, the disbursement of cash will eliminate the liability to pay

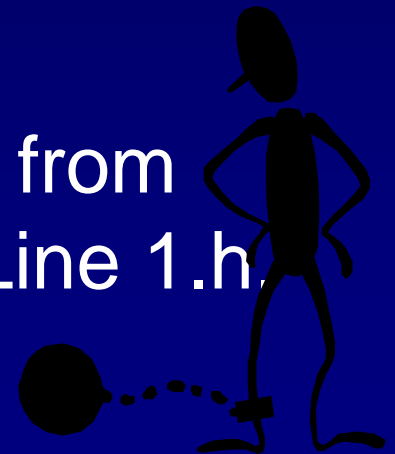
Trade Date vs Settlement Date Accounting

↖ Trade date accounting

– *Security sold*

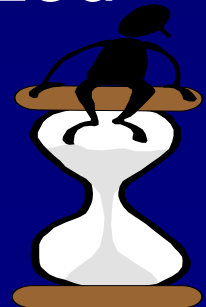
↗ ↗ Credit the appropriate security category on Schedule RAL

↗ ↗ Report the claim for payment from the sale on Schedule RAL, Line 1.h



Trade Date vs Settlement Date Accounting

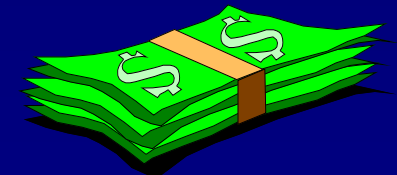
- On settlement date, the receipt of the cash will eliminate the receivable reported in “Other assets”
- Any gains/losses shall be recognized on the trade date



Trade Date vs Settlement Date Accounting

↖ Settlement date accounting

- The sale (purchase) of a security is not reported until the settlement date
- Settlement date accounting may be used only if the difference is not material



Trade Date Accounting

SECURITIES PURCHASED

ON TRADE DATE

REPORT SECURITY ON
RAL, LINES 1.B OR 1.C

REPORT LIABILITY
IN LINE 4.F

T= 0

ON SETTLEMENT DATE

REDUCE LIABILITY
IN LINE 4.F

RECORD DISBURSEMENT OF CASH

T= 3

SECURITIES SOLD

ON TRADE DATE

REMOVE SECURITY FROM
RAL, LINES 1.B OR 1.C

REPORT RECEIVABLE IN
LINE 1.H

T= 0

ON SETTLEMENT DATE

REDUCE OTHER ASSETS IN
LINE 1.H

RECORD RECEIPT OF CASH

T= 3

Federal Funds Sold/Purchased

Any lending or borrowing of immediately available funds that mature in one business day or roll over under a continuing contract

- Overnight loans
- Overnight borrowings

Federal Funds Sold/Purchased

Exception

- Overnight loans to commercial and industrial customers should be reported as loans on Schedule C, Line 4.



Federal Funds Sold/Purchased

- ↖ Immediately available means
 - Funds that can be used or disposed of on the same business day

Federal Funds Sold/Purchased

↖ One business day means

- Funds borrowed on one business day that are to be repaid or reversed on the next business day

Repurchase/Resale Agreements

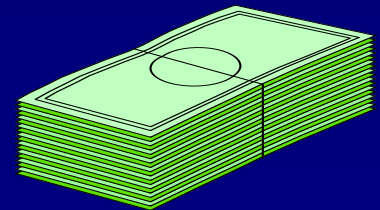
Repurchase/resale agreements are collateralized loans or borrowings.

| | <u>Overnight</u> | <u>Term</u> |
|---|------------------|------------------|
| SECURITIES REPURCHASE AGREEMENTS | RAL, LINE 4.B | RAL, LINE 4.B |
| SECURITIES RESALE AGREEMENTS | RAL, LINE 1.D | RAL, LINE 1.D |
| REPURCHASE AGREEMENTS (ASSETS OTHER THAN SECURITIES) | RAL, LINE 4.B | SCHEDULE P |
| RESALE AGREEMENTS (ASSETS OTHER THAN SECURITIES) | RAL, LINE 1.D | SCHEDULE C |

Bankers' Acceptances

Banker's Acceptance

A draft or bill of exchange drawn on and accepted by a banking institution for payment by the institution at a future date as specified in the acceptance.



Issuance of Bankers' Acceptance

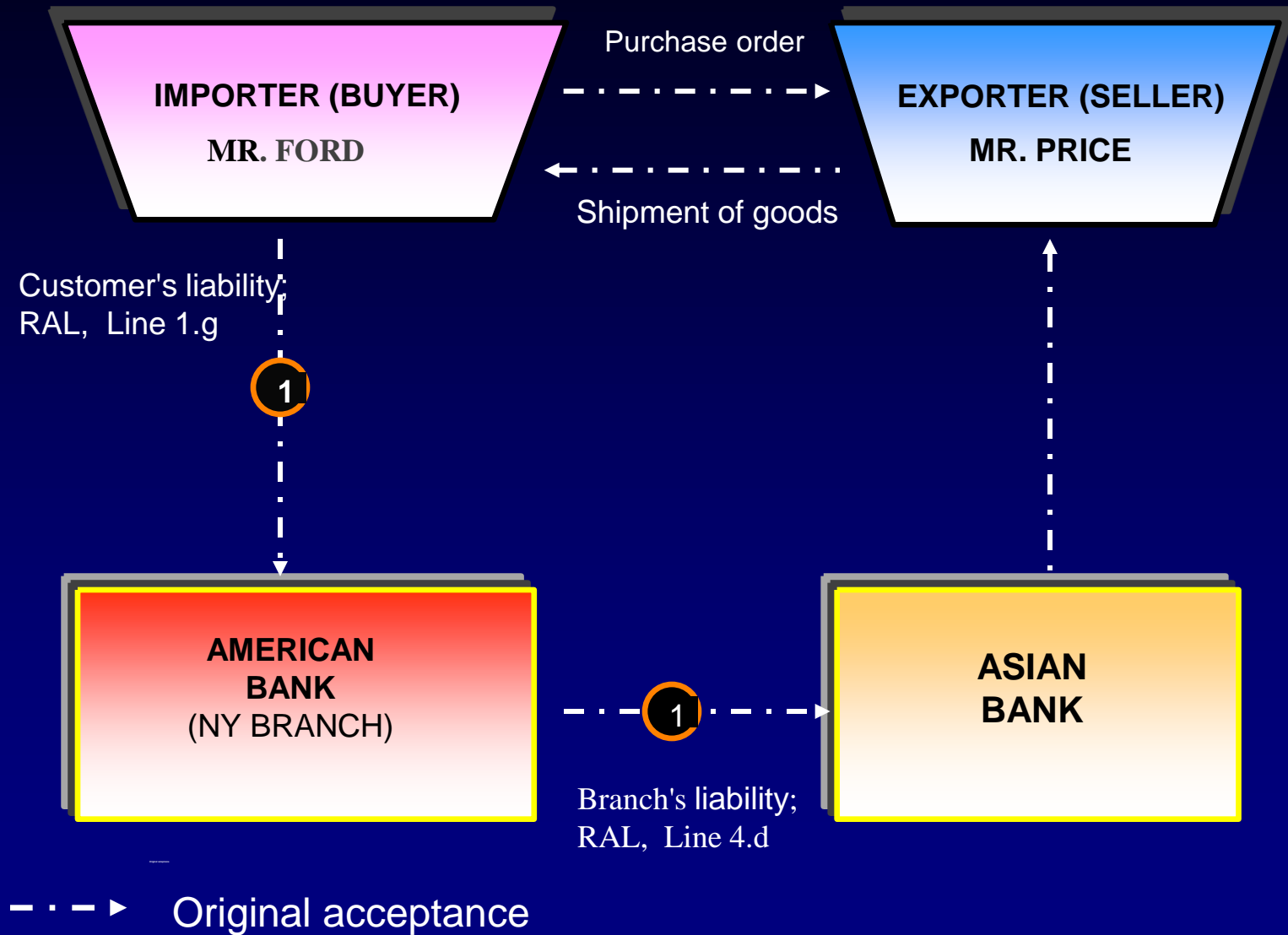
- ↖ The customers' liability to repay the reporting institution
 - Reported on Schedule RAL, Line 1.g. if the customer is a nonrelated institution, or a related nondepository institution
 - Or as a due from on Schedule M, Part I, if the customer is a related depository institution

Issuance of Bankers' Acceptance

↖ The branch's liability to pay the acceptance

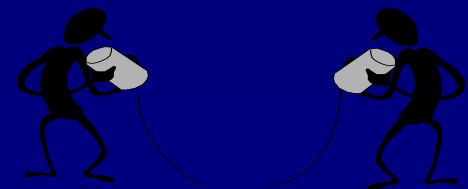
- Reported on Schedule RAL, Line 4.d. if the customer is a nonrelated institution, or a related nondepository institution
- Or as a due to on Schedule M, Part I, if the customer is a related depository institution

Issuance of a Bankers' Acceptance



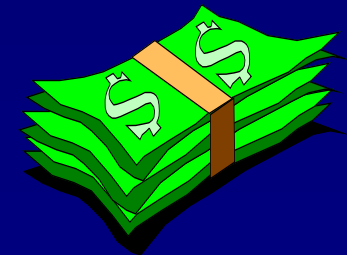
Discounted Bankers' Acceptance

- ↖ When the branch acquires its own acceptance (through initial discounting or a subsequent purchase)
 - The acceptance is reported as a loan on Schedule C, according to counterparty, and excluded from line 1.g.

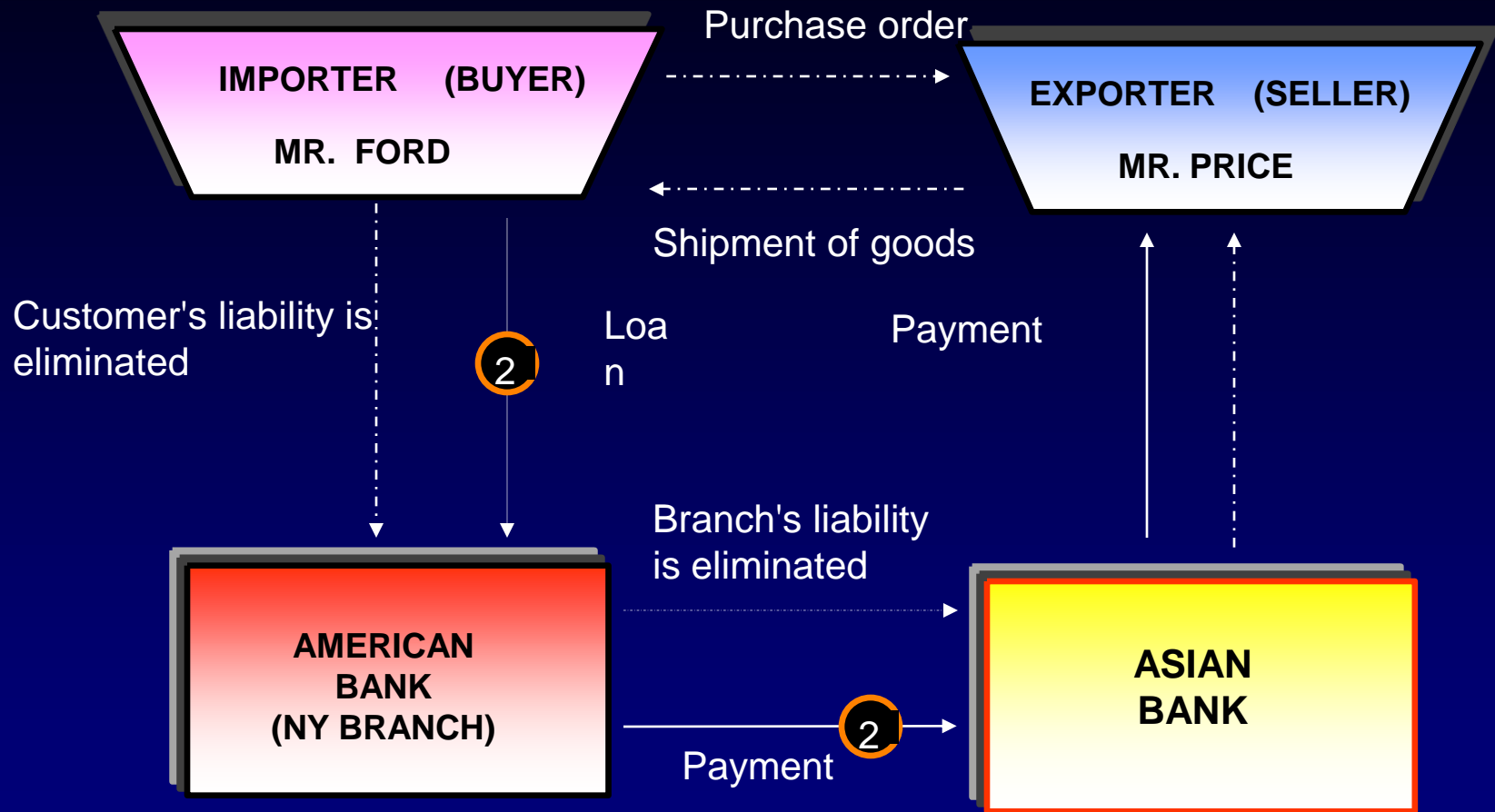


Discounted Bankers' Acceptance

- ↖ When a branch purchases or discounts an acceptance drawn on another bank
 - Report the acceptance as a loan on Schedule C, Line 2.



Discounting of Bankers' Acceptance

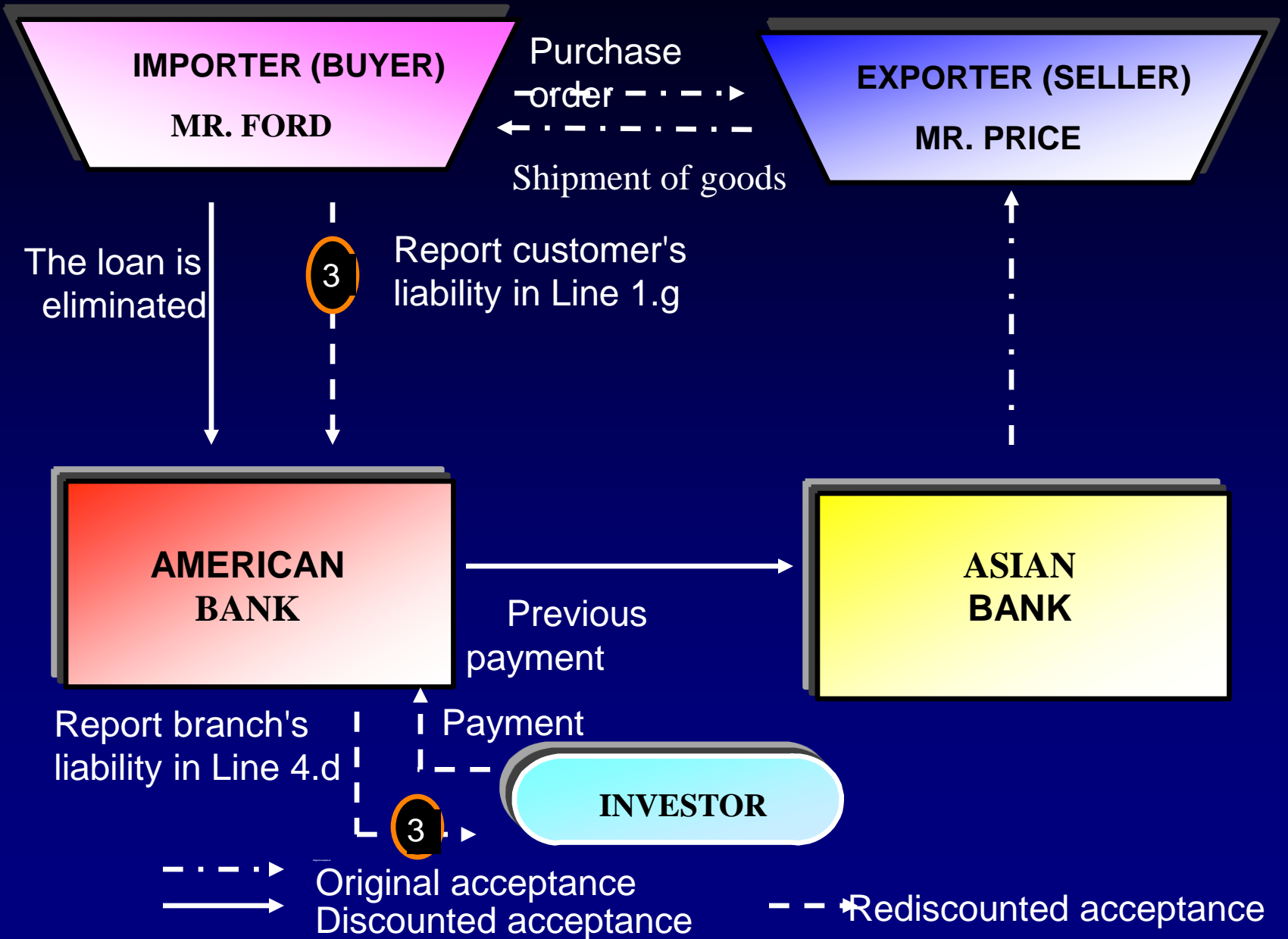


-----> Original acceptance
-----> Discounted acceptance

Rediscounted Bankers' Acceptance

- ↖ When the branch sells its own acceptance it had previously purchased (discounted)
 - The sale of the acceptance should be excluded from Schedule C, and reported on Schedule RAL, Line 1.g. and Line 4.d.

Rediscounted Bankers' Acceptance



Issuance of Bankers' Acceptance

- 1 Customer's liability on acceptances outstanding; RAL, Line 1.g.
Branch's liability on acceptances outstanding; RAL, Line 4.d.

- 2 **DISCOUNTING OF BRANCH'S OWN ACCEPTANCE**

Reclassify the customer's liability and report as loan on Schedule C

- 3 **REDISCOUNTING OF BRANCH'S OWN ACCEPTANCE**

Exclude the acceptance from loans

Customer's liability on acceptances outstanding; RAL, Line 1.g.
Branch's liability on acceptances outstanding; RAL, Line 4.d.

Participation in Bankers' Acceptances

- ↖ When the branch purchases/sells a participation in an acceptance
 - Do not change the initial reporting of the acceptance

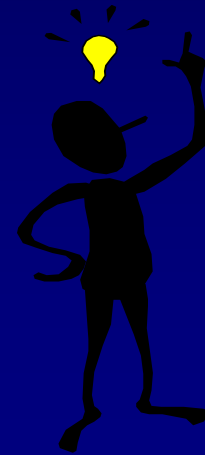
Participation in Bankers' Acceptances

- Report the sale of the participation on Schedule L
- Participations in acceptances conveyed should be reported on Line 5.

Trading Assets

↖ Include:

- Securities
- CDs
- Bankers acceptances
- Loans



Trading Assets

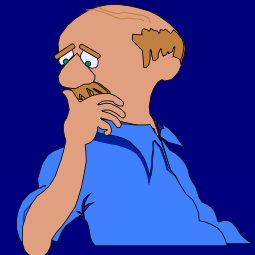
- Revaluation gains from the marking-to-market of off-balance sheet derivative contracts held for trading
- Premiums paid on option contracts held for trading



Trading Liabilities

↖ Include:

- Short sales of securities
- Revaluation losses from the marking-to-market of off-balance sheet derivative contracts held for trading



Other Assets

- ↖ Include assets that cannot be classified elsewhere on the balance sheet
 - Fixed assets and other real estate owned (OREO)
 - Margin accounts

Other Assets

- Positive fair value (FV) of derivative contracts not held for trading
- Premiums paid on option contracts not held for trading
- Historical cost of equity securities with no readily determinable fair value

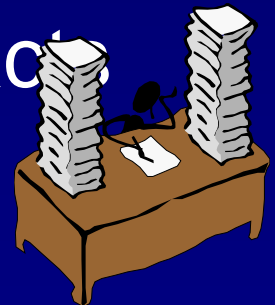


Other Assets

- Prepaid expenses
- Precious metals inventory
- Income earned and not collected
(Accrued interest receivable on loans in nonaccrual status must be excluded from the FFIEC 002).

Other Liabilities

- ↖ Include liabilities that cannot be reported elsewhere on the report:
 - Expenses accrued and unpaid
 - Accounts payable
 - Negative FV of derivative contracts not held for trading



Other Liabilities

- Premiums received on option contracts not held for trading purposes
- Accrued interest payable on off-balance sheet transactions not held for trading purposes



Schedule S Securitization and Asset Sale Activities

Rich Molloy



Schedule S

Securitization and Asset Sale Activities

- ↖ Assets sold and securitized by reporting institution
 - Line items 1. through 7.b.
 - Memorandum
 - ↖↖ Line Items M 1.a.(1) and M 1.b.(1)

Schedule S

Securitization and Asset Sale Activities

- ↖ Credit Exposure to Securitizations Sponsored by Others
 - Credit exposure, Line 9.
 - Unused commitments, Line 10.

Schedule S

Securitization and Asset Sale Activities

- ↖ Assets sold and not securitized by the reporting institution
 - Line 11. and Line 12.
 - Memorandum
 - ↖↖ Line items M 1.a.(2), M 1.b.(2)

Schedule S

Securitization and Asset Sale Activities

➤ Data will be collected on the following loans in a column format:

- | | |
|-----------------------------------|----------|
| – Residential Mortgages | Column A |
| – Home Equity Loans | Column B |
| – Credit Card Receivables | Column C |
| – Auto Loans | Column D |
| – Other Consumer Loans | Column E |
| – Commercial and Industrial Loans | Column F |
| – All Other Assets | Column G |

Item 1

Outstanding principle balance of *assets sold and securitized with servicing retained or with recourse or other seller-provided credit enhancements*

- ↖ Report any retained risk (in form or substance) of credit loss in the securitized assets
- ↖ Report obligations to repurchase assets that do not perform
- ↖ Report representations or warranties to absorb credit losses on transferred assets

Item 2

Maximum amount of *credit exposure* arising from *recourse* or other seller-provided *credit enhancements* provided to structures reported in Item 1

- ↖ The maximum contractual credit exposure remaining as of the report date from obligations reported in Item 1.
- ↖ Item 2.a. - Interest only strips or excess spread accounts

Item 2

Maximum amount of *credit exposure* arising from *recourse* or other seller-provided *credit enhancements* provided to structures reported in Item 1

↖ **Item 2.b. -Include:**

- Recourse Obligations
- Over collateralization
- Spread Accounts
- Cash Collateral Accounts
- Collateral Invested Amounts
- Subordinated Interests
- Credit Derivatives

Item 3

Reporting bank's *unused commitments* to provide liquidity structures reported in Item 1

- ↖ Liquidity facilities
- ↖ Servicer cash advance

Item 4

Past due loan amounts included in Item 1

- ↖ The outstanding principal balance of any loans and leases reported in item 1 that are past due 30-89 days are reported in item 4.a. and those that are more than 90 days past due are reported in item 4.b.
- ↖ Use past due instructions for Schedule N

Item 6

Amount of ownership (or seller's) interest carried as securities or loans

- ↖ For home equity lines (Column B), credit card receivables (Column C) and commercial and industrial loans (Column F) reported in Item 1.
 - Report all interests in the form or securities in Line 6.a. (also reported in Schedule RAL, Line 1.c. and Line 1.f.)
 - Report all interests in the form of loans in Line 6.b. (also reported in Schedule C, Line 8.)

Item 7

Past due loan amounts included in interests reported in Item 6

- ↖ The outstanding principal balance of any loans and leases reported in item 6 that are past due 30 -89 days are reported in item 7.a. and those that are more than 90 days past due are reported in item 7.b.
- ↖ Use past due instructions for Schedule N

Item 9

Maximum amount of credit exposure arising from *credit enhancements* provided by the reporting bank to other institutions' securitization structures in the form of *standby letters of credit*, purchased *subordinated securities* and other *credit enhancements*

- ↖ Include all credit enhancements to third parties (foreign and domestic banks, insurance companies, investment banks).
- ↖ Exclude those provided to other institutions' asset-backed commercial paper programs (reported in Memorandum, Item 1).

Item 10

Reporting bank's *unused commitments to provide liquidity to other institutions' securitization structures*

- ↖ Report in the appropriate Column the unused portions of the liquidity commitments to third party securitization structures
- ↖ Such securitizations would not be reported in Item 1.

Items 11

Assets sold with recourse or other seller-provided credit enhancements and not securitized

- ↖ Report the unpaid principal balance of loan and leases sold with recourse or other seller-provided credit enhancement but have not securitized

Item 12

Maximum amount or credit exposure arising from recourse or other seller-provided credit enhancements provided to assets reported in Item 11

- ↖ Report the unused portion of standby letters of credit, the carrying value of retained interests, and the maximum amount of credit exposure from recourse and other credit enhancements

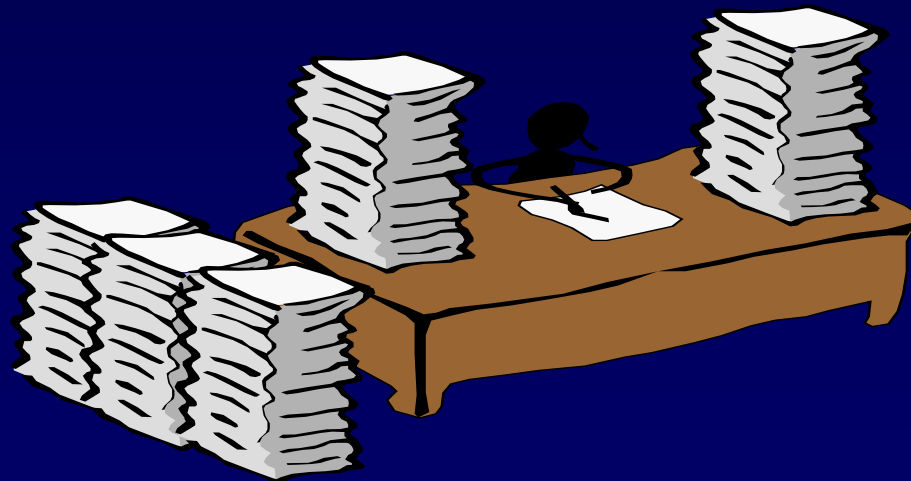
Memorandum Item 1

Asset-backed commercial paper conduits

- ↖ Maximum amount of credit exposure arising from credit enhancements provided to conduit structures in the forms of standby letters of credit, subordinated securities and other credit enhancements.
- ↖ Unused commitments provided to conduit structures
- ↖ Report according to entity type sponsoring the conduit

Schedule T Fiduciary and Related Services

Rich Molloy



Schedule T

Fiduciary and Related Services

- ↖ Banks with fiduciary powers will prepare Schedule T as of December 31, 2001
- ↖ Replaces FFIEC 001
- ↖ Need to integrate trust and fiduciary activities and examinations into mainstream supervisory process
- ↖ Improve quality and timeliness of the data

Schedule T

Fiduciary and Related Services

Three sections

- ↖ Fiduciary Powers (Items 1. - 3.)
- ↖ Fiduciary and Related Assets Held (Items 4. - 10.)
- ↖ Memoranda (Items 1.a. - 3.h.)
 - Managed Assets Held in Personal Trust and Agency Accounts
 - Corporate Trust and Agency Accounts
 - Collective Investment Funds

Items 1, 2 and 3

- ⚡ Does the institution have trust powers?
- ⚡ Does the institution exercise the fiduciary powers it has been granted?
- ⚡ Does the institution have any fiduciary or related activity to report?

Items 4 -10

- ↖ Report market values as of the report date:
 - Managed Assets - Column A
 - ↖↖ Accounts for which institution has investment discretion
 - Non-Managed Assets - Column B
 - ↖↖ Accounts for which the institution does not have investment discretion
 - Number of Managed Accounts - Column C
 - Number of Non-Managed Accounts - Column D

Memoranda Item 1

Managed assets held in personal trust and agency accounts

- ↖ Breakout of Item 4 above according to asset type
- ↖ Used to monitor household investments

Memorandum Item 2

Corporate trust and agency accounts

- ↖ Number of issues - Column A
- ↖ Principal amount outstanding - Column B
- ↖ Corporate and municipal trusteeships
- ↖ Transfer agent, registrar, paying agent, and other corporate agency

Memorandum Item 3

Collective investment funds and common trust funds

- ↖ Number of funds - Column A
- ↖ Market value of fund assets - Column B
- ↖ Breakout according to type of asset

Schedule C - Loans

Patricia Maone



Loans

Objectives

- Definition of a loan
- Depository vs Financial institutions
- Overdrafts and unearned income on loans
- Specific vs General reserves
- Past due, Nonaccrual and Restructured loans

Loans

Divided in Two Parts

- ↖ Part I includes all loans and leases
- ↖ Part II includes loans to small businesses and small farms
 - Required by the Federal Deposit Insurance Corporation Improvement Act of 1991



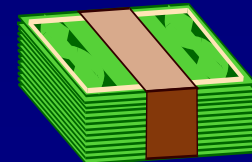
Loans

- Completed only by U.S. branches and agencies whose deposits are insured by the FDIC
- Completed only for the June 30 report date



Loans

- ↖ A loan is an extension of credit resulting from direct negotiations between a lender and a borrower
- ↖ The reporting institution may originate or it may purchase a loan or a portion of a loan originated by another lender

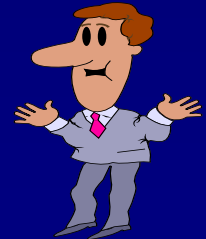


Loans

Loans should be reported at book value (unless FAS 133 applies) and net of unearned income.

Loans include:

- The sale of immediately available funds with maturity $>$ one business day (i.e., term fed funds sold)
- Customers' overdrafts



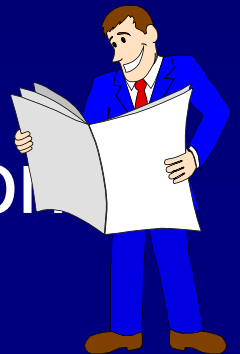
Loans

- Discounted bankers' acceptances
- Loans held for sale should be reported at the lower of cost or fair value
- Loans that are past due or in non-accrual status
- Resale agreements involving assets other than securities with a maturity $>$ one business day

Loans

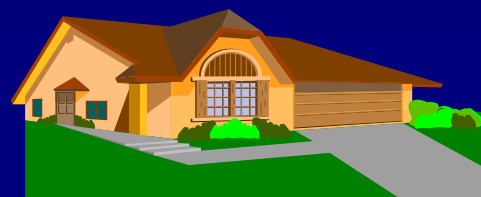
Loans exclude

- ↖ Sales of immediately available funds maturing in one business day (i.e., overnight federal funds sold)
 - Schedule RAL, Line 1.d.
- ↖ Deposits held at depository institution
 - Schedule A



Loans

- ↖ Accrued interest receivable on loans
 - Schedule RAL, Line 1.h.
- ↖ Loans to related depository institutions
 - Schedule M, according to counterparty
- ↖ Other Real Estate Owned (OREO)
 - Schedule RAL, Line 1.h.



Depository vs Financial Institutions

- ↖ Depository institutions are institutions that can accept deposits
 - Edge and Agreement corporations
 - Commercial banks
 - Credit unions
 - Thrifts

Note: “Loans to depository institutions” and “Acceptances of other banks” are combined

Depository vs Financial Institutions

- ↖ Financial institutions are financial intermediaries whose primary business is to extend credit
 - Investment banks
 - Real estate investment trusts (REITs)
 - Finance and mortgage finance companies
 - Bank holding companies
 - Insurance companies



Line Item Instructions

↖ Loans secured by real estate, Line 1.

- All loans, regardless of purpose or counterparty, that are secured by real estate

Exception

Loans secured by real estate issued to state and political subdivisions (Line 8.)



Line Item Instructions

- Home equity loan is a loan to a homeowner for purposes other than the purchase of the home
 - ➤ Collateralized by the equity of the home of the debtor



Line Item Instructions

↖ Loans for purchasing or carrying securities,
Line 7.

- Includes all loans to brokers and dealers in securities
(other than those secured by real estate) regardless of purpose
- Excludes loans to depository institutions for the purpose of purchasing or carrying securities

↗↗ Report in Line 2.

Line Item Instructions

- ↖ All other loans, Line 8.
 - Loans to nonprofit organizations
 - Loans to individuals
 - Loans to state and political subdivisions, including loans secured by real estate



Line Item Instructions

Overdrafts

↩ Planned (or prearranged) overdrafts

- A contractual agreement has been made in advance to allow such credit extensions
- Reported according to counterpart



Line Item Instructions

- ↖ Unplanned overdrafts, Line 8.
 - A depository institution honors a check or draft drawn against a deposit account when insufficient funds are on deposit, and
 - There is no advance contractual agreement to honor the check or draft



Line Item Instructions

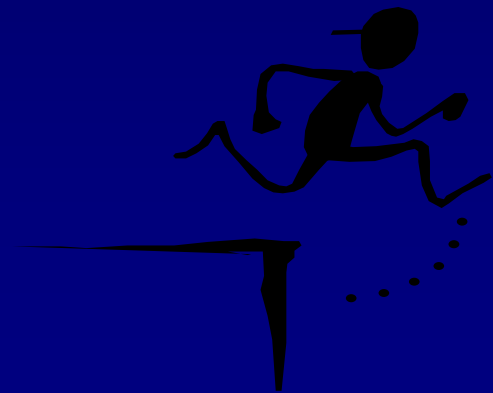
Exception

- Unplanned overdrafts of depository institutions
↗ ↗ Report in Line 2.
- Unplanned overdrafts of foreign governments
and official institutions
↗ ↗ Report in Line 6.

Line Item Instructions

↖ Unearned income, Line 10.

- Income received but not yet earned, such as prepaid interest or fees



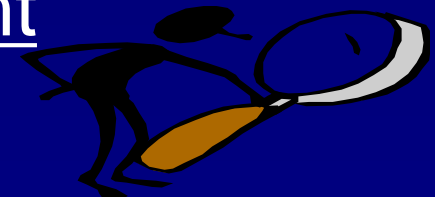
Line Item Instructions

- The preferred treatment is to report the specific loan categories net of unearned income
 - ↗↗ Unearned income that cannot be applied to a specific loan should be reported on Line 10.
- Do not report unearned income in Line 10. as

Allowance for Loan Losses

Specific “Reserves”

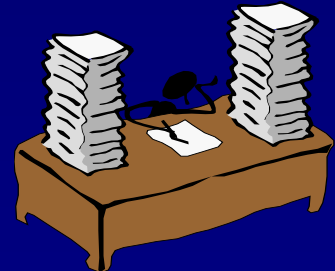
- ↖ Specific loan loss reserves are only maintained for *identified losses*
 - Loans should be reported net of identified losses on Schedule C (and throughout the report) only when branch management has identified a specific loss amount



Allowance for Loan Losses

General “Reserves”

- ↖ General loan loss reserves are reserves that are maintained against the loan portfolio in order to absorb any anticipated loan losses



Allowance for Loan Losses

General “Reserves”

- Loans should be reported at book value on Schedule C (and throughout the report) and not reduced by any general loan loss reserves
- General “reserves” should be reported as
 - ↗ ↗ Due to head office on Schedule M, Part I, Column B, Line 2.a., and
 - ↗ ↗ Schedule M, Part IV, Line 1.

Allowance for Loan Losses

Provision

- ↖ The provision for both specific and general reserves is an expense and should be reported on Schedule M, Part I, Line 2.a. as part of the profit/loss calculation

Allowance for Loan Losses

Accounting Entries

“General Reserves”

Dr: Provision for Loan Loss (M, Part I, Line 2.a., Col A)

Cr: Allowance for Loan Loss

(M, Part IV, Line 1; M, Part I, 2.a., Col B)

“Specific Reserves”

Dr: Provision for Loan Loss (M, Part I, 2.a., Col A)

Cr: Specific Reserves for Loan Loss

(Deducted from a specific loan on Schedule C)

Questions and Answers

Q 1: The sale of immediately available funds to IBM that mature in one business day?

A 1: Schedule C, Line 4.

Q 2: Loan to a related majority-owned non-banking institution outside the U.S.?

A 2: Schedule C, Line 3, Schedule M, Part III, Line 2.

Questions and Answers

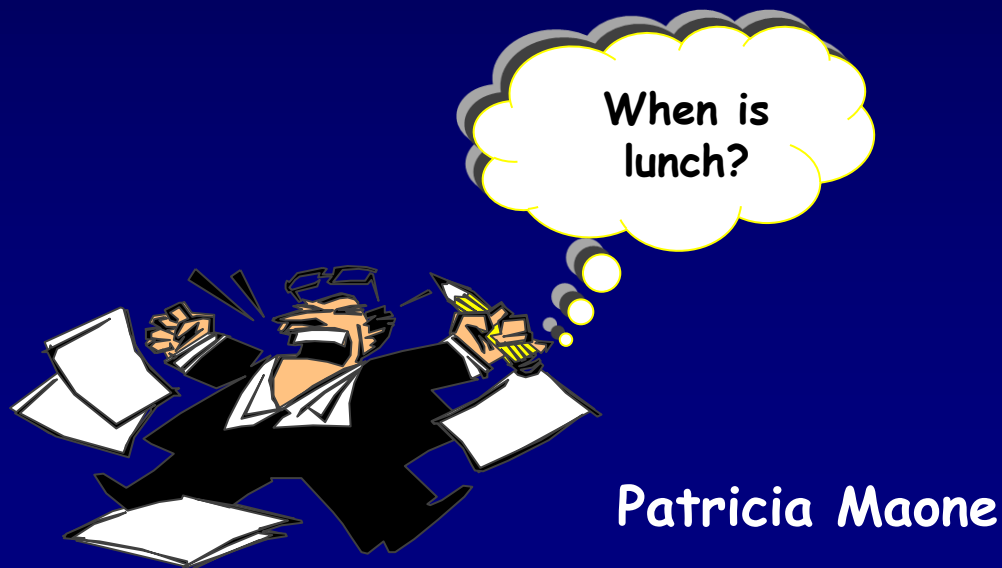
Q 3: Allowance maintained to absorb any anticipated loan losses?

A 3: Schedule M, Part I, Line 2.a. and Part IV, Line 1.

Q 4: Unplanned overdrafts of brokers

A 4: Schedule C, Line 8.

Schedule N Past Due, Nonaccrual, and Restructured Loans



Past Due, Nonaccrual, and Restructured Loans

↖ Past Due Loans

- Loans and lease financing receivables are
to be reported as past due when either interest or principal is unpaid for 30 days or more

Past Due, Nonaccrual, and Restructured Loans

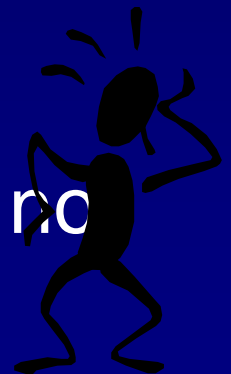
↖ Nonaccrual Loans

- Loans that are past due 90 days or more and are not well-secured, or not in the process of collection
- A performing loan can be considered nonaccrual if the financial condition of the borrower has deteriorated, or
- Payment in full of interest or principal is not expected

Past Due, Nonaccrual, and Restructured Loans

↖ Restructured Loans

- Troubled debt restored to accrual status because either its principal or interest was reduced to enable the customer to repay the loan
- Extending the maturity of a loan does not by itself constitute a restructured loan



Past Due, Nonaccrual, and Restructured Loans

- ↖ All loans reflected on Schedule N must also be reported on Schedule C and on Schedule RAL

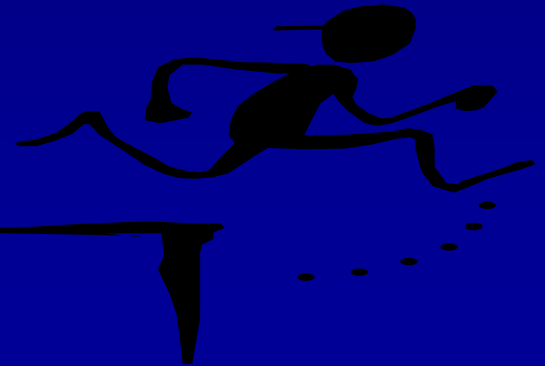
Summary

- ↖ Report loans at book value, net of unearned income and net of specific reserves
- ↖ Depository vs financial institution
- ↖ Overdrafts: planned and unplanned
- ↖ Specific and general reserves
- ↖ Loans reported on Schedule N must also

Lunch Break!



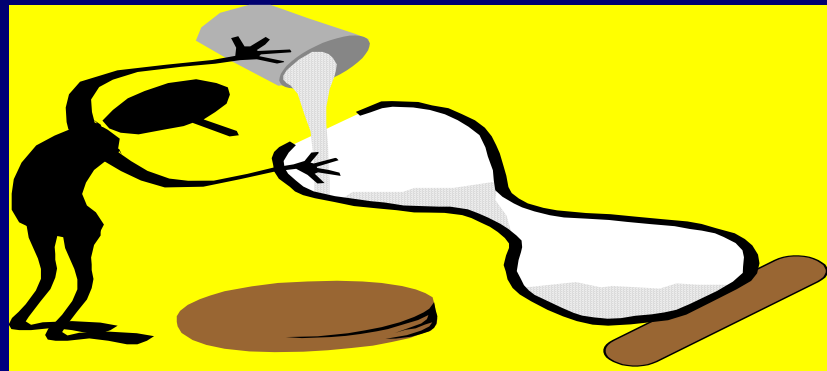
It is about
time!



Schedules L and M , Part V

Off-Balance-Sheet Items

Mike Tursi



June Report Changes

The following were deleted from Schedule L

- ↖ “Participation in acceptances acquired by the reporting branch or agency”, Line 6.
- ↖ “Total gross notional amount of derivative contracts held for purposes other than trading”, Line 11.
 - Contracts not marked to market, Line 11.b.

June Report Changes

The following were deleted from Schedule L

- ↖ “Contracts held for purposes other than trading that are not marked to market”, Line 12.
 - Gross positive fair value, Line 12.c.(1)
 - Gross negative fair value, Line 12.c.(2)

Differences Between Two Schedules

- ↖ Schedule L includes off-balance sheet transactions with nonrelated institutions and related nondepository institutions
- ↖ Schedule M, Part V, includes off-balance sheet transactions with related depository institutions

Line Item Instructions

- ↖ Commitments to make or purchase loans,
Line 1.
 - Includes all legally binding commitments to make or purchase loans
 - Only the unused (i.e., amount that has not been drawn against) portions of loan commitments are to be reported

Line Item Instructions

- ↖ Spot foreign exchange contracts, Line 2.
 - A spot contract is an agreement for the immediate delivery (i.e., within two business days) of a foreign currency at the prevailing cash market rate

Line Item Instructions

- Spot contracts are considered outstanding until canceled by acquisition or delivery of underlying currencies
- For contracts where foreign currencies are bought and sold against U.S. dollars, report the foreign currency (non-U.S.) side

Line Item Instructions

- For cross-currency contracts, which involve the purchase and sale of two non-U.S. currencies, report the purchase side of the transaction
- Exclude contracts for the delayed delivery of foreign exchange. These forward contracts are reported in Line 9.b.

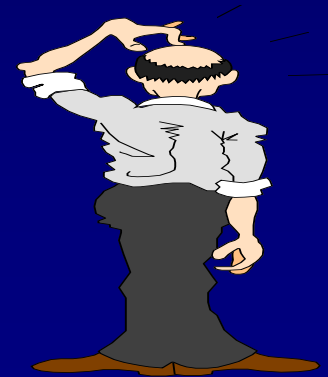
Line Item Instructions

↖ Standby letters of credit, Line 3.

- Includes all outstanding letters of credit and all legally binding commitments to issue letters of credit
- Includes the amount of letters of credit conveyed to others through participations
 - ↗ Report in Lines 3.a. and 3.b.

Line Item Instructions

- Only the unused (i.e., amount that has not been drawn against) portions of letters of credit are to be reported

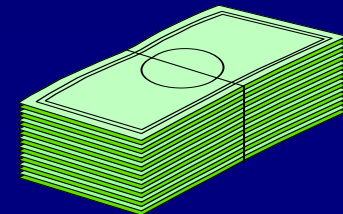


Line Item Instructions

- ↖ Commercial and similar letters of credit, Line 4.
 - Includes all outstanding issued and confirmed letters of credit, and all legally binding commitments to issue letters of credit
 - Only the unused (i.e., amount that has not been drawn against) portions of letters of credit are to be reported

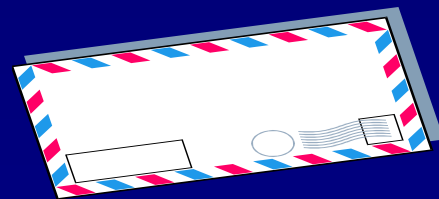
Line Item Instructions

- ↖ There are three basic types of letters of credit (excluding standby letters of credit)
 - Commercial letters of credit
 - Traveler's letters of credit



Line Item Instructions

- Letters of credit sold for cash
 - ↗↗ Letters of credit sold for cash must be excluded from Schedule L, and the cash received is reported as a deposit on Schedule E according to counterparty



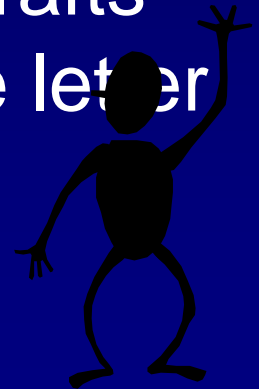
Line Item Instructions

- ↖ Differences between commercial letters of credit and standby letters of credit
 - Standby letter of credit
 - ↗ ↗ Bank's performance is contingent upon the failure of the customer to perform under the terms of the contract

Line Item Instructions

– Commercial letter of credit

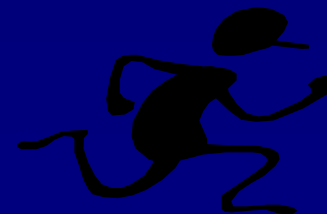
- ↗ ↗ Substitutes the bank's credit for the credit of another party
- ↗ ↗ The party is authorized to write drafts up to the amount specified in the letter of credit



Line Item Instructions

- ↖ Participations in acceptances, Line 5.
 - Conveyed to others

Note: Participations in acceptances acquired by the reporting branch or agency, Line 6. was deleted



Line Item Instructions

↖ Contingent liabilities, Line 7.

- Commitments to accept and place deposits
- Purchases and sales of risk participation in loans
- Securities borrowed



Line Item Instructions

- Commitments to purchase when-issued securities, if not reported as forward contracts
- Other contingencies that cannot properly be reported in the preceding lines

Line Item Instructions

↖ Contingent assets, Line 8.

- Securities lent
- Commitments to sell when-issued securities, if not reported as forward contracts

Line Item Instructions

- ↖ Gross amount (notional amount) of off-balance sheet derivatives, Line 9.
 - Report the notional amount (par value) of the contract according to type of contract

Line Item Instructions

- ↖ The sum of items 9.a. through 9.e. must equal the sum of Items 10. and 11.

Column Instructions

- ↖ Interest rate contracts, Column A
 - Contracts related to an interest rate risk

Column Instructions

- ↖ Foreign exchange contracts, Column B
 - Involve the exchange of one or more foreign currencies and other contracts whose predominant risk is foreign exchange risk
 - Include cross currency interest rate contracts, currency futures, and currency option contracts

Column Instructions

↖ Equity contracts, Column C

- Contracts that have a rate of return or portion of their return linked to price of or to an index of equity prices

Column Instructions

- ↖ Commodity and other contracts, Column D
 - Contracts that have a rate of return linked to price of or to an index of precious metals, petroleum, lumber, agricultural products, etc.

Line Item Instructions

- ↖ Futures and forward contracts, Lines 9.a. and b.
 - Commitments for the purchase or delivery of securities or other money market instruments
 - ↗↗ Buyer agrees to purchase (long position)
 - ↗↗ Seller agrees to make delivery (short position)
 - ↗↗ At a specified future date
 - ↗↗ At a stated price or yield

Line Item Instructions

- Futures contracts are traded on an organized exchanges and their terms are standardized
- Forward contracts are traded over the counter and their terms are not standardized

Line Item Instructions

- Futures and forward contracts should be reported
 - ↗ ↗ Gross at par value until they have been canceled by delivery or acquisitions of the underlying instrument or,
 - ↗ ↗ For futures contracts, by “offset”

Line Item Instructions

↖ Offset

- Offset is the purchase and sale of an equal number of contracts:
 - ↗↗ On the same underlying instrument
 - ↗↗ For the same delivery month, and
 - ↗↗ Traded through the same exchange

Line Item Instructions

- ↪ Forward rate agreements (FRAs), Line 9.b.
 - A FRA is a contract in which two counterparties agree on the interest rate to be paid on a notional amount of specified maturity at a specific future time
 - Futures and forward contracts involving foreign exchange should be reported in Column B

Line Item Instructions

- ↖ Option contracts, Lines 9.c. and d.
 - Options are contracts
 - ↗↗ Where one party acquires the right to sell or purchase some financial instrument
 - ↗↗ At a stated price
 - ↗↗ On or before a specified future date

Line Item Instructions

- ↗ ↗ Unilateral agreement in which the option writer is obligated to perform under the contract if the holder exercises the option
- ↗ ↗ The two main types of options are
 - Puts (sell) and Calls (buy)



Line Item Instructions

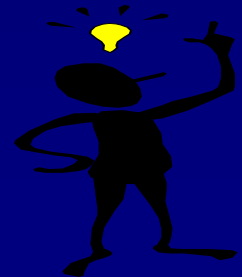
- ↖ Report the par value of the underlying financial instrument
 - Caps, floors, and collars are to be reported as options, Line 9.d.
 - A cap is an interest rate contract for which the buyer pays a premium to obtain protection against a rise of a specified interest rate above a certain level

Line Item Instructions

- A floor is an interest rate contract for which the buyer pays a premium to obtain protection against a drop of a specified interest rate below a certain level
- A collar is an interest rate contract for the simultaneous purchase of a cap and the sale of a floor with the aim of maintaining an interest rate within a defined range

Line Item Instructions

- ↖ Premiums received and paid on options are reported gross on Schedule RAL
 - Trading assets and/or liabilities held for trading
 - Other assets and/or liabilities if held for purposes other than trading



Line Item Instructions

↖ Interest rate swaps, Line 9.e.

- Contracts in which two parties agree to exchange the interest payment streams on a specified principal amount of assets or liabilities for a period of time



Line Item Instructions

- Report the notional value. The notional value is the underlying principal amount upon which the exchange of interest is based
- When the reporting branch or agency is acting as an intermediary between two unrelated parties,
both sides of the transaction are to be reported on
Schedules L and M

Line Item Instructions

- ↖ When the reporting institution is acting as an intermediary between a related depository institution and an unrelated party (or related nondepository institution)
 - The side of the transaction with the related depository institution is reported in Line 9., Schedule M, Part V
 - The side with the unrelated party is reported in Line 9., Schedule L

Line Item Instructions

- ↖ Interest receivable and payable on swaps held for trading purposes should be reported net on Schedule RAL, Lines 1.f. and 4.e.
- ↖ Interest receivable and payable on swaps not held for trading purposes should be reported gross on Schedule RAL, Lines 1.h. and 4.f.

Line Item Instructions

↖ Gross fair values of derivative contracts, Line 12.

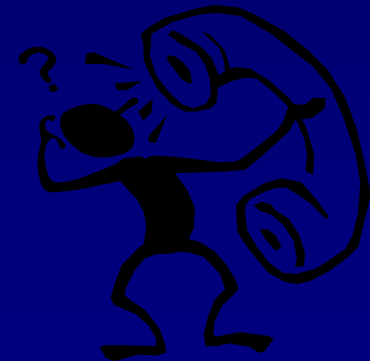
- The definition of “fair value” for the FFIEC 002 purposes is based on FASB Statement No, 107, “Disclosure About Fair Value of Financial Instruments”
- FAS 107 defines fair value as “the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced liquidation or sale.” Report the fair value as

Line Item Instructions

- If a quoted market price is available for a contract, ~~use the~~ closing market price as quoted by the exchange
- If a quoted market price is not available, report the bank's best estimate of fair value based on the quoted market price of a similar contract
- When external prices are not available, valuation techniques such as discounted cash flows may be used to establish market values

Line Item Instructions

- The fair value of a derivative contract with an immaterial cost basis could be equal to the unrealized gain (positive fair value) or the unrealized loss (negative fair value)



Derivatives Contracts Fair Value

Gross positive or negative fair value

↖ Future contracts

- The difference between the current market price and the price when the contract was entered into

Derivatives Contracts Fair Value

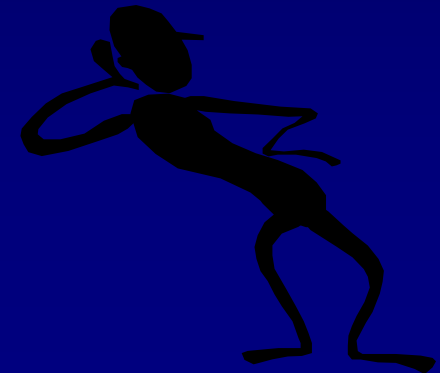
↳ Forward contracts

- Depends on the change in the rate (i.e., interest rate, foreign exchange rate, commodity or equity price) for that settlement date over time

Derivatives Contracts Fair Value

↖ Swaps

- The change in the net present value of the fixed future cash flows



Derivatives Contracts Fair Value

↖ Options

- For an exchange traded option, the change in the price quoted on the exchange
- For an over the counter option, the change in the price as determined by an option pricing model (e.g., Black-Sholes)

Fair Value Example

Purchased T-Bill Futures Contract \$1,000,000

A gross negative fair value results when the price of the original contract is greater than the current price

| <u>Market quote price</u> | | <u>Discount</u> | <u>Current</u> |
|---------------------------|-------|-----------------|----------------|
| Date of purchase | 95.43 | 4.57 | |
| <u>988,575</u> * | | | |
| Report date | 95.39 | 4.61 | |
| <u>988,475</u> ** | | | |
| Change in market value | | | <u>100</u> |

Negative fair value

* $1,000,000 - (4.57\% \times \$1,000,000 \times 90/360) = 988,575$

** $1,000,000 - (4.61\% \times \$1,000,000 \times 90/360) = 988,475$

Fair Value Example

Purchased Forward FX Contract

A gross positive fair value results when the price of the original contract is less than the current price

Buy DM 1,420,500 (Sell \$1,000,000)

| \$ | <u>Exchange Rate DM/\$</u> | |
|-------------------|----------------------------|--------|
| Date of purchase: | 1,000,000 | 1.4205 |
| Report date: | <u>1,003,745</u> * | 1.4152 |
| Change = | <u>3,745</u> ** | |

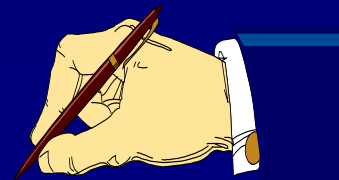
Positive fair value

* $1,420,500 / 1.4152 = 1,003,745$ ** $1,003,745 - 1,000,000 = 3,745$

Derivatives and Contracts Fair

↖ Notional amount of credit derivatives

- Credit derivatives are off-balance sheet arrangements that allow one party (the “beneficiary”) to transfer the credit risk of a “reference asset” to another party (“the guarantor”)



Derivatives Contracts Fair Value

- ↖ On balance sheet effects of off-balance contracts held for trading purposes are reported gross on Schedule RAL (unless FIN 39 applies)

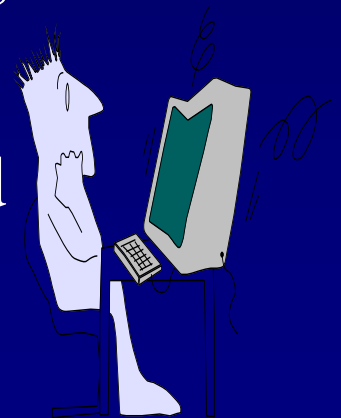


Derivatives Contracts Fair Value

- Revaluation gains and losses from off-balance sheet contracts held for trading purposes are reported gross on Schedule RAL
(unless FIN 39 applies)

Hedging

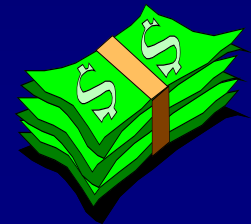
- ↗ FAS 133 requires derivatives to be designated as speculative or hedging
 - No change in reporting for trading accounts
 - The fair value of trading derivative is reported in “Trading assets” or “Trading liabilities”
 - The mark-to-market gains will be reported in earnings



Hedging

↖ Hedges

- The fair value of all non-trading derivatives will be reported in “Other assets” or “Other liabilities”
- For depository institutions, the two predominate types of hedges are:
 - ↗↗ Fair value
 - ↗↗ Cash flow



Hedging

↖ Fair Value Hedges

- The hedged items are reported at fair value for the portion of the risk being hedged
- The mark-to-market gains are reported in earnings with the hedging contract
- To the extent the hedging relationship is effective earnings will be unaffected

Hedging

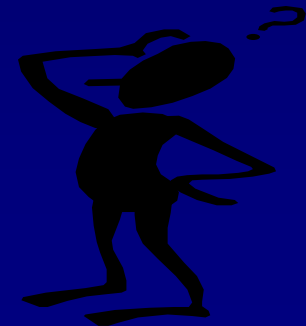
↖ Cash Flow Hedges

- Cash flow hedges apply to hedging the risk of changes in cash flows for variable rate assets and liabilities



Hedging

- ↗ The difference between a Cash Flow and Fair Value hedge
 - The hedged item is not reported at fair value



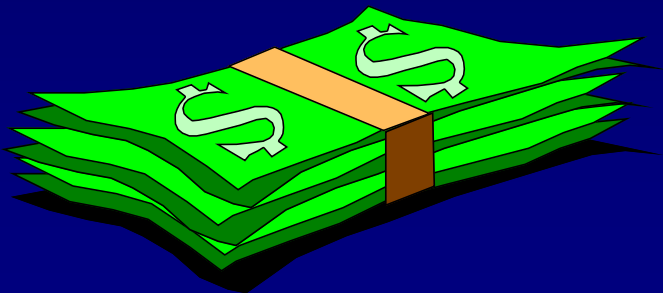
Hedging

↖ Reporting on the FFIEC 002

- The mark-to-market gains and losses from fair value and cash flow hedges should be reported in the institution's "Net unremitted profit" on Schedule M, Part I, Line 2.a.

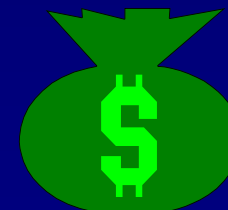
Schedule A Cash and Balances Due From Depository Institutions

Rich Molloy



June Report Changes

- ↖ “Noninterest-bearing balances due from commercial banks in the U.S.”, M Line 1. was deleted



Cash Items in Process of Collection

- ↖ Instruments payable immediately upon presentation, including
 - Checks or drafts in process of collection drawn on another depository institution (or on a Federal Reserve Bank) and
 - Payable immediately upon presentation
 - Checks drawn on U.S. Treasury or any other government agency



Cash Items in the Process of Collection

- ↖ Exclude from cash items in the process of collection (CIPC)
 - Cash items for which the reporting institution has already received credit
 - Reported as due from bank on Schedule A, Lines 3., 4. or 5., according to counterparty

Definitional Difference

CIPC FFIEC 002 vs FR 2900

FFIEC 002

- Includes checks drawn on a Federal Reserve Bank on Schedule A, Line 1.
- Includes all checks or drafts drawn on depository institutions, regardless of their location

FR 2900

- Excludes checks drawn on a Federal Reserve Bank, Line B.2.
- Only includes checks or drafts drawn on U.S. depository institutions

Due From Balances

- ↖ Funds on deposit at other depository institutions (in the U.S. and foreign countries)
 - for which the reporting institution has already received credit
- Balances due from the Federal Reserve
- Balances due from foreign central banks

Due From Balances

↖ Interest-bearing balances and noninterest-bearing balances in the form of

- Demand deposits
- Placements
- Savings deposits
- Time deposits, including CDs

Exclude: Overdrafts

Loans vs Placements

- ↖ The reporting institution's responsibility is to determine the nature of each transaction when categorizing a transaction as a placement or a loan. Key factors to consider are:
 - The provisions of the underlying contract or account agreement
 - If no contract exists the institution may use

Loans vs Placements

- ↖ LOAN - Extension of credit resulting from direct negotiation between the bank and its customers or the purchase of such asset from others
- ↖ PLACEMENT - Deposit placed with a bank
 - Report as due from on Schedule A

Vault Cash

↖ Include in vault cash

- Currency and coin owned and held in the reporting branch's vaults (include both U.S. and foreign currency)



Vault Cash

- Currency and coin in transit to a Federal Reserve Bank or any other depository institution for which the reporting bank has not yet received credit
- Currency and coin in transit from a Federal Reserve Bank or any other depository institution for which the reporting bank's account has already been charged

Vault Cash

↖ Exclude from vault cash

- Precious metals inventories
- Reported on Schedule RAL, Line 1.h.

Definitional Differences

Vault Cash FFIEC 002 vs FR 2900

FFIEC 002

- Vault cash includes both U.S. and non-U.S. currency (converted to U.S. dollars)

FR 2900

- Vault cash includes only U.S. coin and currency

Definitional Differences Schedule A and the FR 2900

FFIEC 002

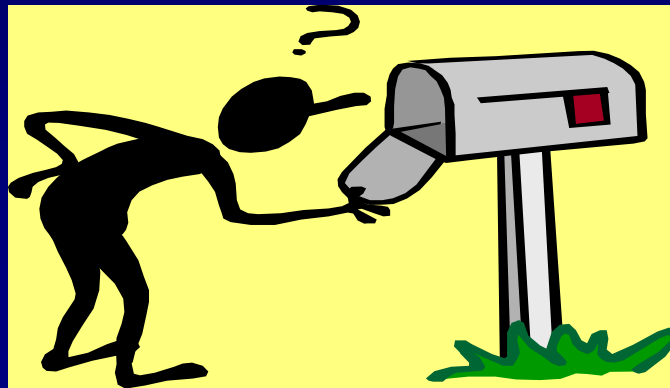
- Pass-through reserve balances are reported on a gross basis

FR 2900

- The FR 2900 excludes balances that have been passed through to reserve banks

Schedule P Other Borrowed Money

Rich Molloy



Other Borrowed Money

- ↖ Any borrowing of immediately available funds with a maturity of greater than one day
- ↖ Term federal funds purchased
- ↖ The total amount borrowed by the branch or agency on its promissory notes and discounted bills

Other Borrowed Money

- ↖ Overdrawn account balances of the reporting branch
- ↖ Borrowings from a Federal Reserve Bank



Definitional Differences

Schedule P and the FR 2900

FFIEC 002

- Repurchase agreements involving assets other than securities that mature in more than one business day are reported as borrowings

FR 2900

- Repurchase agreements involving assets other than U.S. Government or Federal Agency securities are reported as deposits on the FR 2900

Schedule E

Deposit Liabilities and Credit Balances

Rich Molloy

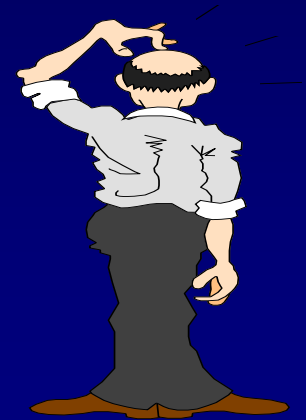


June Report Changes

- ↖ Demand deposits (Column B) are no longer reported by counterparty, only total, Line 7.
- ↖ Certified and official checks are no longer reported by separately, Line 6.
 - Included in “Individuals, partnerships and corporations”, Line 1.

Definition of a Deposit

- ↖ The unpaid balance of money held by a depository institution for which it has given credit to an account, including
 - Checking accounts (DDAs)
 - Certificates of deposit (CDs)



Definition of a Deposit

- Money market deposit accounts (MMDAs)
- Escrow Funds
- Outstanding official, cashier's, teller's, or officer's checks

Definition of a Deposit

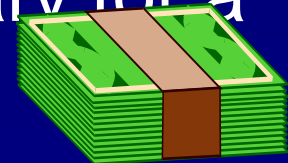
↖ Credit balances

– Special purpose deposits arising out of the exercise of lawful banking powers, including

↗ ↗ Payment of checks

↗ ↗ Lending of money

↗ ↗ Must not be larger than necessary for a specific transaction



Transaction Accounts

↖ Demand deposit

- A deposit that is payable on demand or issued with an original maturity or required notice period of less than seven days



Transaction Accounts

- ↖ Demand deposits may take the form of
 - Customer's checking accounts
 - Certified, cashier's and official checks
 - Traveler's checks and money orders sold by the reporting bank, until the proceeds of the sale are remitted to another party

Transaction Accounts

- Withheld taxes, withheld insurance premiums and other withheld funds
- Time deposits that have matured and which have not been automatically renewed

Other Transaction Accounts

- ↪ Other transaction accounts include
 - Deposit accounts, other than savings deposit accounts, on which the depository institution reserves the right to require at least seven days' written notice prior to the withdrawal or transfer of any funds in the account

Other Transaction Accounts

- Deposit accounts that are subject to check, draft, negotiable order of withdrawal, electronic transfer or other similar items
- Deposit accounts in which the depositor is permitted to make more than six third party withdrawals per month or statement cycle

Nontransaction Accounts

↖ Time deposits

- A deposit account with an original maturity date of at least seven days
- The depositor is not permitted to make withdrawals from within six days after the date of deposit unless the deposit is subject to an early withdrawal penalty of at least seven days' simple interest

Nontransaction Accounts

↖ Time deposits include

- Funds payable on a specified date not less than seven days after the date of deposit
- Funds payable only upon written notice that is actually required to be given by the depositor not less than seven days prior to withdrawal

Nontransaction Accounts

↖ Savings deposits

- An account which the depository institution reserves the right to require at least seven days written notice prior to a withdrawal
- An account with no specified maturity
- The depositor is not permitted to make more than six withdrawals per calendar month or statement cycle

Nontransaction Accounts

- ↖ Savings deposit accounts include
 - Money market deposit accounts (MMDAs)
 - Passbook savings accounts
 - Statement savings accounts

Overdrawn Account Balances

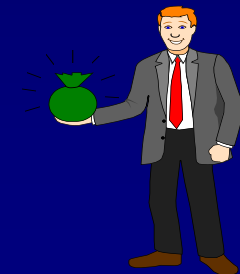
- ↖ The overdrawn account should be raised to zero and not netted against good balances
- ↖ The amount of the overdraft should be reported on Schedule C according to the type of overdraft (planned or unplanned) and the counterparty

Column Instructions

| | Col A | Col B | Col C | Col D |
|----------------------------|----------|--------------|----------|----------|
| | | (Total only) | | |
| IBF Deposits | | | | X |
| Total Transaction Accounts | X | | | |
| Demand Deposits | X | X | | |
| Non-transaction Accounts | | | X | |

Line Item Instructions

- ↖ Deposits of individuals, partnerships, and corporations, including certified and official checks (IPCs), Line 1, includes:
 - Nondepository financial institutions
 - U.S. Government agencies
 - Brokers and dealers

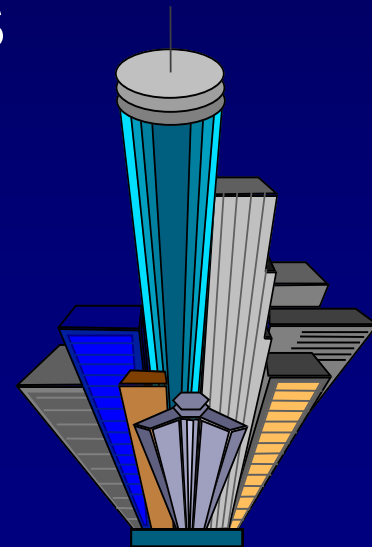


Line Item Instructions

- ↖ Deposits from IPCs exclude
 - Deposits of the U.S. Government
 - ↗↗ Report in Line 5.
 - TT and L accounts
 - U.S. postal service accounts
 - State and municipal subdivisions

Line Item Instructions

- ↖ Deposits of foreign governments and official institutions, Line 4., includes
 - International organizations
 - Treaty organizations



Line Item Instructions

- ↖ Deposits from foreign governments and official institutions exclude
 - U.S. branches and agencies of foreign official banking institutions
 - Report in Line 2.a.



Definitional Differences Schedule E and the FR 2900

FFIEC 002

- Accounts of U.S. and non-U.S. banking affiliates are excluded from Schedule E.

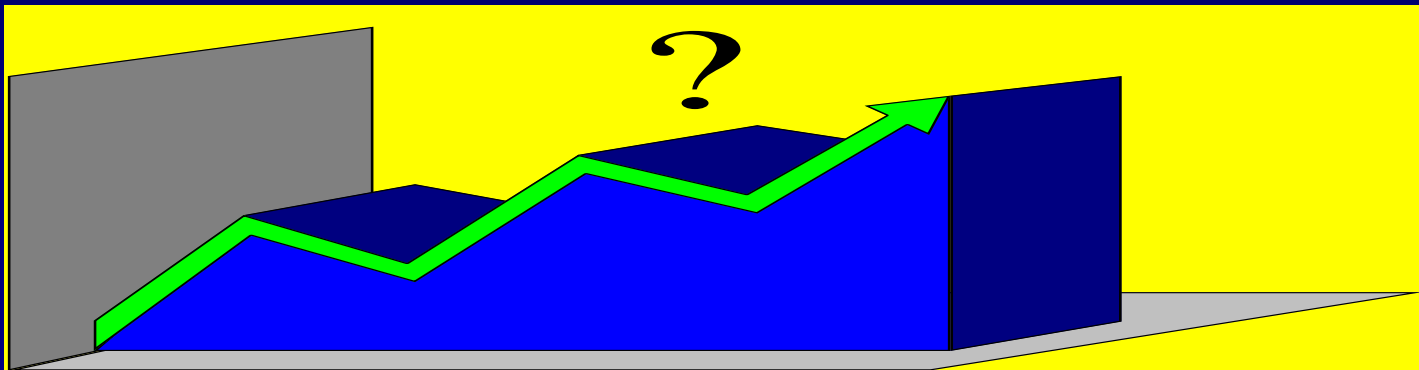
Such accounts are reported on Schedule M.

FR 2900

- Accounts of U.S. and non-U.S. affiliates and subsidiaries are included on the FR 2900.

Schedule K Quarterly Averages

Henry Castillo



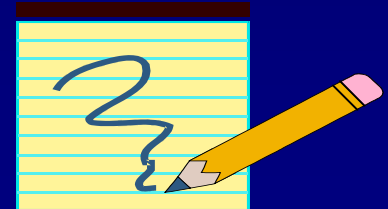
Quarterly Averages

Quarterly average should reflect either

- ↖ The average of the balances as of the close of business for each day of the calendar quarter, or
- ↖ The average of the balances as of the close of business on each Wednesday during the quarter

Quarterly Averages

- ↖ The method selected must be used consistently throughout the schedule
- ↖ For those days when the bank is closed, the amount outstanding at the close of the previous day must be used



Schedule M

Due from/Due to Related Institutions in the U.S. and in Foreign Countries

Henry Castillo



Schedule M

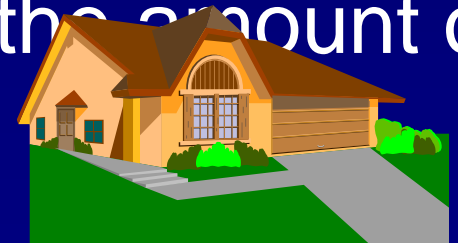
Divided into five parts

- ↖ Transactions involving related depository institutions should be reported on Schedule M, Parts I and/or II
- ↖ Part I covers the reporting institution, including its IBF
- ↖ Part II covers the IBF only



Schedule M

- ↖ Part III includes transactions with related nondepository majority-owned subsidiaries
- ↖ Part IV includes the amount of general allowance for loan losses carried on the books of the reporting institution and the amount of other real estate owned



Schedule M

- ↖ Parts I, II and III require the reporting of the due from/due to relationships gross
- ↖ Parts I, II and III are classified by location and type of related institution, not by type of claim or liability
- ↖ This is the only schedule where Puerto Rico and other U.S. territories and possessions are considered non-U.S. domiciled

Part I

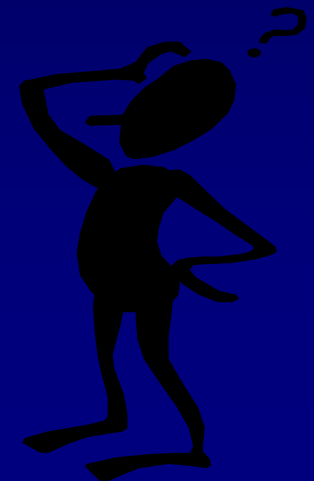
Transactions of Reporting Institution Including IBF with Related Depository Institutions

- ↖ The gross due from/due to balances of the reporting institutions and its IBF with the head office and all other related depository institutions are reported by institution and location
- ↖ Balances between the reporting institution and

Part I

Transactions of Reporting Institution Including IBF with Related Depository Institutions

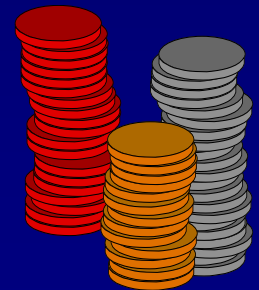
- ↖ Report all claims and liabilities
 - Placements and deposits
 - Loans and borrowings
 - Accounts receivable and payable



Part I

Transactions of Reporting Institution Including IBF with Related Depository Institutions

- Overdrafts
- Federal funds purchased and sold
- Repurchase and resale agreements
- Fair value of derivative contracts
- Capital contribution
 - ↗ ↗ Report in Line 2.a.



Part I

Transactions of Reporting Institution Including IBF with Related Depository Institutions

- Net unremitted profits or losses adjusted for any items affecting your net income account (e.g., provision for loan losses, net unrealized gains or losses on derivative contracts)

↗↗ Report in Line 2.a.

- General allowance for loan losses

↗↗ Report in Line 2.a., Column B



Schedule M

Example 1 - Problem

- *Capital Contribution* = 50 mil
- Net Loss - Branch = (20 mil)
- Net Unrealized Loss on AFS Sec. = (26 mil)
- **What is reported in Line 2. a.?**

Example 1 - Solution

- **Line 2. a.?**
- Column A - "Due from" = 0
- Column B - "Due to" = 4 mil

Schedule M

Example 2 - Problem

- Capital Contribution = 15 mil
- Net Profit - Branch = 5 mil
- *Net Loss - IBF* = (30 mil)
- **What is reported in Line 2. a.?**

Example 2 - Solution

- **Line 2. a.?**
- Column A - “Due from” = (10 mil)
- Column B - “Due to” = 0

Schedule M

Example 3 - Problem

- Capital Contribution = 5 mil
- Net Profit - Branch = 5 mil
- Net Loss - IBF = (30 mil)
- *Net Unrealized Gain on AFS Sec.* = 10 mil
- **What is reported in Line 2. a.?**

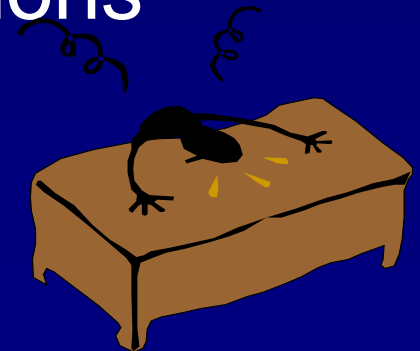
Example 3 - Solution

- **Line 2. a.?**
- Column A - "Due from" = (10 mil)
- Column B - "Due to" = 0

Part II

Transactions of Reporting Institution's IBF with Related Depository Institutions

- ↖ This section reflects the gross positions of only the reporting institution's IBF with related depository institutions



Part II

Transactions of Reporting Institution's IBF with Related Depository Institutions

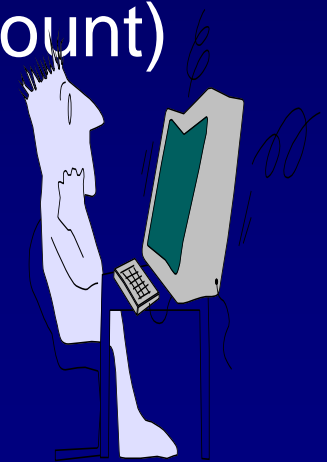
- ↖ The net position between the IBF and the establishing entity is reported only in Line 2. (This amount is excluded from Part I.)
- ↖ Lines 1.d., 2. and 3. can be either positive or negative
- ↖ If negative, a minus sign must be entered preceding the amount

Part II

Transactions of Reporting Institution's IBF with Related Depository Institutions

↖ The IBF's net profit or loss

- Report in Line 1.b.(1)
(When maintained as a separate account)
- In addition, consolidate with the bank's profit or loss and report in Part I



Part III

Transactions of Reporting Institution Including its IBF with Related Nondepository Institutions

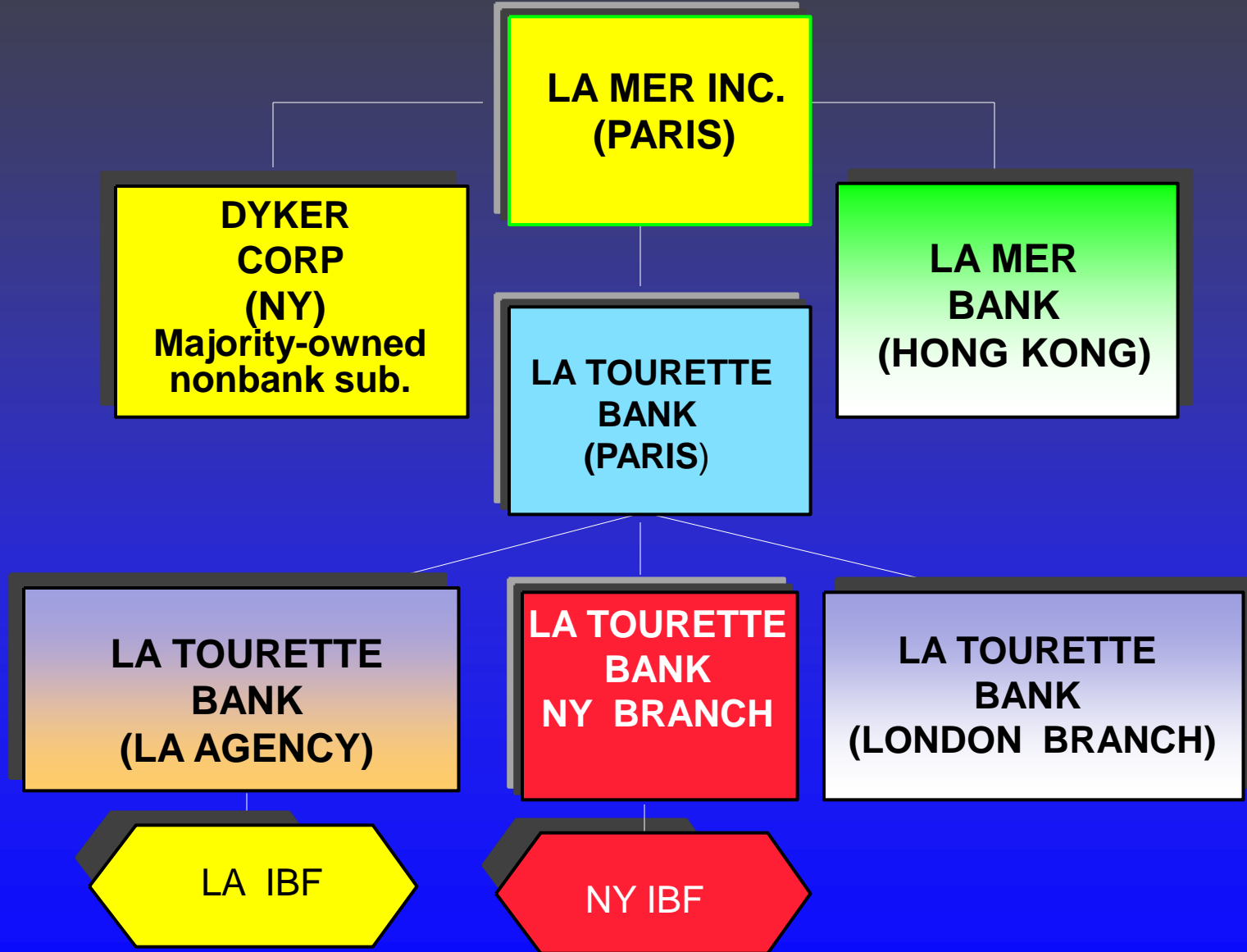
- ↖ Report the gross balances due from and due to majority-owned related nondepository institutions (this includes wholly-owned nondepository institutions)

Part III

Transactions of Reporting Institution Including its IBF with Related Nondepository Institutions

- ↖ The amounts included in this part are also reported in other schedules of the FFIEC 002
 - Transactions with related nondepository institutions are treated as third party transactions

Schedule M



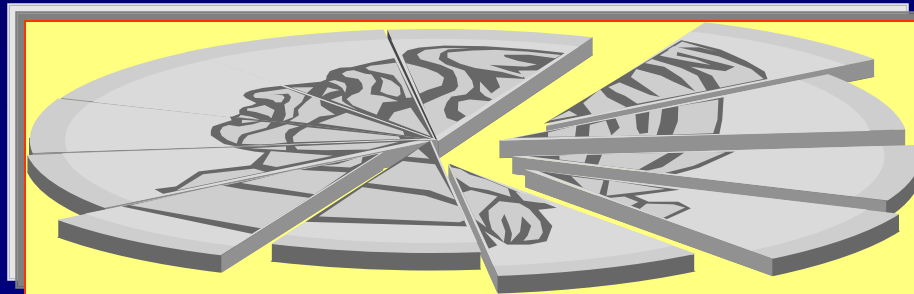
Summary

- ↖ Only transactions with related depository institutions are reported (Part I)
- ↖ Transactions with related nondepository institutions included in Part III are also reported Schedule RAL and related schedules
- ↖ Transactions should be reported gross
- ↖ Capital contribution adjusted by the amount of net income of the branch and the IBF
- ↖ Net income is reported gross of U.S. income taxes

FFIEC 002S

Supplement Report of Assets and Liabilities

Henry Castillo



Purpose of the Report

- ↖ The FFIEC 002S was developed to monitor the banking activities of non-U.S. branches domiciled in offshore centers with U.S. residents

Purpose of the Report

- ↖ The supplement offers detail on transactions with U.S. residents and with residents of the branch's home country
- ↖ Data collected on the FFIEC 002S are used in monetary and financial analysis

General Instructions

↩ Who must report?

- Any U.S. branch or agency of a foreign bank that "manages or controls" an office of its parent bank that is licensed outside the 50 states of the U.S. or the District of Columbia

General Instructions

- ↖ Manages or controls means that a majority of the responsibility for business decisions, including but not limited to, decisions with regard to
 - Lending
 - Funding
 - Asset/liability management

General Instructions

- The responsibility for record keeping in respect to assets or liabilities for that foreign branch resides at the U.S. branch or agency

General Instructions

- ↖ A separate supplement must be completed for each applicable offshore branch. No consolidation of statements for multiple branches is permitted.

General Instructions

↖ Scope of the Supplement

- The supplement covers all of the foreign branch's assets and liabilities, regardless of the currency in which they are payable.

It also covers transactions with all

Line Item Instructions

- ↖ Line 1 - Report all claims on related depository institutions located in the U.S. that are denominated in U.S. dollars
 - Exclude any claims on related depository institutions located in the U.S. that are denominated in non-U.S. currencies and report in Line 3

Line Item Instructions

- ↖ Line 2 - Report all claims on all other institutions located in the U.S. that are denominated in U.S. dollars

Line Item Instructions

- Provides detail on the following types of claims
 - Balances due from nonrelated depository institutions (Line 2.a)
 - Securities (Line 2.b)
 - Loans (Line 2.c)
 - Other claims (Line 2.d)

Line Item Instructions

- ↖ Line 4 - Report all claims on addressees of the home country of the foreign branch's parent bank.
 - Line 4 provides detail on claims with the following counterparties:
 - Related depository institutions (Line 4.a), including net loss

Line Item Instructions

- Nonrelated depository institutions (Line 4.b)
- Home-country government and official institutions (Line 4.c)
- All other claims on home-country addressees

Line Item Instructions

- ↖ Line 5 - Report claims on all other non-U.S. addressees not mentioned above

Line Item Instructions

- ↖ Line 6 - Report anything that is not a claim, including
 - Fixed assets
 - Precious metals inventory
 - Cash items in process of collection (CIPC)

Line Item Instructions

- ↖ Line 8 - Report all liabilities to related depository institutions located in the U.S. denominated in U.S. dollars
 - Exclude transactions denominated in non-U.S. currencies

Line Item Instructions

- ↖ Line 9 - Report all liabilities to all other institutions located in the U.S. denominated in U.S. dollars

Line Item Instructions

- ↖ Provides detail on the following counterparties
 - Nonrelated depository institutions in the U.S. (Line 9.a)
 - All other U.S. addressees denominated in U.S. dollars (Line 9.b)

Line Item Instructions

- ↖ Line 11 - Report all liabilities to addressees of the foreign branch's parent bank
 - Provides detail on the following counterparties
 - Related depository institutions (Line11.a), includes net unremitted profit

Line Item Instructions

- Nonrelated depository institutions (Line 11.b)
- Home-country government and official institutions (Line 11.c)
- All other liabilities to home-country addressees

Line Item Instructions

- ↖ Line 12 - Report liabilities to all other non-U.S. addressees not mentioned above
- ↖ Line 13 - Report any liability that cannot be reported above

Line Item Instructions

- ↗ Memoranda - Transactions with U.S. addressees denominated in U.S. dollars
 - Line 1 - Report all U.S. government securities purchased under agreements to resell included in Lines 1 and 2.d, according to maturity

Line Item Instructions

- Line 3 - Report all negotiable certificates of deposit that meet the following criteria
- Denominated in U.S. dollars
- Issued to U.S. addressees other than depository institutions

Line Item Instructions

- ↖ Line 4 - Report according to original maturity any deposits reported in Line 9.b that are
 - Guaranteed payable in the U.S.
 - Deposits for which the depositor is guaranteed payment by a U.S. office
- ↖ Balances reported in Line 4 are reportable on the FR 2900

