FR 2900 Reporting Seminar

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Purpose and General Instructions

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Agenda

- Purpose and General Instructions
- Annual FR 2900 Items
- Deposits vs. Borrowings
- Transaction Accounts
- Nontransaction Accounts and Vault Cash
- Schedules AA, BB and CC
- Other FR 2900 Reporting Issues
- ReserveCalc

What is the FR 2900?

- The FR 2900 is a weekly/quarterly report reflecting daily data (Tuesday through Monday) where Depository Institutions (DIs) report "sources of funds"
- Amounts reported on the FR 2900 include:
  - Deposits held by the DI
  - Other funds (borrowings obtained from non-exempt entities)

The Purpose of the FR 2900

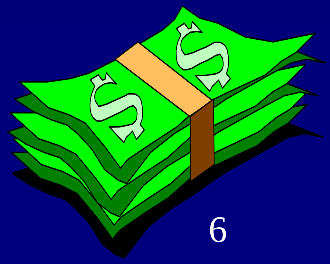
- The FR 2900 has two primary purposes:

  a) The calculation of money stock

  b) The calculation of reserve requirements

What is Money Stock (or Money Supply)?

- Money supply is the total amount of money in the economy
- Two basic measures of money published by the Federal Reserve



What is Money Stock (or Money Supply)?

<u>M1 - $1.4 trillion</u>

Narrowest and most liquid measure of money, comprised of:

- Currency
- Travelers checks
- Demand deposits
- Other transaction accounts (ATS, NOW accounts)

What is Money Stock (or Money Supply)?

M2 - $6.8 trillion

- A broader measure. Includes, in addition to M1:
  - Small denomination time deposits (less than $100,000)
  - Savings deposits, including MMDAs and non-institutional money market mutual funds (MMMFs)

What is Money Stock (or Money Supply)?

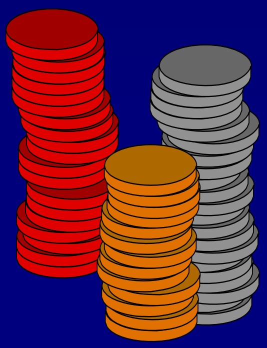
Discontinuance of M3

- On March 23, 2006, the Board of Governors of the Federal Reserve System ceased publication of the M3 monetary aggregate.

What is Money Stock (or Money Supply)?

- The FR 2900 is the primary source of this information, and is used to construct money stock weekly

- The aggregate data are released each Thursday afternoon to the public in the Board’s H.6 release



What are Reserve Requirements?

- Reserve requirements are a percentage of a depository institution's (DI's) deposits (or fractional reserves) that must be held either as cash in the "vault" of the DI, on deposit at the Federal Reserve Bank, or at a correspondent bank.
- Reserve requirements are one of the tools used by the Federal Reserve as a means to conduct monetary policy.

What are Reserve Requirements?

- Reserves can be added to or removed from the banking system by changing the reserve ratio applied to reservable liabilities.

- Other Monetary Policy tools
  - System Open Market Operations
  - Discount Window Lending

Who Must Report?

- U. S. branches and agencies of foreign banks, and banking Edge and Agreement corporations, regardless of size, must report the FR 2900 weekly

Who Must Report?

- U. S. branches and agencies of a foreign bank located in the same state and within the same Federal Reserve District are required to submit a consolidated report of deposits to the Federal Reserve Bank in the District in which they operate (excluding any balances of the IBF)

Reporting of Edge and Agreement Corporations

- When preparing the FR 2900, deposits of offices of a banking Edge or Agreement corporation should not be aggregated with related U.S. branches and agencies of foreign banks or commercial banks

- Banking Edge and Agreement corporations are required to file separate FR 2900 reports, regardless of size

September 2006 Deposit Reporting Requirements

- Applies to all institutions <u>except for</u> U.S. branches and agencies of foreign banks and Edge or Agreement corporations

Exempt		**Non-exempt**	
Net transaction accounts ≤ \$7.8 million		Net transaction accounts > \$7.8 million, OR Total deposits ≥ \$1.206 billion reduced reporting limit	
Non-reporters	Annual Reporters	Quarterly Reporters	Weekly Reporters
Total deposits ≤ \$7.8 million	Total deposits > \$7.8 million	Total deposits < \$229.1 million	Total deposits ≥ \$229.1 million

Who Must Report?

- The Federal Reserve will continue to screen institutions, and inform each institution eligible for reduced reporting

Who Must Report?

- FR 2900 weekly: commercial banks, savings banks, savings and loan associations and credit unions
  - Total deposits above the “nonexempt deposit cutoff” and “net transaction accounts” above the indexed level, or
  - Total deposits above the “reduced reporting limit”, regardless of the level of “net transaction accounts”

Who Must Report?

- FR 2900 quarterly: commercial banks, savings banks, savings and loan associations and credit unions
  - Total deposits below the “nonexempt deposit cutoff”, and “net transaction accounts” above the indexed level

Who Must Report?

- FR 2910a: commercial banks, savings banks, savings and loan associations and credit unions
  - Total deposits between the "exemption amount" and below the "reduced reporting limit", and "net transaction accounts" below the indexed level

FR 2900 vs. FFIEC 002 Definitional Differences

- Consolidation of branches and agencies of the same foreign (direct) parent bank

FR 2900

  – U.S. branches and agencies in the same Federal Reserve District and state must submit a consolidated FR 2900 report

FR 2900 vs. FFIEC 002 Definitional Differences

- Consolidation of branches and agencies of the same foreign (direct) parent bank

FFIEC 002

  - U.S. branches and agencies in the same Federal Reserve District and state are not required to consolidate, but may submit a consolidated FFIEC 002 provided:
    - The offices are located in the same city and, insured and uninsured branches are not combined

FR 2900 vs. FFIEC 031/041 Definitional Differences

- Consolidation of domestic branches and subsidiaries

FR 2900

- Head office and all branches in the 50 states plus District of Columbia
- Subsidiary depository institutions
- Branches on military facilities, wherever located

FR 2900 vs. FFIEC 031/041 Definitional Differences

- Consolidation of domestic branches and subsidiaries

FFIEC 031/041

  - Head office and all branches in the 50 states plus District of Columbia
  - Majority owned, significant subsidiaries, including domestic commercial banks, savings banks, savings and loan associations
  - Branches on military facilities, wherever located

FR 2900 vs. FFIEC 002/031/041 Definitional Differences

- "U.S."

  FR 2900

  - 50 states plus District of Columbia

  FFIEC 002/031/041

  - 50 states plus District of Columbia
  - Puerto Rico and U.S. territories and possessions
  - See glossary "Banks, U.S. and foreign"

Where and When to Submit?

- The reporting week is a seven day period that begins Tuesday and ends the following Monday.

- The reports are due to the Federal Reserve by the Wednesday following the Monday as-of date via electronic submission, or signed hard copy sent by messenger or fax. (Please do not submit the same report via more than one method).

Where and When to Submit?

- Electronic submissions of these reports is available via the Internet via the IESUB application

Close of Business

- The term “close of business” refers to the cut-off time for posting transactions to the General Ledger (G/L) for that day.
- The time should be reasonable and applied consistently.

Close of Business

- Selective posting is prohibited
  - A debit or credit cannot be made without the offsetting transaction being posted; and
  - All transactions occurring during the period of time the books are open must be posted

Back-valuing vs. Misposting

- The FR 2900 should reflect only the G/L balance as of the "close of business" each day
- Balances should be reflected on the FR 2900 based on:
  - When an institution has received or sent funds and
  - The institution has a liability to make payment to a customer/third party

Back-valuing vs. Misposting

- Balances should be reported as of "close of business", regardless of when the transaction <u>should</u> have occurred.

Back-valuing vs. Misposting

- An institution is allowed to back-value only in the case of a clerical bookkeeping error.
- The FR 2900 may be adjusted to more accurately reflect the transaction as it should have been recorded.

Back-valuing vs. Misposting

- For significant post-closing adjustments, DIs should review their reports to determine whether revisions are required for additional as-of dates.

Back-valuing vs. Misposting Examples

Question 1

On day 1, Bank R receives a $10 million demand deposit for the credit of Corporation A. However, due to a misposting error, Corporation A was credited $1 million. On day 2, the error was discovered.

How should this be reported ?

Back-valuing vs. Misposting Examples

Answer

When the error is discovered on day 2, Bank R should revise the $1 million misposted on day 1 to reflect the $10 million deposit from Corporation A received on day 1. Thus, $10 million should be reported in Line A.1.c on both days.

Back-valuing vs. Misposting Examples

<u>Question 2</u>

On day 1, Bank R borrows $5 million from Bank S. However, Bank S erroneously sends $15 million.

How should these funds be reported ?

Back-valuing vs. Misposting Examples

Answer

On day 1, Bank R does not report the $5 million borrowing it receives, on the FR 2900. The $10 million Bank R receives in error should be reported in Line A.1.a as "Due to banks".

Back-valuing vs. Misposting Examples

Answer

Bank R should exclude the $10 million sent in error from Line A.1.a when those funds are returned to Bank S.

Reporting of Deposits in Foreign Currencies

- Transactions denominated in non-U.S. currency must be valued in U.S. dollars each reporting week by using one of the following methods:
  - The exchange rate prevailing on the Tuesday that begins the 7-day reporting week; or
  - The exchange rate prevailing on each corresponding day of the reporting week

Reporting of
Deposits in Foreign Currencies

- Once a DI selects a method it must use that method consistently over time for all Federal Reserve reports.

Reporting of
Deposits in Foreign Currencies

- If the DI chooses to change its valuation method, the change must be applied to all Federal Reserve reports and used consistently thereafter
- The Federal Reserve Bank of New York should be notified of any such change

Quarterly Report of Foreign (Non-U.S.) Currency Deposits (FR 2915)

- In addition, FR 2900 respondents holding foreign currency denominated deposits must file the Report of Foreign (Non-U.S.) Currency Deposits (FR 2915)
- This report is filed quarterly, and it includes weekly averages for selected items from the FR 2900

Related Institutions

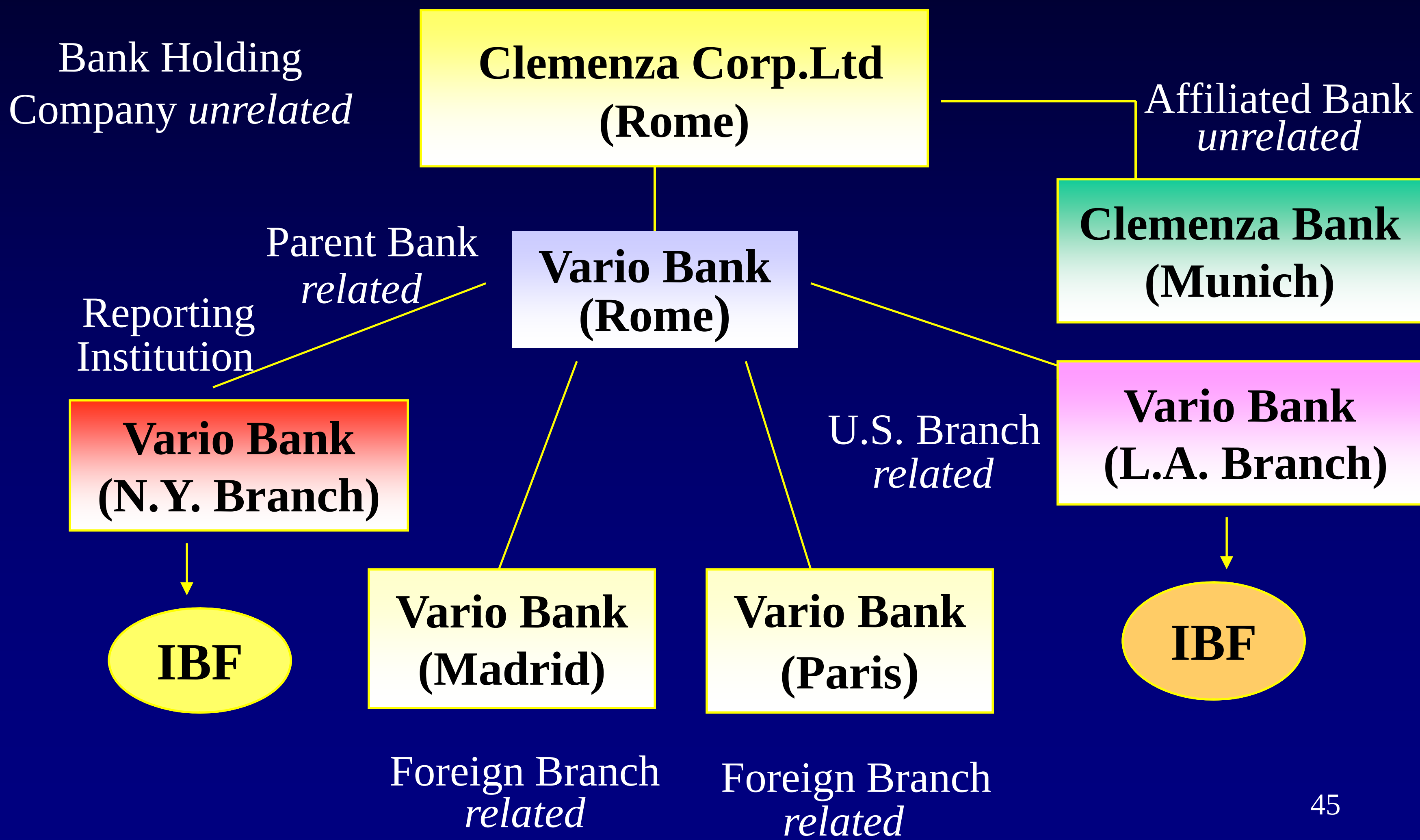
- For U.S. branches and agencies of foreign banks, related institutions are defined as
  - The foreign (direct) parent bank
  - Offices of the same foreign (direct) parent bank
- For all other institutions
  - Foreign (non-U.S.) branches

Reporting of Related Institutions

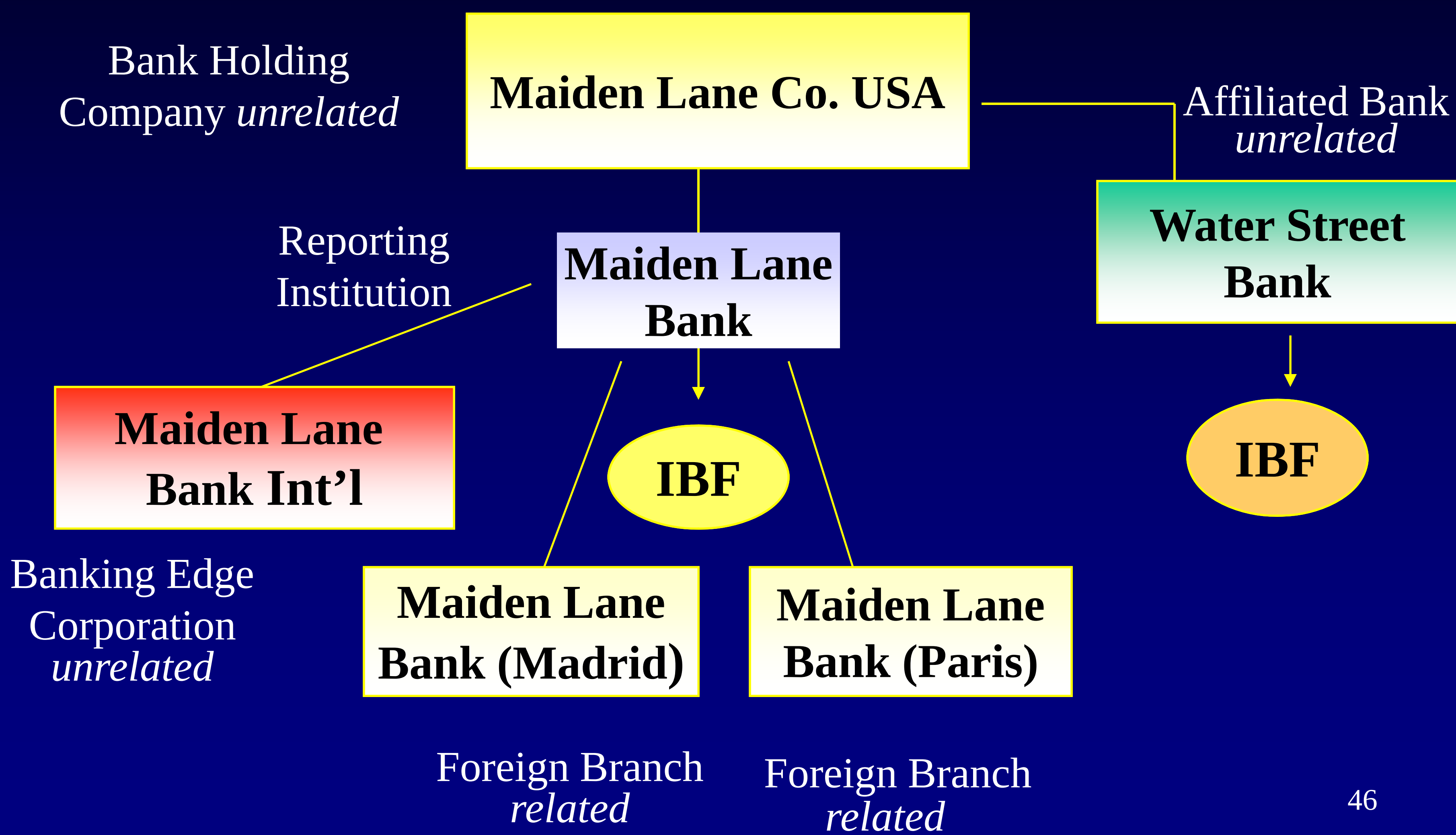
- Deposits due to or due from U.S. branches and agencies of the same (direct) parent bank should be excluded from the FR 2900

- Deposits due to or due from non-U.S. branches and agencies of the same foreign (direct) parent bank should be reported in Schedule CC

Foreign Bank Organization Chart



Bank Holding Company Organization Chart



Affiliates and Subsidiaries

- Affiliates and subsidiaries of the same (direct) parent bank should be treated as unrelated for purposes of Regulation D

- Deposits from these entities should be classified on the FR 2900 according to the type of entity (e.g., banking or nonbanking) and maturity

FR 2900 vs. FFIEC 002 Definitional Difference

FR 2900

Deposits of U.S. and non-U.S. subsidiaries are included on the FR 2900 (according to entity and maturity)

FFIEC 002

Deposits of U.S. and non-U.S. banking subsidiaries are excluded from Schedule E and included on Schedule M

Non-banking (majority owned) subsidiaries are included in both Schedules E and M, Part III

Subscription Service

- A subscription service was created to notify of reporting changes and seminar announcements as they are added to the Federal Reserve website.
- To subscribe, please register at the link below:

http://service.govdelivery.com/service/subscribe.html?code=USFRBNEWYORK_8

Summary

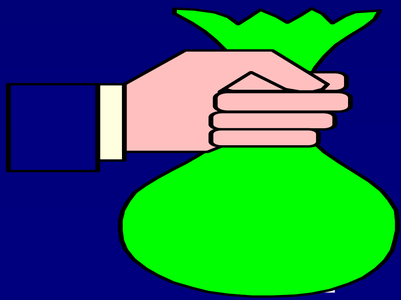
- Purpose of the FR 2900
- FR 2900 Filing Requirements
  - Who must file?
  - Consolidation
- Reporting Issues
  - Back valuing vs. misposting
  - Foreign currency valuation
  - Related vs. non-related institutions
  - Reporting differences between the FR 2900 and Call Reports

Deposits vs. Borrowings

Patricia Maone

Objectives

- Primary obligations reportable on the FR 2900
- Exempt and non-exempt entities
- Examples of primary obligations
- Cash equivalents
- Precious metals borrowings



Deposits vs. Borrowings

- A deposit is defined by Regulation D as the unpaid balance of money or its equivalent received or held by a depository institution in the usual course of business.
- In economic terms, deposits and borrowings are similar. However, they are different transactions from a legal and regulatory perspective.

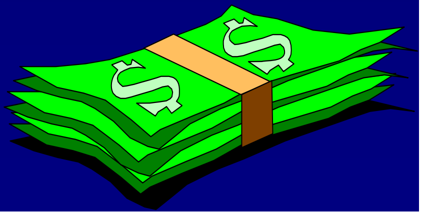
Deposits vs. Borrowings

– If a transaction is called a deposit it must be treated as a deposit, regardless of the counterparty and the terms of the transaction.

Deposits vs. Borrowings

– Whether a transaction is considered a borrowing depends on the terms of the transaction.

– If the document does not specifically refer to the transaction as a borrowing, it should be recorded as a deposit.



Primary Obligations

- Primary obligations are borrowings that should be reported as either:
  - Transaction accounts
  - Savings deposits
  - Time deposits

Primary Obligations

- There are two factors to consider when determining if a transaction or instrument is a “primary obligation”.
  - The type of entity with which the transaction is entered into; and
  - The nature of the transaction or instrument

Primary Obligations
Exempt and Non-Exempt Entities

- The concept of exempt and non-exempt entity applies only to primary obligations.

- A “deposit” is reservable regardless of the counterparty.

Include as Exempt Entities

- The following are exempt entities:
  - U.S. commercial banks and trust depository companies and their subsidiaries
  - U.S. branches or agencies of foreign banks organized under Foreign (non-U.S.) law
  - Banking Edge and Agreement corporations
  - Industrial banks
  - Savings and loan associations and credit unions

Include as Exempt Entities

- Exempt entities also include:
  - Federal Reserve Banks
  - U.S. Government and its agencies
  - U.S. Treasury

Include as Non-exempt Entities

- The following are non-exempt entities:
  - Individuals, partnerships, and corporations (wherever located)
  - Securities brokers and dealers, wherever located. (Except when the borrowing has a maturity of one day, is in immediately available funds, and is in connection with securities clearance)
  - State and local governments in the U.S. and their political subdivisions

Include as Non-exempt Entities

- The following are non-exempt entities:
  - A bank’s holding company
  - A bank’s non-bank subsidiaries
  - International Institutions (IBRD, IMF, etc.)
  - Non-U.S. banks (related or unrelated)

Examples of Primary Obligations

- The following are examples of primary obligations to be included on the FR 2900 if entered into with a *non-exempt entity*
  - Repurchase agreements collateralized with assets other than U.S. government or federal agency securities
  - Purchases of immediately available funds (federal funds)

Examples of Primary Obligations

- The following are examples of primary obligations reportable on the FR 2900 if entered into with a *non-exempt entity*:
  - Promissory notes
  - Commercial paper
  - Due bills

Repurchase Agreements

- A repurchase agreement is an arrangement involving the sale of a security or other asset under a prearranged agreement to buy back that asset at a fixed price
- If repurchase agreements with non-exempt entities are not collateralized by U.S. government or federal agency securities, they are to be reported on the FR 2900

FR 2900 vs. FFIEC 002/031/041 Definitional Differences

FR 2900

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

FFIEC 002/031/041

Repurchase agreements, collateralized with assets other than securities and with a maturity greater than one business day, are reported as borrowings

Federal Funds Purchased

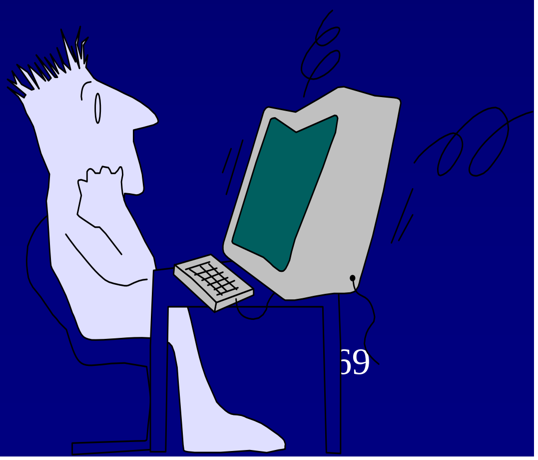
- Federal funds are unsecured borrowings of immediately available funds
- Immediately available funds can be used or disposed of on the same business day the funds become available
- Federal funds purchased from a non-exempt institutions are reportable on the FR 2900

Promissory Notes and Commercial Paper

- A promissory note is a negotiable instrument which is evidence of a liability of a depository institution for funds that have been received.
- If the promissory note is issued to a non-exempt entity it should be reported on the FR 2900

Promissory Notes and Commercial Paper

- Commercial paper is an unsecured promissory note and should be reported on the FR 2900.



Due Bills

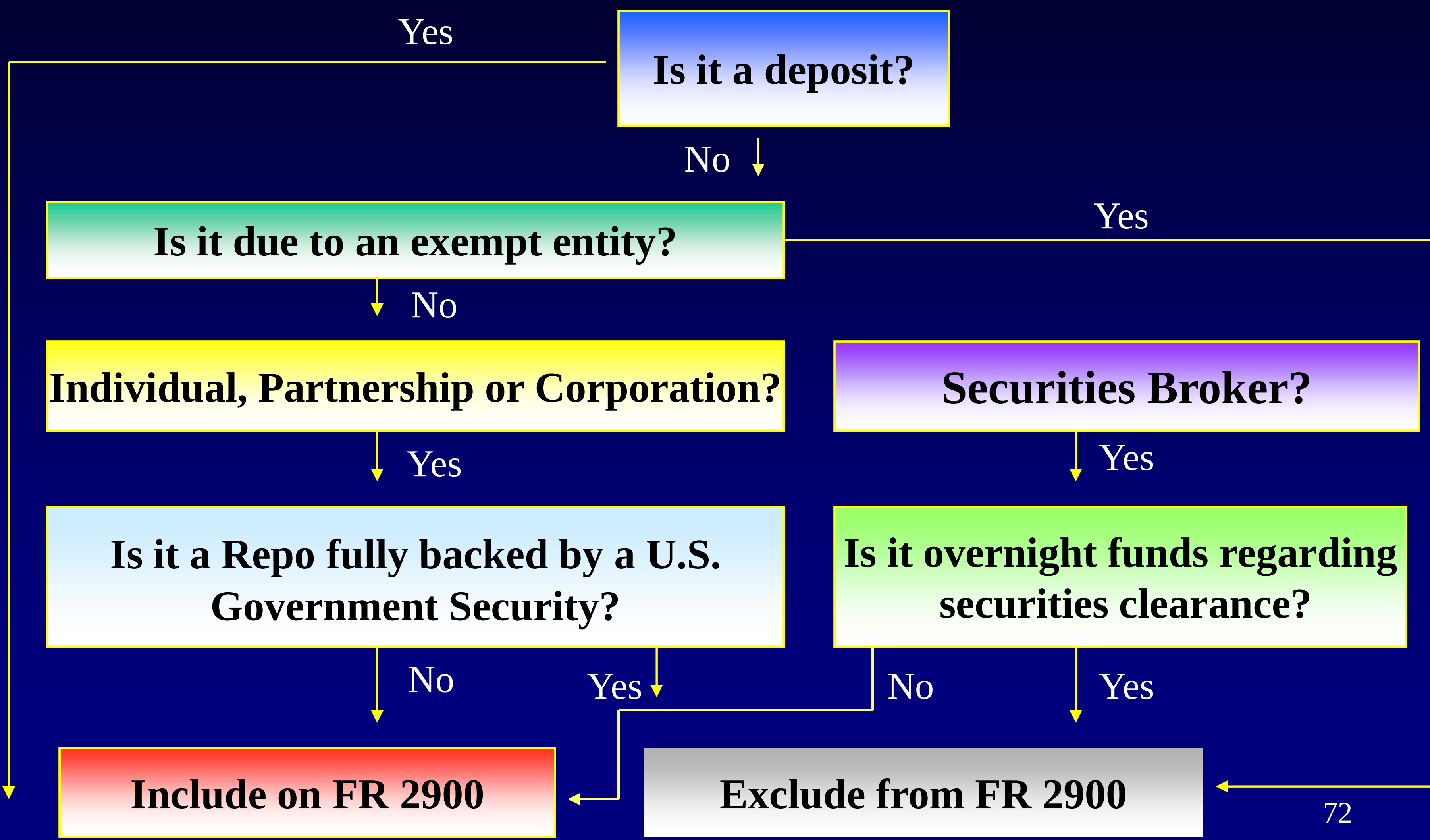
- A due bill is an instrument evidencing the obligation of a seller to deliver securities at some future date.

- If the due bill is not collateralized within 3 business days, it becomes reservable on the fourth business day <u>regardless</u> of the purpose or counterparty.

Reporting of Primary Obligations

- Any primary obligation of the reporting institution due to a non-exempt entity must be reported unless <u>all of the following</u> conditions are met:
  - Is subordinated to the claims of the depositors
  - Has a weighted average maturity of five years or more
  - Is issued by a DI with the approval of, or under the rules and regulations of, its primary federal supervisor

Guidelines for Reporting Primary Obligations



Borrowing of "Cash Equivalents"

- For purpose of Regulation D the term deposit is defined as the unpaid balance of money or its "equivalent".

Borrowings of “Cash Equivalents”

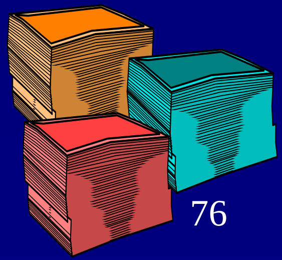
- Borrowings of U.S. Government or Agency security from non-exempt entities are reservable, if <u>uncollateralized</u>
  - If securities borrowings are collateralized with **cash**, the transaction is treated as a resale agreement, not a deposit

Borrowings of "Cash Equivalents"

- Borrowings of precious metals or other equivalents of money are to be reported on the FR 2900 in the same manner as other currency (e.g., U.S. dollars)
  - These are reported based on the counterparty and maturity

Borrowings of "Cash Equivalents"

- For example, borrowings of gold are considered reservable liabilities.
  - These are reported on the FR 2900, depending on the lender and the maturity.



Review

True or False **True**

Repurchase agreements with non-exempt entities collateralized by U.S. Treasury securities are not reportable on the FR 2900.

Review

True or False **True**

Commercial paper issued by a DI is reportable on the FR 2900.

Review

True or False **False**

Borrowing of gold bullion from a U.S. corporation would not be reported on the FR 2900.

Review

Federal funds purchased from which of the following institutions are reported on the FR 2900?

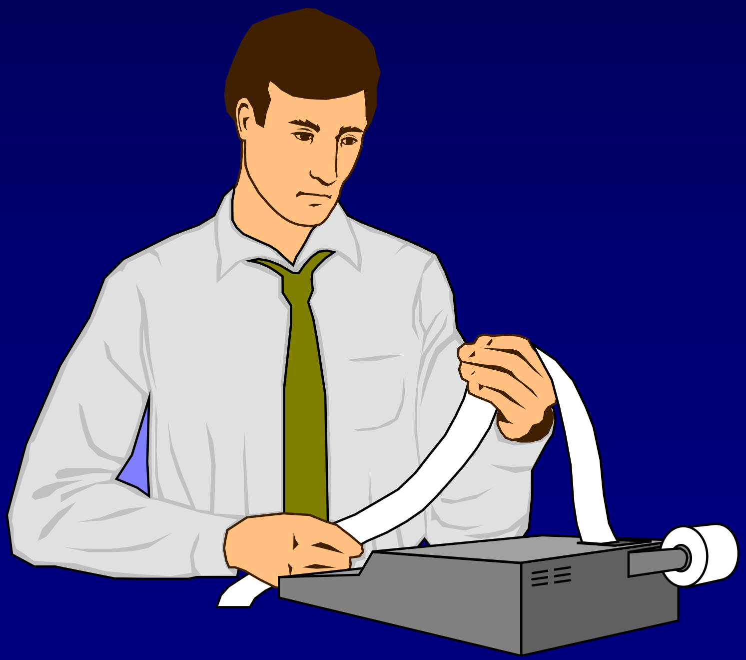
a) U.S. branch of a foreign bank
b) Finance Corp.
c) ABC Bank, N.A.
d) World Bank

Summary

- Deposit is defined as unpaid balance of money or its equivalent…
- Primary obligations are reportable on the FR 2900
- Exempt vs. non-exempt entities
- Borrowings of precious metals are considered cash equivalents reportable on the FR 2900

Transaction Accounts

Brian Osterhus



Transaction Accounts

- In general, there are two types of transaction accounts:
  – Demand deposits
  – "Other" transaction accounts (ATS, NOW, telephone and pre-authorized transfer accounts)

Demand Deposits

- Demand deposits are defined as:
  - Deposits payable immediately on demand, or issued with an original maturity of less than seven days

Demand Deposits

– In addition, under the requirements of Regulation Q, interest cannot be paid on demand deposits

- Section 217.3
- Section 217.2 (d)

Demand Deposits

- Demand deposits include:
  - Checking accounts
  - Outstanding certified, cashiers', tellers' and official checks and drafts
  - Outstanding travelers' checks and money orders (unremitted)
  - Suspense accounts

Demand Deposits

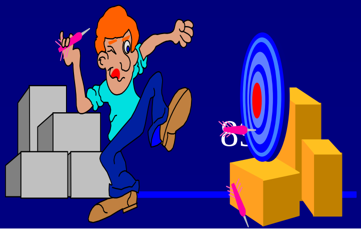
- Demand deposits include:
  - Funds received in connection with letters of credit sold to customers, including cash collateral accounts
  - Escrow accounts that meet the definition of a demand deposit
  - “Primary obligations” with original maturities of less than 7 days entered into with non-exempt entities

Demand Deposits Due to Depository Institutions (Line A.1.a)

- Include deposits in the form of demand deposits due to:
  - U.S. commercial banks
  - Non-U.S. depository institutions (including banking affiliates)
  - U.S. branches and agencies of other foreign (non-U.S.) banks, including branches and agencies of foreign official banking institutions

Demand Deposits Due to Depository Institutions (Line A.1.a)

- Include deposits in the form of demand deposits due to:
  - U.S. and non-U.S. offices of other U.S. banks and Edge and agreement corporations
  - Mutual savings banks
  - Savings and loan associations
  - Credit unions



Demand Deposits Due to U.S. Government (Line A.1.b)

- Include in this item deposit accounts in the form of demand deposits that are designated as federal public funds, including U.S. Treasury Tax and Loan accounts

- Include only deposits held for the credit of the U.S. Government

Demand Deposits Due to U.S. Government (Line A.1.b)

- Interest-bearing U.S. Treasury Tax and Loan Account Note Balances are exempt from reserve requirements and should **<u>not</u>** be reported as deposits.

TT&L

- TT&L depository institutions have two options:
  - Remittance option
  - Note option

TT&L

- Remittance option
  - By the end of next business day, TT&L deposits must be remitted to the FRB

TT&L

- Note option
  - By the end of next business day, TT&L deposits must be converted to open-ended interest-bearing notes
  - These note balances are primary obligations to the U.S. Government but not reported on the FR 2900

Other Demand Deposits (Line A.1.c)

- Include in this item all other deposits in the form of demand deposits, including:
  - Demand deposits held for:
    - Individuals, partnerships, and corporations
    - State and local governments and their subdivisions
    - Foreign governments (including foreign official banking institutions) and international institutions
    - U.S. government agencies

Cashiers' and Certified Checks

- Cashiers' checks are those checks drawn by the reporting institution on itself
- Certified checks are any business or personal checks stamped with the paying bank's certification that:
  - The customer's signature is genuine; and
  - There are sufficient funds in the account to cover the check.

Tellers' Checks

- Tellers' checks are those checks drawn by the reporting institution on, or payable at or through, another depository institution, a Federal Reserve Bank, or a Federal Home Loan Bank.

Tellers' Checks

- Those checks drawn on, or payable at or through, another depository institution, on a zero-balance account or an account <u>not</u> routinely maintained with sufficient balances to cover checks or drafts drawn in the normal course of business should be reported in Line A.1.c.

Tellers' Checks

- However, those checks drawn on an account in which the reporting institution routinely maintains sufficient balances should be:
  - Excluded from Line A.1.c.
  - The amount of the check should be deducted from the balances reported in Line B.1.

Suspense Accounts

- Unidentified funds received and held in suspense are considered deposits and are to be reported on the FR 2900.
- These funds should be reported as “Other demand deposits” in Line A.1.c

FR 2900 vs. FFIEC 002/031/041 Definitional Differences

- Suspense accounts

FR 2900

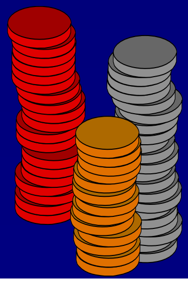
Items held in suspense are reported in other demand.

FFIEC 002/031/041

Entries to the G/L in the period subsequent to the close of business on the report date are reported as if they had been posted to the G/L at or before the cut-off time.

Reporting of Overdrafts

- Overdrafts in deposit (due to) accounts:
  - When a deposit account is overdrawn, the balance should be raised to zero and not included as an offset to other demand deposit accounts
  - Instead the overdrawn amount should be reported as a loan by the reporting institution and excluded from this report



Reporting of Overdrafts

- Overdrafts in deposit (due to) accounts:
  - The amount of the overdraft should not be netted against positive balances in the depositors' other accounts unless a bona fide cash management function is served

Reporting of Overdrafts

- Overdrafts in an account maintained at another depository institution (due from):
  - When a due from account becomes overdrawn, the balance should also be raised to zero
  - If the account is routinely maintained with sufficient funds, the overdrawn amount is considered a borrowing and excluded from this report

Reporting of Overdrafts

- Overdrafts in an account maintained at another depository institution (due from):
  - If the due from account is <u>not</u> routinely maintained with sufficient funds (e.g., zero balance account) the overdrawn amount is considered a demand deposit and must be reported in other demand in Line A.1.a

Review

Bank ABC maintains the following demand deposits.

DDA Account	Amount
Corp. A	$10,000
Corp. B	$15,000
Corp. C	($5,000)
Corp. D	$20,000

What should be reported on line A.1.c? **$45,000**

Guidelines for Bona Fide Cash Management Agreements

- A bona fide cash management agreement exists when a depository institution:
  - Allows a depositor to use the balance in one deposit account to offset overdrafts in another deposit account
  - Some genuine cash management purpose is served

Guidelines for Bona Fide Cash Management Agreements

- A written agreement does not have to be in place to be "bona fide"
- The cash management agreement must have some indication the institution intends to use two or more checking accounts to control receipts and disbursements

Guidelines for Bona Fide Cash Management Agreements

Example 1

Establishing one account for receipts and another for disbursements would be considered bona fide.

Example 2

Establishing one account for payroll and another account for receipts and disbursements would not be considered bona fide.

Guidelines for Bona Fide Cash Management Agreements

Positive balances in one type of deposit account cannot be used to offset balances in another type of deposit account.

<u>Example 3</u>

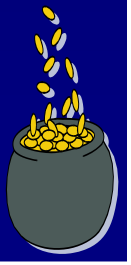
An overdraft in a demand deposit account cannot be covered by positive balances in an MMDA account.

Escrow Accounts

- An escrow agreement is a written agreement authorizing funds to be held by a third party.
- The funds are placed with the depository institution until the agreement has been met, at which time the escrow funds are sent to the proper party.
- Escrow accounts are reported on the FR 2900 according to the terms of the escrow agreement.

Escrow Accounts

- If the funds may be withdrawn on demand or are to be disbursed within 7 days, the escrow account is a transaction account.



“Other” Transaction Accounts

"Other" Transaction Accounts

- "Other" transaction accounts are:
  - Deposit accounts (other than savings) where the DI reserves the right to require 7 days written notice prior to withdrawal/transfer of funds in the account
  - Subject to unlimited withdrawal by check, draft, negotiable order of withdrawal, electronic transfer, or other similar items
  - Provided the depositor is eligible to hold a NOW account

Negotiable Order of Withdrawal (NOW) Accounts (Line A.2)

- NOW accounts are deposits:
  - Where the DI reserves the right to require 7 days written notice prior to withdrawal/transfer of any funds in the account
  - That can be withdrawn/transferred to third parties by a negotiable or transferable instrument (more than 6 times per month)

NOW Account Eligibility

- Eligibility limited to accounts where the entire beneficial interest is held by:
  - Individuals or sole proprietorships
  - U.S. governmental units, including the federal government and its agencies
  - Non-profit organizations, such as churches, professional, and trade associations

Difference Between Demand Deposits and Other Transaction Accounts

- Demand deposits differ from "other" transaction accounts in that:
  - The DI does not reserve the right to require 7 days written notice before an intended withdrawal
  - There are no eligibility restrictions on who can hold a demand deposit account
  - Interest may <u>not</u> be paid on a demand deposit account

Sweeps

- Legal
  - One account with two legally separate sub-accounts:
    - Transaction sub-account
    - Non-transaction sub-account
  - Disclosure

Sweeps

- Mechanics
  - At the first of month or beginning of statement cycle, balances above threshold are swept to the non-transaction sub-account (e.g., from NOW to MMDA)
  - When funds are needed in the transaction sub-account, funds are transferred to restore the transaction sub-account to its threshold amount (e.g., from MMDA to NOW)
  - Sixth transfer from the non-transaction sub-account transfers all funds back to the transaction sub-account until beginning of next month or statement cycle (e.g., MMDA to NOW)

Sweeps

- Line Items Affected by Sweeps:
  - **A1C**: Other Demand
  - **A2**: ATS/NOW
  - **C1**: Total Savings

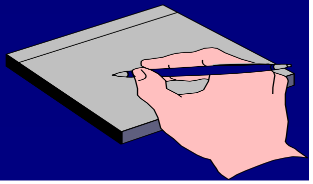
Deductions From Transaction Accounts

Demand Balances Due From Depository Institutions in the U.S. (Line B.1)

- Consists of all balances subject to immediate withdrawal due from U.S. offices of DIs
- For purposes of the FR 2900 reporting, immediately available funds are:
  - Funds that the reporting institution has full ownership of and can invest or dispose of on the same day the funds are received

Demand Balances Due From Depository Institutions in the U.S. (Line B.1)

- Balances to be reported should be the amount reflected on the reporting institution's books rather than the amount on the books of the other depository institution.



Demand Balances Due From Depository Institutions in the U.S. (Line B.1)

- However, the use of correspondent's books is permissible if:
  - The transaction occurred on the previous day and the balances on the books of correspondent are accurate
  - Both debit and credit accounting entries are reported

Demand Balances Due From Depository Institutions in the U.S. (Line B.1)

- The transaction is segregated from transactions occurring the following day
- The reporting treatment is consistent for all regulatory reports

Demand Balances Due From Depository Institutions in the U.S. (Line B.1)

- Include balances due from:
  - U.S. offices of
    - Commercial banks
    - Banker's banks
    - Edge and agreement corporations
    - U.S. branches and agencies of foreign (non-U.S.) banks
- The reporting institution may report reciprocal demand balances with the above institutions on a net or gross-by-institution basis, whichever method is less burdensome

Demand Balances Due From Depository Institutions in the U.S. (Line B.1)

- Also include balances due from:
  - Savings banks
  - Cooperative banks
  - Credit unions
  - Savings and loan associations

However, demand balances with these institutions must be reported gross.

Demand Balances Due From Depository Institutions in the U.S. (Line B.1)

- Exclude balances due from:
  - Federal Reserve Banks (FRB) including:
    - The reporting institution's required reserve or clearing balance held directly with the FRB
    - The reporting institution's required balances passed through to the FRB by a correspondent (e.g., FHLB)

Demand Balances Due From Depository Institutions in the U.S. (Line B.1)

- Also exclude:
  - Balances due from other U.S. branches and agencies of the same foreign parent bank
  - Any “clearing house” or “next day funds”
  - Balances due from any non-U.S. office of any U.S. depository institution or foreign (non-U.S.) bank

Demand Balances Due From Depository Institutions in the U.S. (Line B.1)

- Also exclude:
  - Balances due from a FHLB
  - Demand deposit balances due from other DIs pledged by the reporting institution and are not immediately available for withdrawal
  - Balances due from the National Credit Union Administration Central Liquidity Facility

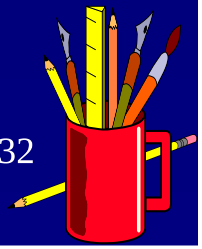
Demand Balances Due From Depository Institutions in the U.S. (Line B.1)

- Also exclude:
  - Cash items in the process of collection (CIPC)

<u>However</u>, CIPC for which the reporting institution's correspondent provides immediate credit should be reported in this item

Reciprocal Balances

- Reciprocal balances arise when two banks maintain deposit accounts with each other (i.e., each bank has a “due to” and “due from” balance with the other bank).



Reciprocal Balances

Gross Method

	"Due to" banks	"Due from" banks
Bank A	$3M	$5M
Bank B	10M	2M
Bank C	6M	9M
Total	$19M	$16M

Reciprocal Balances

Net Method

	"Due to" banks	"Due from" banks
Bank A	$0M	$2M
Bank B	8M	0M
Bank C	0M	3M
Total	$8M	$5M

FR 2900 vs. FFIEC 002/031/041 Definitional Differences

Due from depository institutions (Line B.1)

- Overdrafts in due from accounts

FR 2900

Reported as demand deposits in other demand Line A.1.c, if not routine

FFIEC 002/031/041

Reported as borrowings regardless of whether routine or not routine

FR 2900 vs. FFIEC 002/031/041 Definitional Differences

Due from depository institutions (Line B.1)

- Pass through reserve balances

FR 2900

Excluded from the FR 2900 if passed through to the FRB by a correspondent

FFIEC 002/031/041

Included in Schedule A/RC-A even if passed through to FRB by a correspondent

Cash Items in the Process of Collection (Line B.2)

- A cash item is defined as any instrument for payment of money immediately on demand.

- Include as cash items:
  - Checks or drafts drawn on another DI, or drawn on the Treasury of the United States, that are in the process of collection with:
    - Other DIs
    - Federal Reserve Banks
    - Clearing houses

Cash Items in the Process of Collection (Line B.2)

- Include as cash items:
  - Other items that are customarily cleared or collected, such as:
    - Redeemed government bonds and coupons
    - Money orders and traveler's checks

Cash Items in the Process of Collection (Line B.2)

- Also include as cash items:
  - Unposted debits: Cash items on the reporting institution that have been "paid" or credited by the institution and that have not been charged against deposits as of the close of business

Cash Items in the Process of Collection (Line B.2)

- Exclude from cash items:
  - Checks or drafts drawn on foreign banks or foreign institutions
  - Funds not received as a result of failed transactions (e.g., funds, securities, and/or foreign currency fails)
  - Checks or drafts deposited with its correspondent for which the reporting institution is given immediate credit (reported in Line B.1)

FR 2900 vs. FFIEC 002/031/041 Definitional Differences

Cash Items in the Process of Collection (Line B.2)

FR 2900	**FFIEC 002/031/041**
Excludes checks drawn on a Federal Reserve Bank	Includes checks drawn on a Federal Reserve Bank on Schedule A/RC-A, Item 1
Excludes checks drawn on a bank outside the U.S.	Includes all checks drawn on DIs, regardless of their location

Summary

- Transactions Accounts:
  - Demand deposits
  - "Other" transaction accounts

- Deductions from Transaction Accounts:
  - Due from DIs
  - CIPC

Savings Deposits

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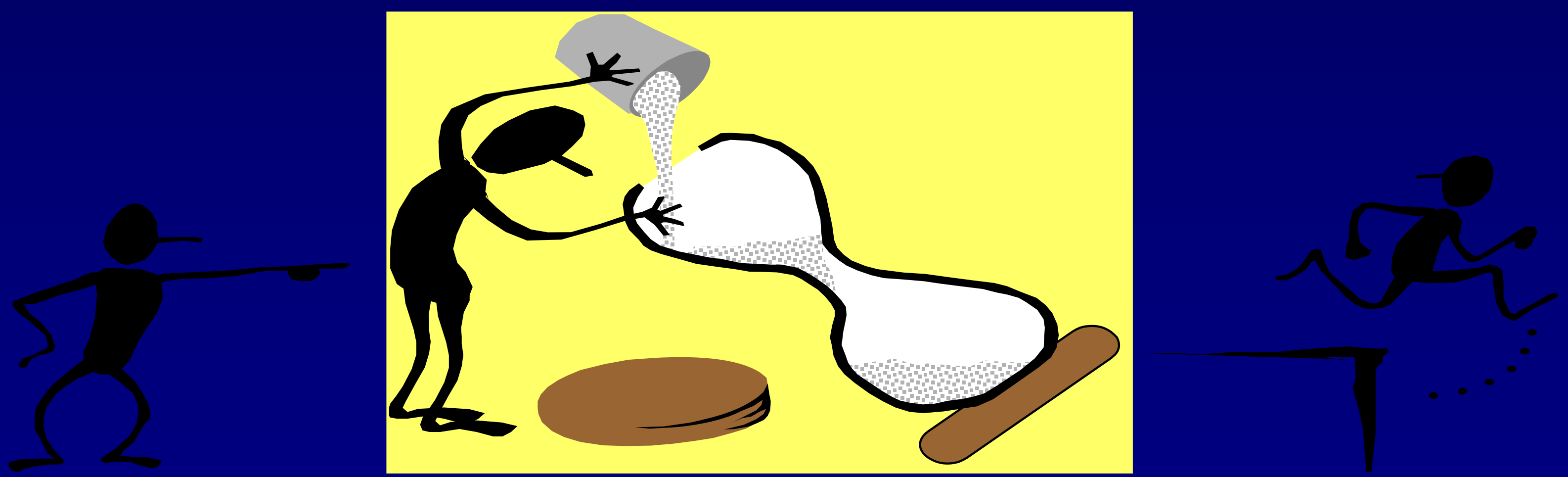


Non-transaction Accounts

Objectives

- Total Savings Deposits
- Total Time Deposits
- Time Deposits $\geq$ \$100 thousand
- Brokered Deposits
- Guaranteed CDs
- Nonpersonal time and savings deposits

Savings Deposits

- Savings Deposits
  - No specified maturity
  - Reserve the right to require 7 days written notice for withdrawals
  - Six Transfer/Withdrawal Rule
  - Sweep Activity

Include as Savings Deposits (Line C.1)

- The following should be <u>included</u> if they meet the definition of a savings deposit:
  - Interest and non-interest bearing savings deposits
  - Compensating balances or funds pledged as collateral for loans
  - Escrow deposits
  - IRAs, Keogh, Club Accounts

Exclude From Savings Deposits (Line C.1)

- The following should be excluded from savings deposits:
  - Transaction accounts
  - Interest accrued on savings deposits but not yet credited to the customer's account
  - Any account with a specified maturity date

Terms of a Savings Deposit (Line C.1)

- The depositor is authorized to make no more than a combination of six transfers and withdrawals per calendar month or statement cycle

Types of Third Party Transfers (Line C.1)

- Third party transfer is a movement of funds using third party payment instrument from a depositor’s account:
  - To another account of the same depositor at the same institution or,
  - To a third party at the same depository institution or,
  - To a third party at another depository institution by:
    - Pre-authorized or automatic transfer
    - Telephonic transfer, check or draft

Types of Third Party Transfers (Line C.1)

- A preauthorized transfer is an arrangement by the DI to pay a third party upon written or oral instruction by the depositor. This includes orders received:
  - Through an automated clearing house (ACH) or
  - Any arrangement by the reporting institution to pay at a predetermined time or on a fixed schedule

Types of Third Party Transfers (Line C.1)

- In a <u>telephonic transfer</u> DI receives an agreement, order, or, instruction to transfer funds in the depositor's account either by:
  - Telephone
  - Fax

Third Party Transfers (Line C.1)

- Not considered third party transfers:
  - Withdrawals for payment directly to the depositor when made by:
    - Mail
    - Messenger
    - ATM
    - In person

Savings Deposits

<u>Limited transfers</u>

- Drafts
- Checks
- Debit Cards
- Automatic transfers
- Telephone transfers
- Preauthorized transfers

<u>Unlimited transfers</u>

- ATM
- In person
- Postal service/Mail
- Messenger delivery

Procedures For Ensuring Permissible Number of Transfers (Line C.1)

- To ensure that the permitted number of transfers or withdrawals do not exceed the limits a DI must either:
  - Prevent withdrawals or transfers of funds in this account that are in excess of the limits established by savings deposits; or
  - Adopt procedures to monitor those transfers on an ex-post basis and contact customers who exceed the limits established on more than an occasional basis for the particular account

Procedures For Ensuring Permissible Number of Transfers (Line C.1)

- For customers who violate these limits after being contacted, the DI must:
  - Close the account and place the funds in another account that the depositor is eligible to maintain; or
  - Take away the account’s transfer and draft capabilities

Procedures For Ensuring Permissible Number of Transfers (Line C.1)

- If a DI does not monitor third party transfers from a savings account, the institution may be required to reclassify the account to a transaction account

Summary

- Savings Deposits do not have a specified date to maturity.
- DIs have the right to reserve 7 days written notice prior to an intended savings withdrawal.
- Compliance with the six transfer withdrawal rule and sweep regulations.

Time Deposits

Include as Time Deposits (Line D.1)

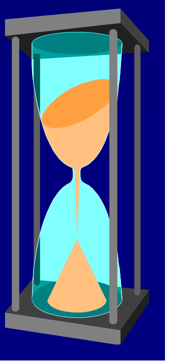
- A DI should include as time deposits personal and non-personal accounts deposited in the following forms:
  - Time open accounts (maturity of 7 days or more)
  - Escrow accounts
  - Brokered deposits
  - IRA, Keogh Plans
  - Compensating balances for funds pledged as collateral for loans

Other Time Deposits

- The following items could also be considered time deposits:
  - Deposit notes
  - Bank notes
  - Medium-term notes
  - Primary obligations, such as commercial paper issued to non-exempt entities

Include as Time Deposits (Line D.1)

- Also include as time deposits:
  – Liabilities arising from primary obligations issued in original maturities of 7 days or more to non-exempt entities



Exclude from Time Deposits (Line D.1)

- A DI should exclude any deposit that does not meet the definition of a time deposit such as:
  - Matured time deposits even if interest is paid after maturity, unless the deposit provides for automatic renewal at maturity
  - Transaction accounts
  - Interest accrued on time deposits but not yet paid or credited to the customer’s account

Total Time Deposits (Line D.1)

- The depositor does not have the right and is not permitted to make withdrawals on deposits that:
  – Have a specified maturity of at least 7 days from the date of deposit
  – Are payable after a specified period of at least 7 days after the date of deposit
  – Are payable at least 7 days after written notice of an intended withdrawal has been given

Total Time Deposits (Line D.1)

- If a withdrawal is made less than 7 days after a deposit, the depositor is:
  - Penalized at least 7 days simple interest on amounts withdrawn within the first 6 days after deposit
  - If early withdrawal penalties are not in place then the account could be reclassified as a transaction account

FR 2900 vs. FFIEC 002/031/041 Definitional Differences

Time Deposits (Line D.1)

- Primary Obligations

FR 2900

Primary obligations with non-exempt entities and an original maturity of 7 days or greater are reported as time deposits.

FFIEC 002/031/041

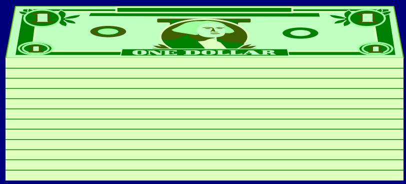
Primary obligations are classified and reported as borrowings.

Summary of Line D.1

- Seven days or greater
- Penalties for early withdrawal
- Interest bearing or non-Interest bearing
- Interest accrued and credited
- Primary obligations issued to non-exempt entities

Large Time Deposits
(Line F.1)

A DI should report in this item time deposits with balances $\geq$ \$100 thousand.



Include as Large Time Deposits (Line F.1)

- A DI should include in large time any deposit already reported as total time with balances of $100 thousand or more and:
  - Negotiable and nonnegotiable, certificates of deposits issued in denominations of $100 thousand or more; and
  - Time deposits originally issued in denominations of less than $100 thousand but because of interest credited or paid, or additional deposits, have balances of $100 thousand or more

Criteria For Determining Large Time Deposits (Line F.1)

- Time deposits issued on a discount basis should be reported initially on the amount of funds received by the reporting institution.

Criteria for Large Time Deposits (Line F.1)

- If the value of foreign currency denominated deposits falls below $100 thousand (because of a change in exchange rates) the deposit must still be reported as a large time deposit based on the original value.

Exclude from Large Time Deposits (Line F.1)

- Time deposits that do <u>not</u> meet the definition of a large time should be excluded such as:
  - Time deposits less than $100 thousand
  - Combined deposits totaling $100 thousand that are represented by separate certificates or accounts, even if held by the same customer

Time Deposits

- True or False **True**

  DI receives $96 thousand in exchange for a CD issued at face value of $100 thousand. This CD should be regarded as having a denomination < $100 thousand and excluded from Line F.1.

Time Deposits

- XYZ Bank received a security deposit payable at the expiration of a specified time not less than 7 days after the date of deposit.
- Should this type of deposit be reported in Time Deposits?

Time Deposits

- Security deposits with a maturity greater than or equal to 7 days meet the definition of time deposits and should be reported in line D.1

- If the security deposit is $\geq$ \$100 thousand, it should also be reported in line F.1

Time Deposits

- True or False

  A depositor has several time deposits issued in denominations of $30 thousand; $50 thousand; and $20 thousand. Since the total equals $100 thousand, these deposits should be reported in lines D.1 and F.1

Time Deposits

- True or False **False**

These deposits should only be reported in Line D.1. Line F.1 should not include these deposits since they are not greater than or equal to $100 thousand.

Time Deposits

- True or False **True**

  Commercial paper issued by XYZ Bank Head Office, or if issued by a U.S. branch or agency, deposited for a period greater than 7 days is reportable as a time deposit.

Summary of Line F.1

- Must be greater than or equal to $100 thousand
- Must be held for a minimum of 7 days
- May be issued to personal and non-personal customers
- Interest accrued and <u>credited</u> to the customer's account.

Treatment of Brokered Deposits

- What is a brokered deposit?

  Funds in the form of a deposit that a DI receives from deposit brokers on behalf of individual depositors.

Treatment of Brokered Deposits

- For purposes of the FR 2900, in addition to line D.1, brokered deposits are usually reported as:
  - Large time deposits with balances $\geq$ \$100 thousand (Line F.1)
  - Total non-personal savings and time deposits (Line BB.1) unless any of the following are true:

Treatment of Brokered Deposits

- The deposit and beneficial interest is held by a natural person; or
- The DI has the following agreement with the deposit broker:
  - The broker maintains records of the owners of all brokered deposits, and these records are available to the DI;

Treatment of Brokered Deposits

- These records will provide the DI with the amounts of the deposits owned by natural and non-natural persons
- A breakout of large time deposits
- The DI must have access to these records
- The broker must commit to provide any other data needed by federal or state regulators

Guaranteed CDs

Guaranteed CDs are CDs issued by Non-U.S. offices of a foreign bank, and **guaranteed payable** in the U.S. by a DI.

Bank A
Cayman Branch

Cayman Branch
issues a CD

Customer

CD is **guaranteed payable**
by a DI

Bank A

Guaranteed CDs

- Payment of a deposit in a Non-U.S. branch of a DI guaranteed by a promise of payment at an office in the U.S. is subject to Regulation D and therefore is included on the FR 2900

- Since the payment is guaranteed at an office in the U.S., the customer no longer assumes country risk but enjoys the same rights as if the deposit had been made in the U.S.

Nonpersonal Savings and Time Deposits (Line BB.1)

- Reduced reporting frequency of nonpersonal time deposits
- Item BB.1 will be reported only one day each year
  - For weekly reporters: June 30
  - For quarterly reporters: as-of the Monday in the quarterly reporting week in June

Nonpersonal Savings and Time Deposits (Line BB.1)

- Non-personal savings and time deposits represent funds in which the beneficial interest is not held by a natural person. (A natural person is defined as an individual or a sole proprietorship.)

Include as Nonpersonal Savings and Time Deposits (Line BB.1)

- Include as non-personal savings and time deposits:
  - Funds deposited to the credit of or in which the beneficial interest is held by a depositor that is not a natural person
  - Brokered deposits if the beneficial interest is held by a non-natural person
  - Funds that are transferable whether or not the entire beneficial interest is held by a natural person

Exclude from Nonpersonal Savings and Time Deposits (Line BB.1)

- Funds which are not transferable and that the entire beneficial interest is held by a depositor who is a natural person

Vault Cash

Juan Batista

Vault Cash
(Line E.1)

- Vault cash is U.S. currency and coin owned and held by the reporting institution that may be used at any time to satisfy depositors' claims.

Vault Cash
(Line E.1)

- Vault cash includes:
  - U.S. currency and coin in transit to a Federal Reserve Bank or correspondent bank for which the reporting institution has not yet received credit
  - U.S. currency and coin in transit from a Federal Reserve Bank or correspondent bank for which the reporting institution has already been charged

Vault Cash (Line E.1)

- Also included, is vault cash placed on the premises of another institution provided:
  - The reporting institutions has full rights of ownership to obtain the currency and coin immediately in order to satisfy customer demands
  - The institution from which the vault is rented does not include currency and coin as its own vault cash

Vault Cash
(Line E.1)

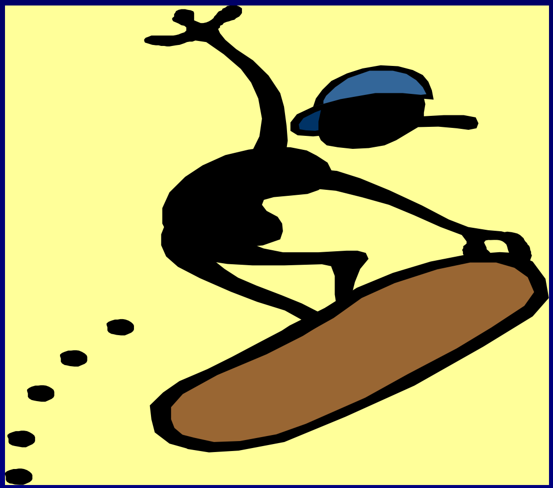
- Exclude the following items from vault cash:
  - Foreign currency and coin
  - Silver or gold coin (bullion) and other currency where its nominal value exceeds its face value
  - Coins and collections held in safekeeping for customers
  - Any currency and coin the reporting institution does not have the full and unrestricted right to use to satisfy depositor’s claims

FR 2900 vs. FFIEC 002/031/041 Definitional Differences

Vault Cash

FR 2900	**FFIEC 002/031/041**
Vault cash includes only U.S. currency and coin	Vault cash includes both U.S. and Non-U.S. currency (converted to U.S. dollars)

Banker's Acceptances



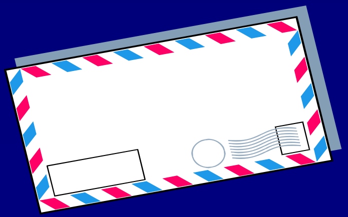
Banker's Acceptances

- A banker's acceptance (BA) is a draft or a bill of exchange for which the reporting institution assumes an obligation to make a payment at maturity, as specified in the acceptance.

- The acceptance represents an unconditional promise to pay the amount of the acceptance at maturity, substituting the bank's own credit on behalf of its customer.

Banker's Acceptances

- Report in Schedules AA and BB only BAs that are ineligible for discount by the Federal Reserve.



Banker's Acceptances

- A BA is <u>not eligible</u> to be discounted at a Federal Reserve Bank if:
  - It is <u>not</u> secured at the time of acceptance by a warehouse receipt or other such document conveying or securing title covering (collateralized) readily marketable goods, or
  - It has an original maturity of greater than 180 days

<u>Note</u>: An acceptance <u>not</u> eligible for discount at the Federal Reserve Bank is an ineligible acceptance.

Banker's Acceptances

- <u>Issuing</u> **-** Once issued, the acceptance becomes an obligation of the reporting institution. Therefore, it should be <u>included</u> on Schedules AA or BB if ineligible.
  - Report the **dollar amount** of funds received (for those outstanding ineligible acceptances that resulted in funds being obtained).

Banker's Acceptances

- Discounting - Ineligible acceptances are not reservable if the issuing bank later holds them in its own portfolio.

- Rediscounting - An ineligible acceptance is only reservable (outstanding) when sold to a non-exempt entity.

Banker’s Acceptances

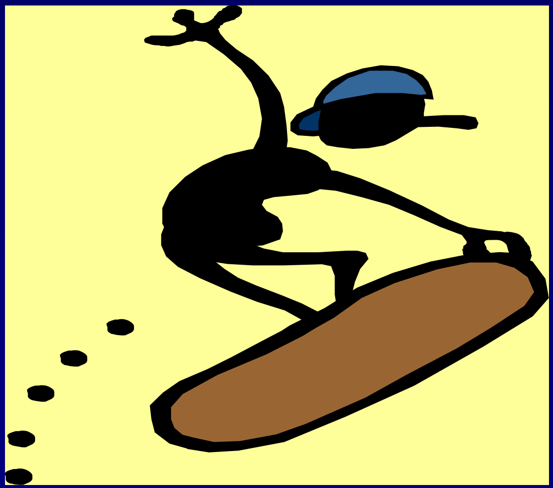
- Maturing - When a bankers acceptance matures, the holder (bearer) of the BA is paid the face value by the issuing bank and therefore, is excluded from Schedules AA and BB.

Banker's Acceptances

- Report in Line AA.1 ineligible acceptances with original maturities of **less than** 7 days

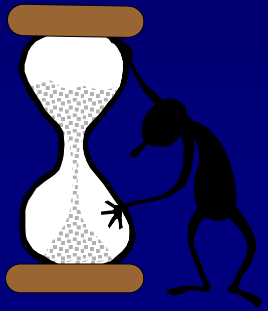
- Report in Line BB.2 ineligible acceptances with original maturities of **7 days or more** that are nonpersonal

Other Obligations Reported on Schedules AA and BB



Schedule AA

- This schedule includes a breakdown, by maturity, of amounts outstanding of:
  - Ineligible banker's acceptances
  - Funds received through the issuance of obligations by nondepository affiliates

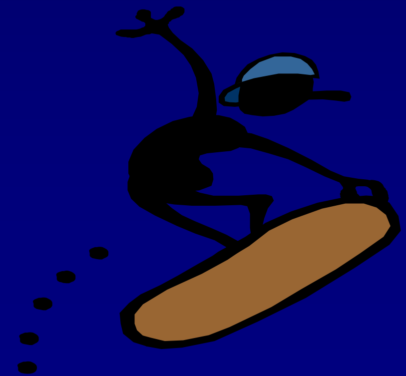


Other Obligations Reported on Schedules AA and BB

- Report the amount of funds obtained by the reporting institution when its nondepository affiliates use the proceeds of the obligations that they issue to supply funds to the reporting institution.

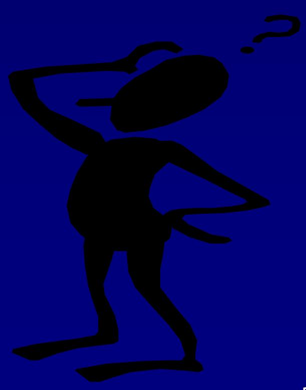
Other Obligations Reported on Schedules AA and BB

- Such obligations may be in the form of promissory notes (including commercial paper), acknowledgments of advance, or due bills



Other Obligations
Reported on Schedules AA and BB

- Such obligations should be reported only to the extent that they would have constituted deposits had they been issued by the reporting institution



Other Obligations Reported on Schedules AA and BB

Question 1

- Nondepository affiliate issues an unsecured due bill to Co. A for $10 million with a maturity of three months. An affiliate funds Bank A, NY $10 million by purchasing a $10 million loan . The loan has a maturity of two months.

  How should Bank A, NY reported the $10 million on the FR 2900?

Other Obligations Reported on Schedules AA and BB

Bank A
Bank Holding Company

Nondepository Affiliate

Affiliate issues $10 million unsecured due bill to Co. A. Due bill matures in 3 months.

Bank A
Head office

Co. A

Question 1

Bank A
NY branch

Affiliate funds Bank A, NY $10 million by purchasing a $10 million loan from Bank A, NY. The loan has a maturity of 2 months.

How should Bank A, NY report the $10 million?

Other Obligations Reported on Schedules AA and BB

Bank A
Bank Holding Company

Nondepository Affiliate

Affiliate issues $10 million unsecured due bill to Co. A. Due bill matures in 3 months.

Bank A
Head office

Co. A

Bank A
NY branch

Affiliate funds Bank A, NY $10 million by purchasing a $10 million loan from Bank A, NY. The loan has a maturity of 2 months.

Answer 1: Bank A, NY would report $10 million in Schedule BB.2 on the FR 2900 (when applicable).

Other Obligations Reported on Schedules AA and BB

Question 2

- Nondepository affiliate issues $20 million in commercial paper (CP) to Co. A with a maturity of six months. Bank A, NY is funded the $20 million by issuing a $20 million CD to its affiliate. CD has a maturity of one year.

How should this transaction be reported on the FR 2900?

Other Obligations Reported on Schedules AA and BB

Bank A
Bank Holding Company

Nondepository Affiliate

Affiliate issues $20 million CP with a maturity of 6 months to Co. A.

Bank A
Head office

Co. A

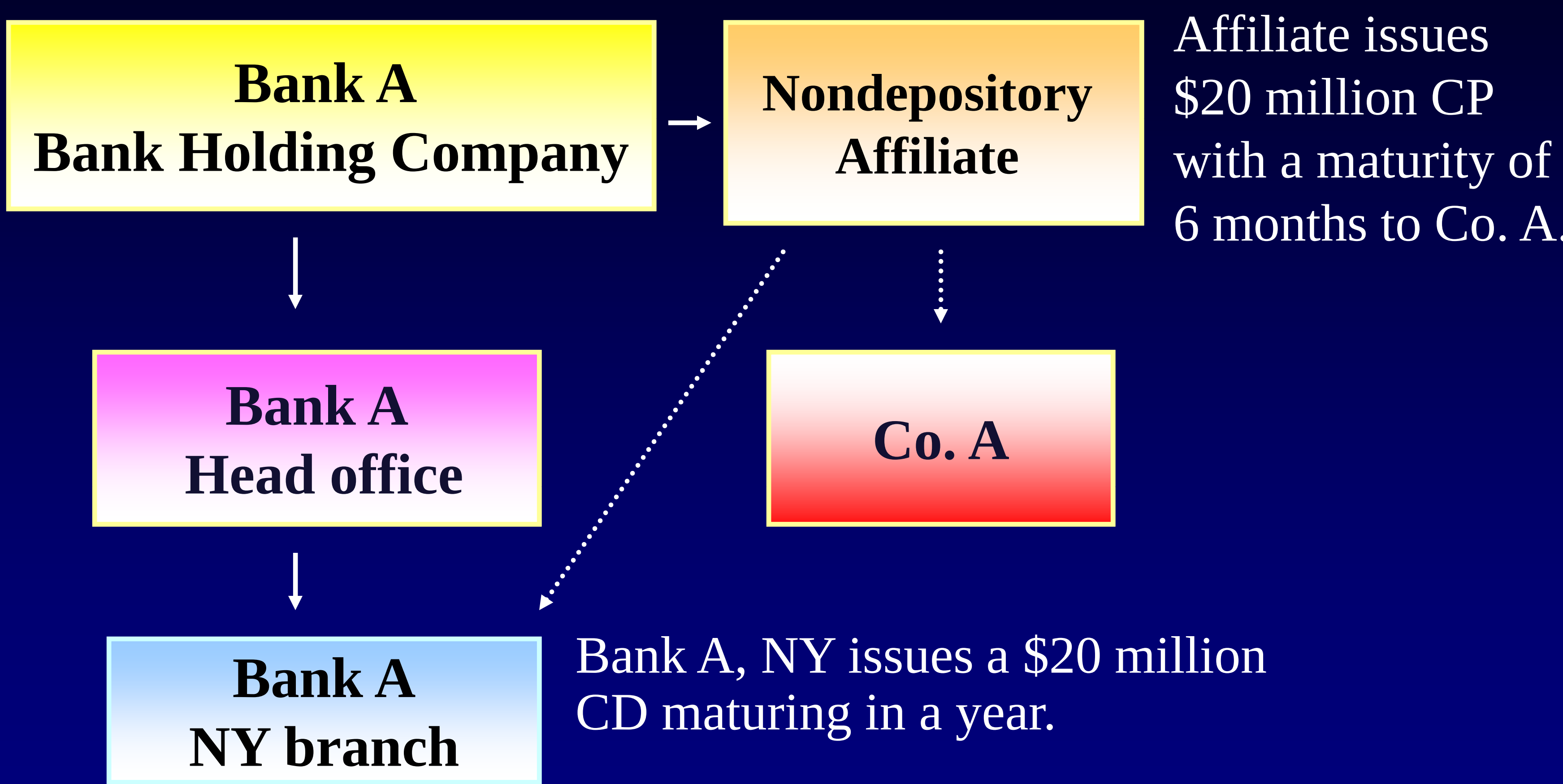
<u>Question 2</u>

Bank A
NY branch

Bank A, NY issues a $20 million CD maturing in a year.

How should Bank A, NY report $20 million?

Other Obligations Reported on Schedules AA and BB



<u>Answer 2</u>: Bank A, NY would report $20 million as a six month nonpersonal CD in Lines D.1, F.1, and BB.1 (when applicable).

Schedules AA and BB

- Report in Schedules AA and BB:
  - Ineligible banker's acceptances
  - Funds received through the issuance of obligations by affiliates
- Obligations with maturities of less than 7 days in Line 1, Schedule AA.
- Obligations with maturities equal to or greater than 7 days and if the counterparty is nonpersonal, in Line 2, Schedule BB.

Net Eurocurrency Liabilities

- Schedule CC is reported one day each year:
  - For weekly reporters: June 30
  - For quarterly reporters: as-of the Monday in the quarterly reporting week in June

Net Eurocurrency Liabilities

- Guidance for completing Schedule CC can be found in the FR 2900 instructions
- Additional information is included in the handout materials

Net Eurocurrency Liabilities

- Schedule CC requires that a single number be reported, representing the net Eurocurrency liabilities for your institution as of the report date

Net Eurocurrency Liabilities

- As outlined in the FR 2900 instructions, “Worksheet Items” correspond to the former FR 2950 and FR 2951 line items

Net Eurocurrency Liabilities

- For commercial banks, Edge and Agreement Corporations, savings banks, savings and loan associations, and credit unions:
  - Gross Liabilities to Own Non-U.S. Branches plus Net Liabilities to Own IBF *(Worksheet Item 2)*
  - Minus Gross Claims to Own Non-U.S. Branches plus Net Claims on Own IBF *(Worksheet Item 3)*
  - Plus Assets Held by Own IBF and Own Non-U.S. Branches Acquired from U.S. Offices *(Worksheet Item 4)*
  - Plus Credit Extended by Own Non-U.S. Branches to U.S. Residents *(Worksheet Item 5)*
- If this amount is negative, set to zero and include:
  - Gross Borrowings From Non-U.S. Offices of Other Depository Institutions and from Certain Designated Non-U.S. Entities *(Worksheet Item 1)*

Net Eurocurrency Liabilities

- For commercial banks, Edge and Agreement Corporations, savings banks, savings and loan associations, credit unions:

  ((Item 2 - Item 3) + Item 4 + Item 5)* + Item 1

* If negative, enter 0

Net Eurocurrency Liabilities

- For U.S. Branches and Agencies of Foreign Banks:
  - ↓ Gross Liabilities to Own Non-U.S. Branches plus Net Liabilities to Own IBF (Worksheet Item 2)
  - ↓ Minus Gross Claims to Own Non-U.S. Branches plus Net Claims on Own IBF (Worksheet Item 3)
  - ↓ Plus Assets Held by Own IBF and Own Non-U.S. Branches Acquired from U.S. Offices (Worksheet Item 5)
  - ↓ Minus 8% of Total Assets Minus Certain Assets and Positive Net Balances Due From Own IBF and the Parent Bank's U.S. and Non-U.S. Offices (Worksheet Item 4)

- If this amount is negative, set to zero and include:
  - ↓ Gross Borrowings From Non-U.S. Offices of Other Depository Institutions and from Certain Designated Non-U.S. Entities (Worksheet Item 1)

Net Eurocurrency Liabilities

- For U.S. branches and agencies of foreign banks:

  ((Item 2 - Item 3) + Item 5) - 0.08x(Item 4))*
  + Item 1

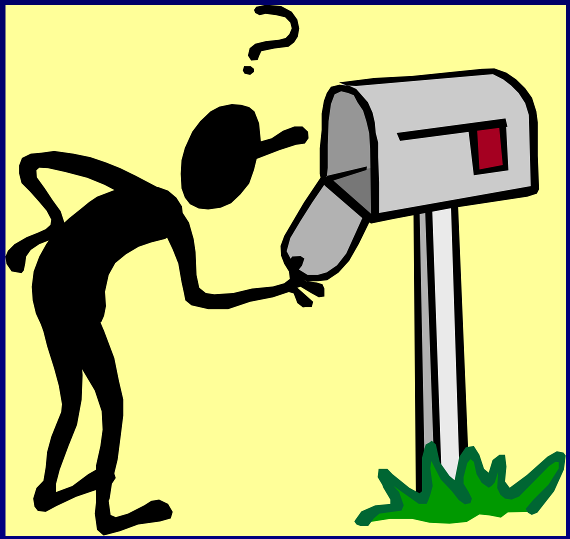
  * If negative, enter 0

Summary

- Vault Cash
- Banker's Acceptances
- Other Obligations Reported on Schedules AA and BB
- Net Eurocurrency Liabilities

Other FR 2900 Reporting Issues

Henry Wu



Guidelines for Reporting Payment Errors on the FR 2900 Report

- Regardless of which party is responsible for the payment error, the holder of the funds incurs a reservable liability that should be reflected on the FR 2900
- This treatment ensures reserve requirements and money stock on an aggregate level are unaffected by payment errors

Guidelines for Reporting Payment Errors on the FR 2900 Report

- This treatment is applied regardless of the application of as-of adjustments or the payment of compensation from the other depository institution

Types of Payment Errors

Four types of payment errors:

1. Duplicate payment

- Occurs when the sending institution transfers funds more than once
- The receiving institution reports these funds as a demand deposit until the duplicate payment is returned
- The sending institution should not report the duplicate payment either as a due from bank or a CIPC

Types of Payment Errors

2. <u>Misdirected payment</u>

- Occurs when the sending institution transfers funds to the wrong bank
- The receiving institution reports these funds as a demand deposit until the funds are returned
- The sending institution should not report these funds either as a due from bank or a CIPC
- The institution that did not receive the expected funds does not report these funds as a due from or CIPC

Types of Payment Errors

3. Failed payment

- Occurs when an institution fails to make payment requested by a customer because of system problems, clerical errors, or other problems
- The institution that retained the funds must report them as a demand deposit until the funds are disbursed
- The institution that did not receive the expected funds does not report these funds either as a due from bank or a CIPC

Types of Payment Errors

4. Improper payment

- Occurs when a third party payment is made through Fedwire usually between the hours of 6:00 PM and 6:30 PM (known as the settlement period) when only "settlement transfers" are allowed
- The receiving bank reports these funds as a demand deposit
- The sending bank does not report these funds either as a due from bank or a CIPC

As-of Adjustments for Payment Errors

- As-of adjustments will not be issued for payments between two DIs
- As-of adjustments associated with errors may be issued **ONLY** if associated with improper transfers

Payment System Problems

Question 1

- Bank R is expecting a $10 million funds transfer from Bank S.
- Bank S wires the $10 million to Bank R at 12:00 PM. At 12:30 PM Bank S wires another $10 million without realizing that the 12:00 PM transfer was sent.

How should each institution report this transaction?

Payment System Problems

Answer

- Bank R reports the $10 million received in error in addition to the $10 million it received as a demand deposit in Line A.1.c
- Bank S does not report the $10 million sent in error as either a due from Bank R (Line B.1) or a CIPC (Line B.2)

Payment System Problems

Question 2

- Bank S was requested to make a payment of $20 million to Bank R. Before the transfer is executed, Bank S experiences a power failure and the funds could not be transferred until the next day. (On day 2 the funds were transferred to Bank R).

  How should each institution report this transaction?

Payment System Problems

Answer

- Bank S reports the $20 million as a demand deposit on Line A.1.c
- Bank R does not report these funds as either a due from Bank S (Line B.1) or a CIPC (Line B.2)

Payment System Problems

Question 3

- Bank S transfers $15 million on behalf of a corporate customer to Bank R at 6:15 PM.

  How should each institution report this transaction?

Payment System Problems

Answer

- Bank R reports the $15 million as a demand deposit in Line A.1.c
- Bank S does not report these funds as either a due from Bank R (Line B.1) or as a CIPC (Line B.2)

Payment System Problems

Question 4

- Bank S is instructed to send a $50 million funds transfer to Bank R. However, due to an error the funds were accidentally sent to Bank A.

How should each institution report this transaction?

Payment System Problems

Answer

- Bank A reports the $50 million as a demand deposit in Line A.1.c
- Neither Bank S nor Bank R should report these funds as a due from bank (Line B.1) or as a CIPC (Line B.2)

Deposits from U.S. Residents Payable at an Office Located Outside the U.S.

Regulation D defines "United States resident" as:

- Any individual residing in the U.S. (at the time of the deposit)
- Any corporation, partnership, association or other entity organized in the U.S. (domestic corporation)
- Any branch or office located in the U.S. of any entity not organized in the U.S.

Deposits from U.S. Residents Payable at an Office Located Outside the U.S.

- Regulation D **exempts** from reserve requirements "any deposit payable solely at an office located outside the U.S."
- "Any deposit payable only outside the U.S." means:
  - The depositor is entitled, under the agreement with the institution, to demand payment <u>only outside the U.S</u>., and
  - If the depositor is a U.S. resident, the deposit must be in a denomination of <u>$100 thousand or more</u>

U.S. Resident Deposits <u>Less than $100,000</u> Payable at an Office Located Outside the U.S.

- Regulation D **does not exempt** any deposit of a U.S. resident in denominations of **less than $100 thousand**, payable at an office outside the U.S.

U.S. Resident Deposits <u>Less than</u> <u>$100,000</u> Payable at an Office Located Outside the U.S.

- Therefore, these deposits must be reported on the FR 2900 if your institution:
  - Solicits these deposits from U.S. residents and the ultimate liability of these deposits is with the parent or any other office of the parent located outside of the U.S.

U.S. Resident Deposits <u>Less than $100,000</u> Payable at an Office Located Outside the U.S.

<u>Question 1</u>

Bank A, NY branch receives $80 thousand from ABC Co. in the U.S. Bank A, NY branch transfers the $80 thousand to Bank A, Tokyo branch for the credit of ABC Corp.

How should this transaction be reported?

<u>Answer</u>: The transaction should be reported as a deposit on the FR 2900.

U.S. Resident Deposits <u>Less than $100,000</u> Payable at an Office Located Outside the U.S.

<u>Question 2</u>

Bank A, NY branch solicits $120 thousand from ABC Co. in the U.S. Bank A, NY branch transfers the $120 thousand to Bank A, Tokyo branch for the credit of ABC Corp.

How should this transaction be reported?

<u>Answer</u>: The transaction is <u>**not**</u> reported on the FR 2900.

Summary

- Payment System Problems
  - Duplicate
  - Misdirected
  - Failed
  - Improper
- Deposits from U.S. residents < $100 thousand payable outside the U.S.

ReserveCalc
Live Demo

Claudette Knight

Key Points

- Access ReserveCalc anytime for report information
- View reserve requirement on-line (no need to wait for scheduled reports)
- Use the Balance Calculator to calculate target balances
- Drill down for information
- Point and click for information
- Includes on-line Help Features (explains terminology and calculations)

For More Information

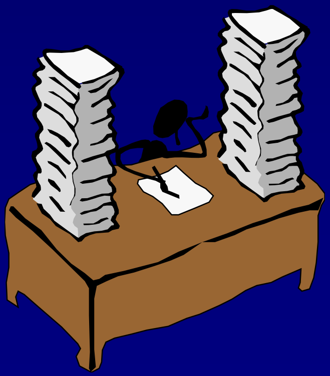
Visit ReserveCalc on the Reporting and Reserves Website at:
www.reportingandreserves.org

For more information on an existing EUAC, or how to designate a EUAC at your institution, please contact the Customer Contact Center (CCC) at (800) 333-2690 or (816) 881-2698. You can send your completed subscriber forms via fax to (800) 485-6089, or email to **ccc.coordinators@kc.frb.org**. The original EUAC form should be sent via mail to:

Customer Contact Center
P.O. Box 219416
Kansas City, MO 64121-9416

Upon receipt of your forms, the CCC staff will provide instructions on how to download your digital certificate and the URL for ReserveCalc™. Once that is completed, you will have access to ReserveCalc™ and can begin to take advantage of its information features. If you have any questions regarding ReserveCalc™, please contact Eartha Collins, District Coordinator, at (212) 720-5993.

Appendix:
Schedule CC
Detailed Instructions



Schedule CC

- The main purpose of Schedule CC is to calculate the Eurocurrency Liabilities portion of reservable liabilities, which are used to index the growth in reservable liabilities from June 30 to June 30.

Schedule CC

- Schedule CC data are to be completed based on the following schedule:
  - For weekly FR 2900 respondents: for the weekly report that includes June 30
  - For quarterly FR 2900 respondents: for the June report

Worksheet for Preparation of Schedule CC

- Part of the FR 2900 instructions:
  - For U.S. branches and agencies of foreign banks, refer to Pg. 65
  - For commercial banks and savings institutions, refer to Pg. 64
  - For credit unions, refer to Pg. 60

International Banking Facility (IBF)

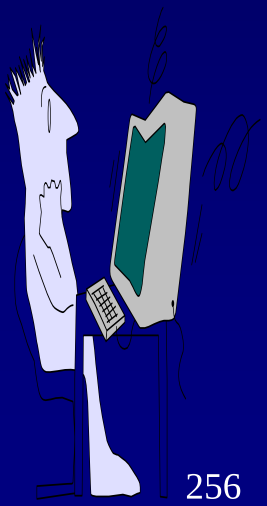
- IBFs were first permitted in 1981 to enable depository institutions located in the U.S. to compete more effectively for overseas deposits and loans
- An IBF is a separate set of books maintained by a depository institution for a "shell" institution that is chartered in the U.S., but is treated like a related foreign branch

IBF

- IBFs are treated as Non-U.S. offices and are exempt from certain U.S. laws, including:
  - Reserve requirements
  - FDIC insurance assessments
  - Some state and local income taxes

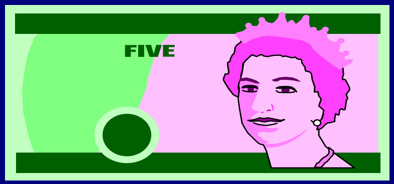
IBF Restrictions

- IBFs are only allowed to extend credit or accept deposits with the following customers:
  - Foreign residents (including banks)
  - Other IBFs
  - The establishing entity



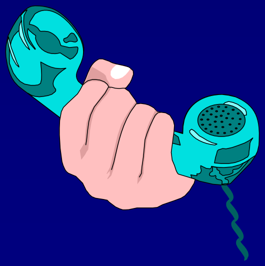
IBF Restrictions

- IBFs may only extend credit to and accept deposits from a nonbank customer only if such funds are used to finance the borrower's operations located outside the U.S.



IBF Restrictions

- In order to determine that the use-of-proceed requirement has been met, it is necessary for the IBF to:
  - Ascertain that the applicable IBF notices and acknowledgments have been provided



IBF Deposit Maturities

- IBF deposits must have a minimum maturity:
  - Overnight for foreign banks, other IBFs and the establishing entity
  - Two business days for non-bank foreign residents

IBF Deposit Maturities

- Deposits and withdrawals of nonbank customers must be in the amount of at least $100 thousand, and,
- IBFs are prohibited from issuing negotiable instruments including Eurodollar CDs and bankers' acceptances

Related
vs.
Unrelated Institutions

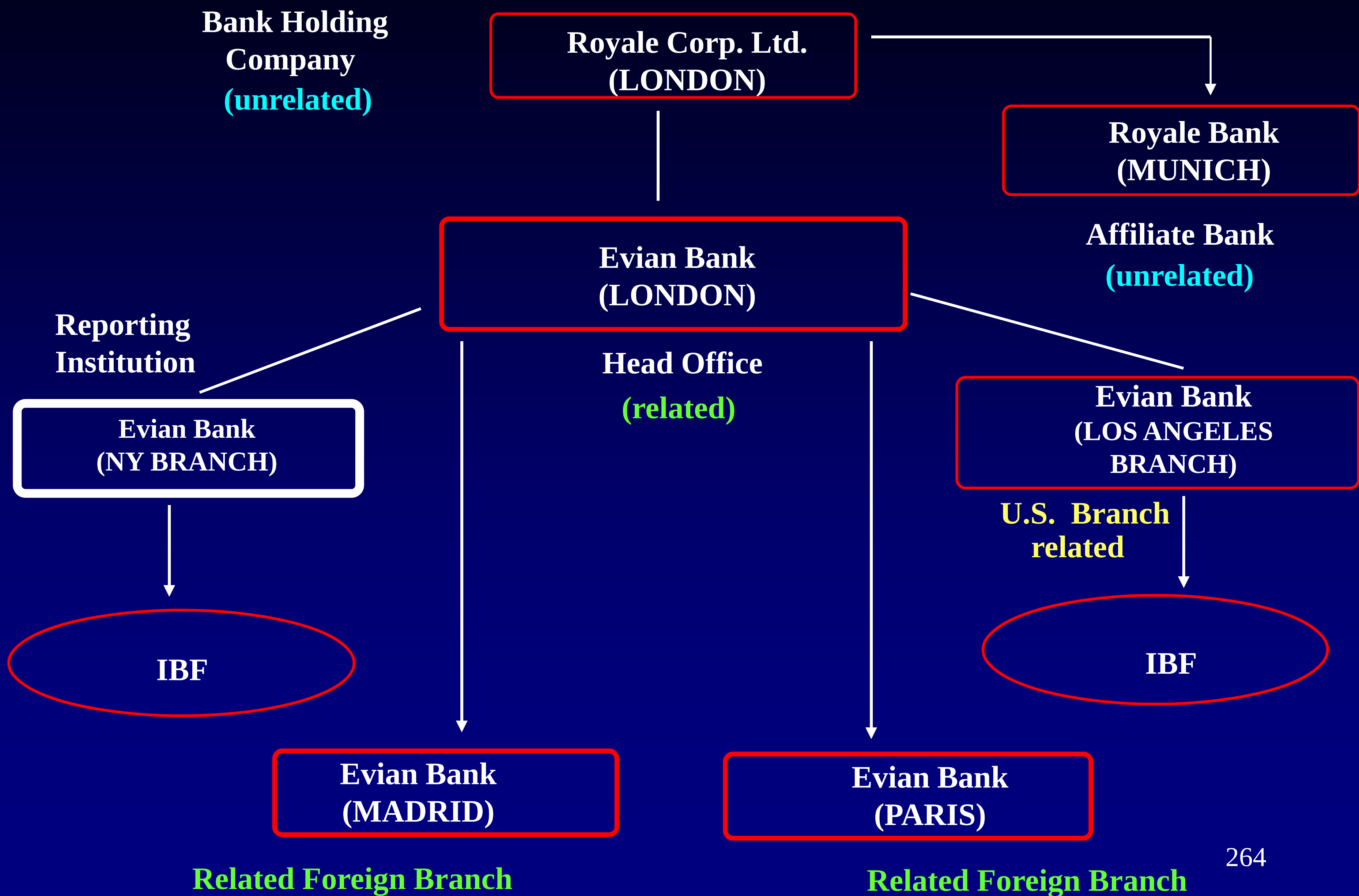
Related vs. Unrelated Institutions (U.S. Branches and Agencies of Foreign Banks)

- For Schedule CC, related institutions are:
  - Foreign (direct) Parent Bank,
  - Offices of the same foreign (direct) Parent Bank

Related vs. Unrelated Institutions (U.S. Branches and Agencies of Foreign Banks)

- U.S. and Non-U.S. affiliates and subsidiaries of the foreign (direct) parent bank are treated as unrelated institutions for purposes of Regulation D, therefore:
  - Deposits, borrowings, loans, and claims from these affiliates and subsidiaries are treated like those from unrelated institutions

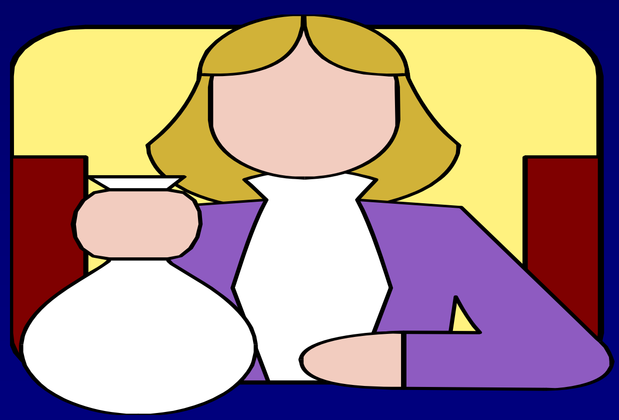
Foreign Bank Organizational Chart



Related vs. Unrelated Institutions (all institutions other than U.S. Branches and Agencies of Foreign Banks)

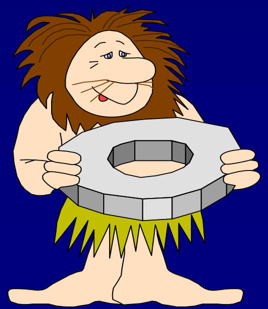
- For Schedule CC, related institutions are:
  - Foreign (non-U.S.) branches

Worksheet Item 1: Borrowings From Non-U.S. Offices of Other Depository Institutions and From Certain Designated Non-U.S. Entities



Worksheet Item 1: Borrowings From Non-U.S. Offices of Other Depository Institutions and From Certain Designated Non-U.S. Entities

- Depository institutions must report any borrowings from unrelated banking institutions located outside of the U.S.

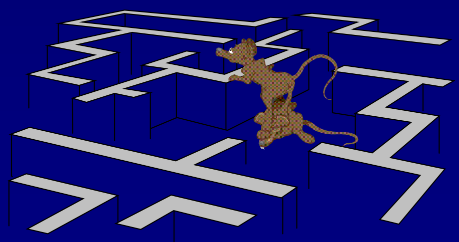


Worksheet Item 1: Borrowings From Non-U.S. Offices of Other Depository Institutions and From Certain Designated Non-U.S. Entities

- Borrowings from the following depository institutions are reported on Line 1
  - Non-U.S. Banks (located overseas)
  - Overseas branches of U.S. depository institutions
  - International institutions
  - Overseas banking subsidiaries and affiliates of the parent bank

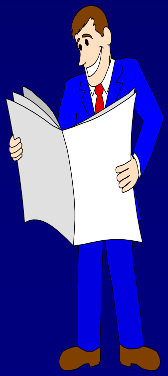
Worksheet Item 1: Borrowings From Non-U.S. Offices of Other Depository Institutions and From Certain Designated Non-U.S. Entities

- **Exclude** borrowings from the reporting institution's Non-U.S. branches or Non-U.S. offices of the parent bank from Worksheet Item 1



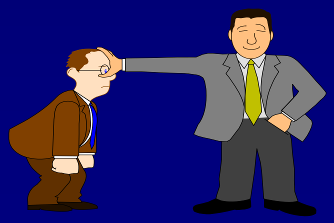
Worksheet Item 1: Common Borrowings Reported

- Federal funds or any overnight borrowing from depository institutions located outside the U.S., including international institutions (refer to the FR 2900 glossary)
- Overdrafts
- Repurchase agreements not backed by U.S. government securities

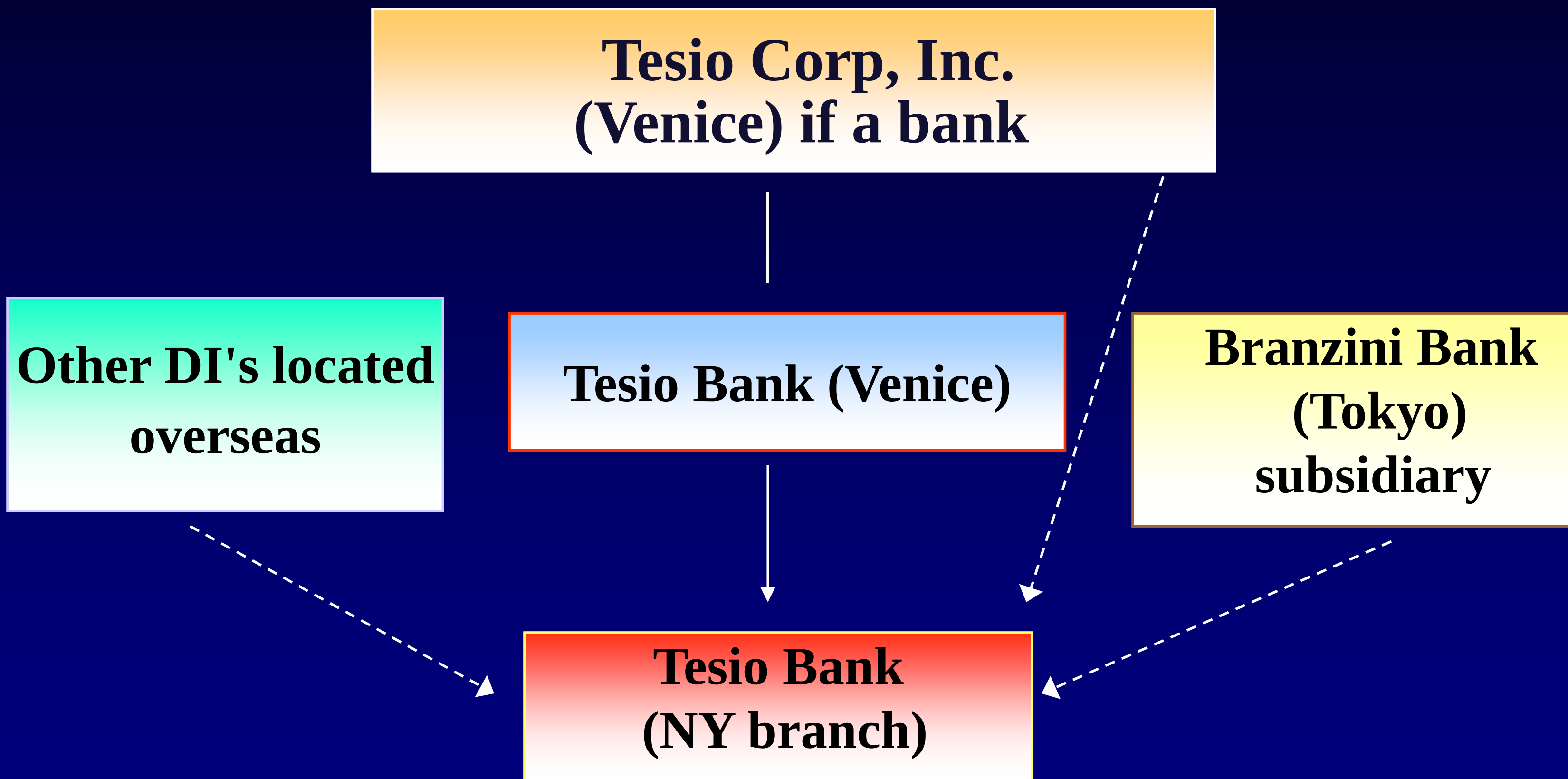


Worksheet Item 1: Common Borrowings Reported

Note: A depository institution should exclude any items reported on the FR 2900 such as CDs, MMDAs and time open accounts.



Worksheet Item 1



Dotted lines represent borrowings to be reported in Worksheet Item.

Review

Which of the following instruments should be included in Worksheet Item 1?

a) Overdraft with U.S. correspondent

b) Repurchase agreement (backed by U.S Gov't securities) with non-U.S. bank

c) Overnight loan from the World Bank

d) None of the above

Review

Which of the following instruments should be included in Worksheet Item 1?

a) Overdraft with U.S. correspondent

b) Repurchase agreement (backed by U.S Gov't securities) with non-U.S. bank

c) Overnight loan from the World Bank

d) None of the above

Review

A borrowing from which of the following institutions is not included in Worksheet Item 1?

a) Foreign banking subsidiary of the parent

b) Foreign parent's Cayman Branch

c) World Bank

d) Reporting institution's foreign non-bank holding company

Hint: More than one answer!

Review

A borrowing from which of the following institutions is not included in Worksheet Item 1?

a) Foreign banking subsidiary of the parent

b) Foreign parent's Cayman Branch

c) World Bank

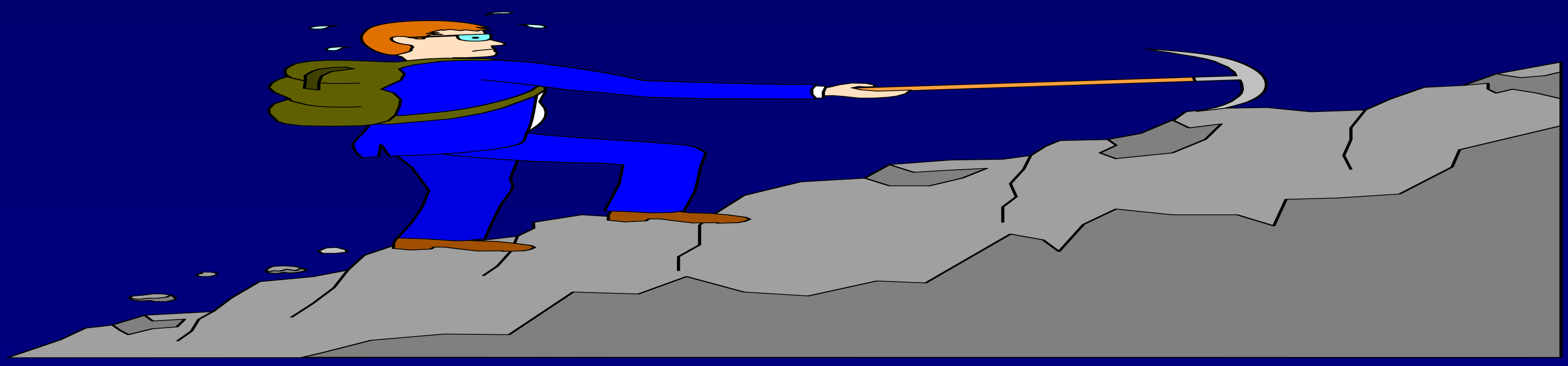
d) Reporting institution's foreign non-bank holding company

Hint: More than one answer!

Summary

- IBFs
- Related vs. unrelated institutions
- Worksheet Item 1 - captures borrowings from foreign entities (including banking subsidiaries of foreign parent's bank holding company)
- Deposits should be excluded from Worksheet Item 1 and reported on the appropriate line on the FR 2900

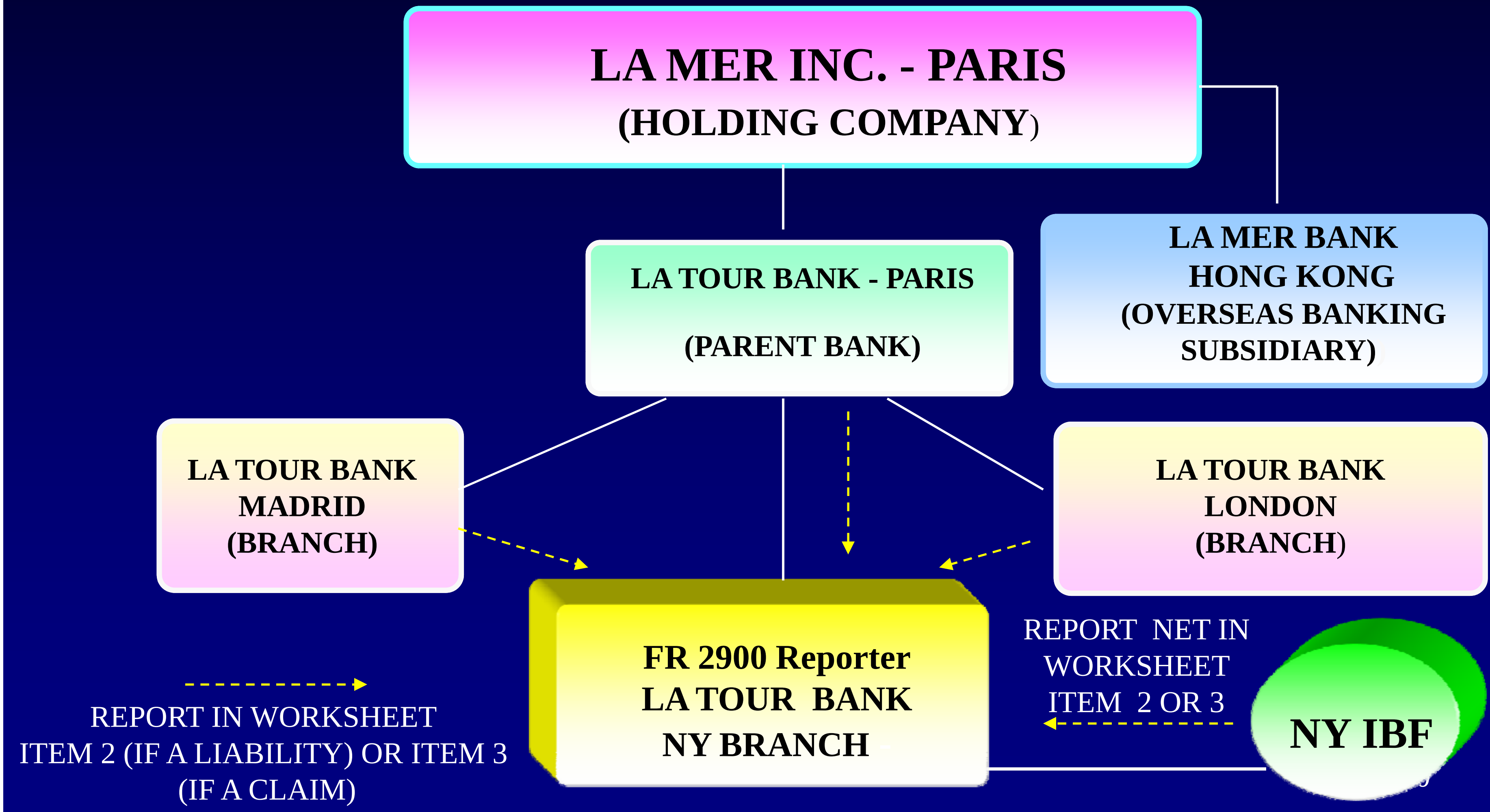
Worksheet Item 2: Gross Liabilities to and Gross Claims on Non-U.S. Parent Bank and Its Non-U.S. Offices Plus Net IBF



Worksheet Item 2: Gross Liabilities to and Gross Claims on Non-U.S. Parent Bank and Its Non-U.S. Offices Plus Net IBF

- Worksheet Items 2 and 3
  - Depository institutions report any liabilities or claims they have with their non-U.S. parent and the parent's non-U.S. offices on a gross basis

Worksheet Items 2 and 3 (U.S. Branch or Agency of a Foreign Bank)



Worksheet Item 2: Gross Liabilities to and Gross Claims on Non-U.S. Parent Bank and Its Non-U.S. Offices Plus Net IBF

- Liabilities due to related parties include:
  - Deposits
  - Borrowings
  - Overdrawn balances
  - A net due to position with own IBF
  - Revaluation losses from derivative products

Worksheet Item 2: Gross Liabilities to and Gross Claims on Non-U.S. Parent Bank and Its Non-U.S. Offices Plus Net IBF

- Liabilities due to related parties include:
  - Accounts payable
  - Funds swept out of a deposit account to offshore offices booked as a liability to a related foreign office
  - Capital contribution, adjusted for:
    - Unremitted earnings (losses)
    - Provision for loan loss reserves

Worksheet Item 2: Gross Liabilities to and Gross Claims on Non-U.S. Parent Bank and Its Non-U.S. Offices Plus Net IBF

Based on the balance sheet on the following page, what would be included in Worksheet Item 2?

Mt. Vernon Bank, NY Branch

Assets

Cash and Due From	195,000	
CIPC		2,000
Vault Cash		1,000
Due from (demand)		
U.S. Banks		10,000
FRB Balances		25,000
Mt. Vernon London		10,000
Mt. Vernon San Fran		2,000
Nonbanking Affiliate		5,000
Head Office Paris		10,000
NY IBF		130000
Securities	35,000	
U.S. Treasury		35,000
Loans	548,000	
Commercial and Industrial		225,000
U.S. Banks		26,000
Foreign Banks		75,000
Head Office Paris		19,000
Mt. Vernon San Fran		3,000
N.Y. IBF		200,000
Total Assets	778,000	

Liabilities

Demand Deposits	296,000	
IPC		10,000
U.S. Banks		1,000
Foreign Banks		75,000
Foreign Official Institutions		50,000
Head Office Paris		15,000
Mt. Vernon London		10,000
Mt. Vernon Cayman		25,000
IBF		100,000
Nonbanking Affiliate		10,000
Time and Savings Deposits	248,000	
IPC		220,000
U.S. Banks		2,000
Foreign Banks		1,000
Foreign Official Institutions		25,000
Borrowings	234,000	
U.S. Banks		3,000
Foreign Banks		5,000
Head Office Paris		10,000
Mt. Vernon London		9,000
Mt. Vernon San Fran		4,000
Mt. Vernon Cayman		2,000
Foreign Official Institution		1,000
N.Y. IBF		200,000
Total Liabilities	778,000	

Mt. Vernon Bank, NY Branch

Assets

Cash and Due From	195,000	
CIPC		2,000
Vault Cash		1,000
Due from (demand)		
U.S. Banks		10,000
FRB Balances		25,000
Mt. Vernon London		10,000
Mt. Vernon San Fran		2,000
Nonbanking Affiliate		5,000
Head Office Paris		10,000
NY IBF		130,000
Securities	35,000	
U.S. Treasury		35,000
Loans	548,000	
Commercial and Industrial		225,000
U.S. Banks		26,000
Foreign Banks		75,000
Head Office Paris		19,000
Mt. Vernon San Fran		3,000
N.Y. IBF		200,000
Total Assets	778,000	

Liabilities

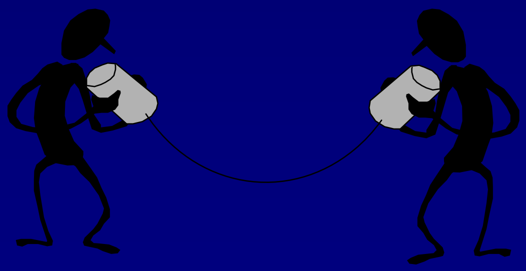
Demand Deposits	296,000	
IPC		10,000
U.S. Banks		1,000
Foreign Banks		75,000
Foreign Official Institutions		50,000
Head Office Paris		***15,000***
Mt. Vernon London		***10,000***
Mt. Vernon Cayman		***25,000***
IBF		100,000
Nonbanking Affiliate		10,000
Time and Savings Deposits	248,000	
IPC		220,000
U.S. Banks		2,000
Foreign Banks		1,000
Foreign Official Institutions		25,000
Borrowings	234,000	
U.S. Banks		3,000
Foreign Banks		5,000
Head Office Paris		***10,000***
Mt. Vernon London		***9,000***
Mt. Vernon San Fran		4,000
Mt. Vernon Cayman		***2,000***
Foreign Official Institution		1,000
N.Y. IBF		200,000
Total Liabilities	778,000	

Worksheet Item 3 - Gross Claims on Non-U.S. Parent Bank and Its Non-U.S. Offices Plus Net Claims on Own IBF

- Claims due from related parties include:
  - Placements
  - Loans
  - A net due from position with own IBF
  - Overdrawn balances
  - Accounts receivable
  - Revaluation gains from derivative products

Worksheet Item 3 - Gross Claims on Non-U.S. Parent Bank and Its Non-U.S. Offices Plus Net Claims on Own IBF

Based on the balance sheet on the following page, what would be included in Worksheet Item 3?



Mt. Vernon Bank, NY Branch

Assets			Liabilities		
Cash and Due From	195,000		Demand Deposits	296,000	
CIPC		2,000	IPC		10,000
Vault Cash		1,000	U.S. Banks		1,000
			Foreign Banks		75,000
Due from (demand)			Foreign Official Institutions		50,000
U.S. Banks		10,000	Head Office Paris		15,000
FRB Balances		25,000	Mt. Vernon London		10,000
Mt. Vernon London		10,000	Mt. Vernon Cayman		25,000
Mt. Vernon San Fran		2,000	IBF		100,000
Nonbanking Affiliate		5,000	Nonbanking Affiliate		10,000
Head Office Paris		10,000			
NY IBF		130000	Time and Savings Deposits	248,000	
			IPC		220,000
Securities	35,000		U.S. Banks		2,000
U.S. Treasury		35,000	Foreign Banks		1,000
			Foreign Official Institutions		25,000
Loans	548,000				
Commercial and Industrial		225,000	Borrowings	234,000	
U.S. Banks		26,000	U.S. Banks		3,000
Foreign Banks		75,000	Foreign Banks		5,000
Head Office Paris		19,000	Head Office Paris		10,000
Mt. Vernon San Fran		3,000	Mt. Vernon London		9,000
N.Y. IBF		200,000	Mt. Vernon San Fran		4,000
			Mt. Vernon Cayman		2,000
			Foreign Official Institution		1,000
			N.Y. IBF		200,000
Total Assets	778,000		Total Liabilities	778,000	

Mt. Vernon Bank, NY Branch

Assets			Liabilities		
Cash and Due From	195,000		Demand Deposits	296,000	
CIPC		2,000	IPC		10,000
Vault Cash		1,000	U.S. Banks		1,000
			Foreign Banks		75,000
Due from (demand)			Foreign Official Institutions		50,000
U.S. Banks		10,000	Head Office Paris		15,000
FRB Balances		25,000	Mt. Vernon London		10,000
Mt. Vernon London		***10,000***	Mt. Vernon Cayman		25,000
Mt. Vernon San Fran		2,000	IBF		100,000
Nonbanking Affiliate		5,000	Nonbanking Affiliate		10,000
Head Office Paris		***10,000***			
NY IBF		130000	Time and Savings Deposits	248,000	
			IPC		220,000
Securities	35,000		U.S. Banks		2,000
U.S. Treasury		35,000	Foreign Banks		1,000
			Foreign Official Institutions		25,000
Loans	548,000				
Commercial and Industrial		225,000	Borrowings	234,000	
U.S. Banks		26,000	U.S. Banks		3,000
Foreign Banks		75,000	Foreign Banks		5,000
Head Office Paris		***19,000***	Head Office Paris		10,000
Mt. Vernon San Fran		3,000	Mt. Vernon London		9,000
N.Y. IBF		200,000	Mt. Vernon San Fran		4,000
			Mt. Vernon Cayman		2,000
			Foreign Official Institution		1,000
			N.Y. IBF		200,000
Total Assets	778,000		Total Liabilities	778,000	

Net IBF Position

Net IBF Position

- The net IBF position is the net credit or debit position reflected on the IBF books with the establishing entity.

- This should be the difference between the IBF's assets and liabilities excluding those with U.S. offices of the establishing entity.

Net IBF Position

- The net IBF position should be included in either Worksheet Item 2 (if a net due to) or Worksheet Item 3 (if a net due from)

Net IBF Position

IBF Balance Sheet

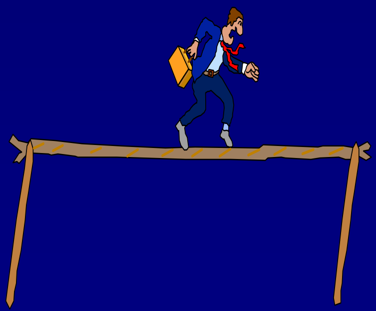
Assets	**Liabilities**
Third-party Assets	Third-party Liabilities
Due From NY Branch	Due To NY Branch
	Net Profit
Total Assets	**Total Liabilities**

Net Calculation

Liabilities to parties other than U.S. establishing entity **Minus** Assets DF parties other than U.S. offices of the offices of the establishing entity

Net IBF Position

Which items on the preceding balance sheet would be considered third party assets or third party liabilities?



Vario Bank, NY IBF's Books

Assets			Liabilities		
Cash and Due From :		121,500	Deposits :		368,000
Foreign Banks	10,000		Foreign Banks	10,000	
Vario N.Y.	100,000		Vario N.Y.	250,000	
Foreign Official Inst.	500		Foreign Official Inst.	75,000	
Vario San Fran IBF	1,000		IPC	33,000	
Vario London	5 ,000				
Vario Cayman	5 ,000				
Securities		22,000	Borrowings:		265,500
Foreign Treasury	20,000		Foreign Banks	25,000	
Other Bonds and notes	2,000		Vario N.Y.	200,000	
			Vario London	7,000	
			Vario Cayman	3,000	
			Other IBFs	25,500	
Loans :		490,000			
Comm. and Indus	292,000				
Foreign Banks	51,000		Net profit (due to NY Branch)	5,000	
Foreign Official Inst	20,000				
Vario London	25,000				
Vario Cayman	25,000				
Vario San Fr IBF	20,000				
Vario N.Y.	57,000				
Total Assets		633,500	Total Liabilities		633,500

Vario Bank, NY IBF's Books

Assets			Liabilities		
Cash and Due From :		121,500	Deposits :		368,000
Foreign Banks	*10,000*		*Foreign Banks*	*10,000*	
Vario N.Y.	100,000		Vario N.Y.	250,000	
Foreign Official Inst.	*500*		*Foreign Official Inst.*	*75,000*	
Vario San Fran IBF	*1,000*		*IPC*	*33,000*	
Vario London	*5 ,000*				
Vario Cayman	*5 ,000*				
Securities		22,000	Borrowings:		265,500
Foreign Treasury	*20,000*		*Foreign Banks*	*25,000*	
Other Bonds and notes	*2,000*		Vario N.Y.	200,000	
			Vario London	*7,000*	
			Vario Cayman	*3,000*	
			Other IBFs	*25,500*	
Loans :		490,000			
Comm. and Indus	*292,000*				
Foreign Banks	*51,000*		Net profit (due to NY Branch)	5,000	
Foreign Official Inst	*20,000*				
Vario London	*25,000*				
Vario Cayman	*25,000*				
Vario San Fr IBF	*20,000*				
Vario N.Y.	57,000				
Total Assets		633,500	Total Liabilities		633,500

Net IBF Position

IBF Balance Sheet

Assets		Liabilities	
Third-party Assets	476,500	Third-party Liabilities	178,500
Due From NY Br.	157,000	Due To NY Br.	450,000
		Net Profit	5,000
Total Assets	633,500	**Total Liabilities**	633,500

Net Calculation

Liabilities to parties other than U.S. offices of the establishing entity **Minus** Assets due from parties other than U.S. offices of the establishing entity

178,500 476,500

(298,000)

Net IBF Position

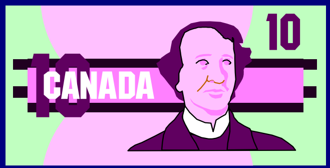
- Because the difference calculated is negative, its absolute value represents, on the books of the IBF, net balances due to U.S. offices of the establishing entity.

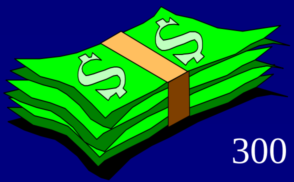
- For purposes of this report, its absolute value represents the establishing entity's net claims on its own IBF and should be included in Worksheet Item 3.

Worksheet Item 4: Total Assets Minus Certain Assets and Positive Net Balances Due From Own IBF and the Parent Bank's U.S. and Non-U.S. Offices (U.S. Branches and Agencies of Foreign Banks)

Worksheet Item 4: Total Assets Minus Certain Assets and Positive Net Balances Due From Own IBF and the Parent Bank's U.S. and Non-U.S. Offices (U.S. Branches and Agencies of Foreign Banks)

- U.S. branches and agencies report their risk adjusted assets on this line
- The purpose of this column is to give U.S. branches and agencies a deduction for their reservable Eurocurrency liabilities (funds placed by their parent as capital contribution)





Worksheet Item 4: Total Assets Minus Certain Assets and Positive Net Balances Due From Own IBF and the Parent Bank's U.S. and Non-U.S. Offices (U.S. Branches and Agencies of Foreign Banks)

- U.S. depository institution's capital is exempt from reserve requirements
- The capital equivalency deduction allows for reserve requirements to be imposed evenly on U.S. banks and U.S. branches and agencies of foreign banks

Worksheet Item 4: Total Assets Minus Certain Assets and Positive Net Balances Due From Own IBF and the Parent Bank's U.S. and Non-U.S. Offices (U.S. Branches and Agencies of Foreign Banks)

- Total assets are adjusted to calculate "risk" assets by deducting certain assets from the institutions total assets. These are:
  - Demand balances due from depository institutions in the U.S. (FR 2900, Line B.1)
  - Cash items in the process of collection (FR 2900, Line B.2)

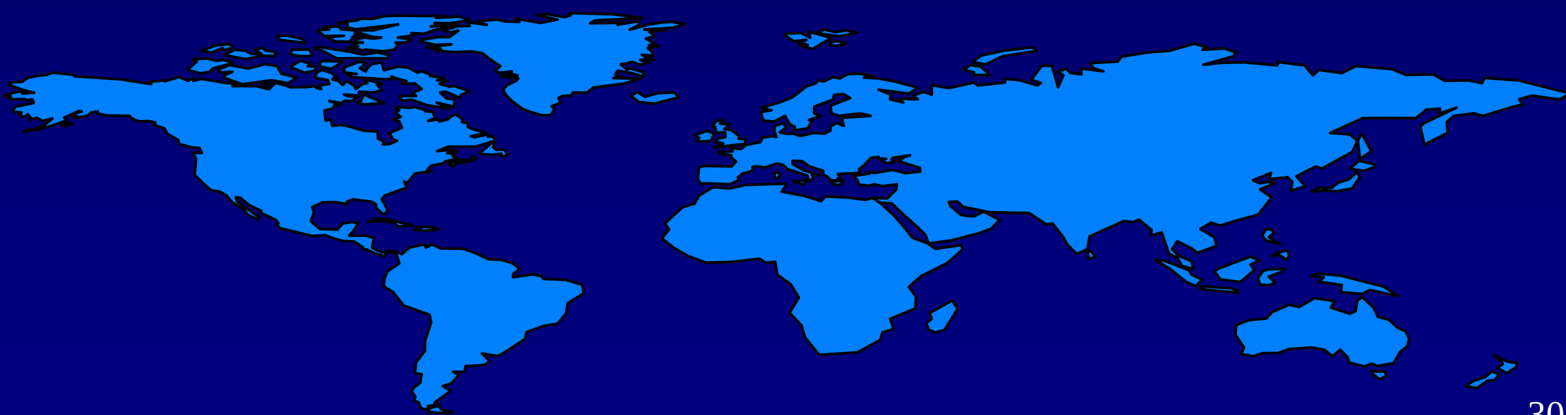
Worksheet Item 4: Total Assets Minus Certain Assets and Positive Net Balances Due From Own IBF and the Parent Bank's U.S. and Non-U.S. Offices (U.S. Branches and Agencies of Foreign Banks)

– Demand balances due from non-U.S. offices of U.S. depository institutions and overseas banks

– Balances due from foreign official institutions

Worksheet Item 4: Total Assets Minus Certain Assets and Positive Net Balances Due From Own IBF and the Parent Bank's U.S. and Non-U.S. Offices (U.S. Branches and Agencies of Foreign Banks)

- Gross claims on related institutions are not included in the total assets used to calculate Worksheet Item 4

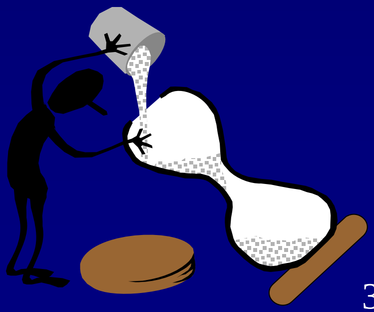


Worksheet Item 4: Total Assets Minus Certain Assets and Positive Net Balances Due From Own IBF and the Parent Bank's U.S. and Non-U.S. Offices (U.S. Branches and Agencies of Foreign Banks)

- In general the definition of "total assets" corresponds to the total assets reported on Schedule RAL on the FFIEC 002.
- The total assets to be used in Worksheet Item 4 will differ from the total assets on the FFIEC 002 due to the following
  - U.S. and non-U.S. affiliates and subsidiaries are considered unrelated for purposes of the FR 2900 and related for the FFIEC 002

Worksheet Item 4: Total Assets Minus Certain Assets and Positive Net Balances Due From Own IBF and the Parent Bank's U.S. and Non-U.S. Offices (U.S. Branches and Agencies of Foreign Banks)

– IBF assets due from parties other than U.S. offices of the establishing entity are excluded from the calculation of the amount reported in Worksheet Item 4, but are included on the FFIEC 002.



Common Problems Found With Worksheet Item 4

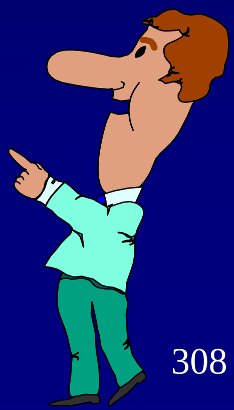
- The following are common errors associated with Worksheet Item 4
  - IBF assets are included with total assets of the branch/agency
  - Reserve balances and vault cash are excluded from total assets
  - Failure to reduce total assets figure by the deduction items
  - Related party claims are included in the calculation

Steps to Calculate Worksheet Item 4 (U.S. Branch of a Foreign Bank)

Step 1

Deduct the Gross Due From related parties figure from the total assets figure on the balance sheet

Total Assets - Gross Due From Related =
Third Party Assets



Steps to Calculate Worksheet Item 4
(U.S. Branch of a Foreign Bank)

<u>Step 1</u>

Calculate gross due from related parties (including IBF)

Due from:

Loans to:

<u>Gross due from</u>:

Mt. Vernon Bank, NY Branch

Assets

Cash and Due From	195,000	
CIPC		2,000
Vault Cash		1,000
Due from (demand)		
U.S. Banks		10,000
FRB Balances		25,000
Mt. Vernon London		10,000
Mt. Vernon San Fran		2,000
Nonbanking Affiliate		5,000
Head Office Paris		10,000
NY IBF		130,000
Securities	35,000	
U.S. Treasury		35,000
Loans	548,000	
Commercial and Industrial		225,000
U.S. Banks		26,000
Foreign Banks		75,000
Head Office Paris		19,000
Mt. Vernon San Fran		3,000
N.Y. IBF		200,000
Total Assets	778,000	

Liabilities

Demand Deposits	296,000	
IPC		10,000
U.S. Banks		1,000
Foreign Banks		75,000
Foreign Official Institutions		50,000
Head Office Paris		15,000
Mt. Vernon London		10,000
Mt. Vernon Cayman		25,000
IBF		100,000
Nonbanking Affiliate		10,000
Time and Savings Deposits	248,000	
IPC		220,000
U.S. Banks		2,000
Foreign Banks		1,000
Foreign Official Institutions		25,000
Borrowings	234,000	
U.S. Banks		3,000
Foreign Banks		5,000
Head Office Paris		10,000
Mt. Vernon London		9,000
Mt. Vernon San Fran		4,000
Mt. Vernon Cayman		2,000
Foreign Official Institution		1,000
N.Y. IBF		200,000
Total Liabilities	778,000	

Mt. Vernon Bank, NY Branch

Assets

Cash and Due From	195,000	
CIPC		2,000
Vault Cash		1,000
Due from (demand)		
U.S. Banks		10,000
FRB Balances		25,000
Mt. Vernon London		***10,000***
Mt. Vernon San Fran		***2,000***
Nonbanking Affiliate		5,000
Head Office Paris		***10,000***
NY IBF		***130,000***
Securities	35,000	
U.S. Treasury		35,000
Loans	548,000	
Commercial and Industrial		225,000
U.S. Banks		26,000
Foreign Banks		75,000
Head Office Paris		***19,000***
Mt. Vernon San Fran		***3,000***
N.Y. IBF		***200,000***
Total Assets	778,000	

Liabilities

Demand Deposits	296,000	
IPC		10,000
U.S. Banks		1,000
Foreign Banks		75,000
Foreign Official Institutions		50,000
Head Office Paris		15,000
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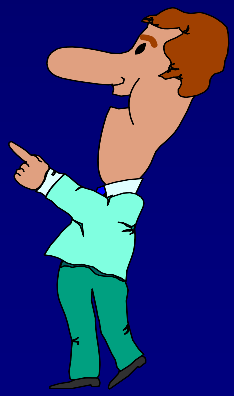
U.S. Banks		2,000
Foreign Banks		1,000
Foreign Official Institutions		25,000
Borrowings	234,000	
U.S. Banks		3,000
Foreign Banks		5,000
Head Office Paris		10,000
Mt. Vernon London		9,000
Mt. Vernon San Fran		4,000
Mt. Vernon Cayman		2,000
Foreign Official Institution		1,000
N.Y. IBF		200,000
Total Liabilities	778,000	

Steps to Calculate Worksheet Item 4 (U.S. Branch of a Foreign Bank)

Step 1

Due from:		**$152,000**
London	$10,000	
SF	$2,000	
HO	$10,000	
NY IBF	$130,000	
Loans to:		**$222,000**
SF	$3,000	
HO	$19,000	
NY IBF	$200,000	



Steps to Calculate Worksheet Item 4 (U.S. Branch of a Foreign Bank)

Step 1

Deduct the Gross Due From related parties balance from the total assets figure on the balance sheet

Total Assets - Gross Due From Related
= Third Party Assets

778,000 - 374,000 = 404,000

Steps to Calculate Worksheet Item 4 (U.S. Branch of a Foreign Bank)

<u>Step 2</u>

Calculate other deductions

1) Cash items in the process of collection
2) Demand balances due from U.S. banks
3) Demand balances due from foreign banks
4) Foreign official institutions

Total Other Deductions =

Mt. Vernon Bank, NY Branch

Assets

Cash and Due From	195,000	
CIPC		2,000
Vault Cash		1,000
Due from (demand)		
U.S. Banks		10,000
FRB Balances		25,000
Mt. Vernon London		10,000
Mt. Vernon San Fran		2,000
Nonbanking Affiliate		5,000
Head Office Paris		10,000
NY IBF		130000
Securities	35,000	
U.S. Treasury		35,000
Loans	548,000	
Commercial and Industrial		225,000
U.S. Banks		26,000
Foreign Banks		75,000
Head Office Paris		19,000
Mt. Vernon San Fran		3,000
N.Y. IBF		200,000
Total Assets	778,000	

Liabilities

Demand Deposits	296,000	
IPC		10,000
U.S. Banks		1,000
Foreign Banks		75,000
Foreign Official Institutions		50,000
Head Office Paris		15,000
Mt. Vernon London		10,000
Mt. Vernon Cayman		25,000
IBF		100,000
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Time and Savings Deposits	248,000	
IPC		220,000
U.S. Banks		2,000
Foreign Banks		1,000
Foreign Official Institutions		25,000
Borrowings	234,000	
U.S. Banks		3,000
Foreign Banks		5,000
Head Office Paris		10,000
Mt. Vernon London		9,000
Mt. Vernon San Fran		4,000
Mt. Vernon Cayman		2,000
Foreign Official Institution		1,000
N.Y. IBF		200,000
Total Liabilities	778,000	

Mt. Vernon Bank, NY Branch

Assets

Cash and Due From	195,000	
CIPC		*2,000*
Vault Cash		1,000
Due from (demand)		
U.S. Banks		*10,000*
FRB Balances		25,000
Mt. Vernon London		10,000
Mt. Vernon San Fran		2,000
Nonbanking Affiliate		5,000
Head Office Paris		10,000
NY IBF		130000
Securities	35,000	
U.S. Treasury		35,000
Loans	548,000	
Commercial and Industrial		225,000
U.S. Banks		26,000
Foreign Banks		75,000
Head Office Paris		19,000
Mt. Vernon San Fran		3,000
N.Y. IBF		200,000
Total Assets	778,000	

Liabilities

Demand Deposits	296,000	
IPC		10,000
U.S. Banks		1,000
Foreign Banks		75,000
Foreign Official Institutions		50,000
Head Office Paris		15,000
Mt. Vernon London		10,000
Mt. Vernon Cayman		25,000
IBF		100,000
Nonbanking Affiliate		10,000
Time and Savings Deposits	248,000	
IPC		220,000
U.S. Banks		2,000
Foreign Banks		1,000
Foreign Official Institutions		25,000
Borrowings	234,000	
U.S. Banks		3,000
Foreign Banks		5,000
Head Office Paris		10,000
Mt. Vernon London		9,000
Mt. Vernon San Fran		4,000
Mt. Vernon Cayman		2,000
Foreign Official Institution		1,000
N.Y. IBF		200,000
Total Liabilities	778,000	

Steps to Calculate Worksheet Item 4 (U.S. Branch of a Foreign Bank)

<u>Step 2</u> Calculate other deductions

1) Cash items in the process of collection	$2,000
2) Demand balances due from U.S. banks	$10,000
3) Demand balances due from fgn. banks	0
4) Balances due from from fgn. official inst.	0

Total Other Deductions = $12,000

Steps to Calculate Worksheet Item 4 (U.S. Branch of a Foreign Bank)

<u>Step 3</u> Calculate Total Adjusted Assets

Step 1 - Step 2 =

Total Assets reported in Worksheet Item 4

Steps to Calculate Worksheet Item 4 (U.S. Branch of a Foreign Bank)

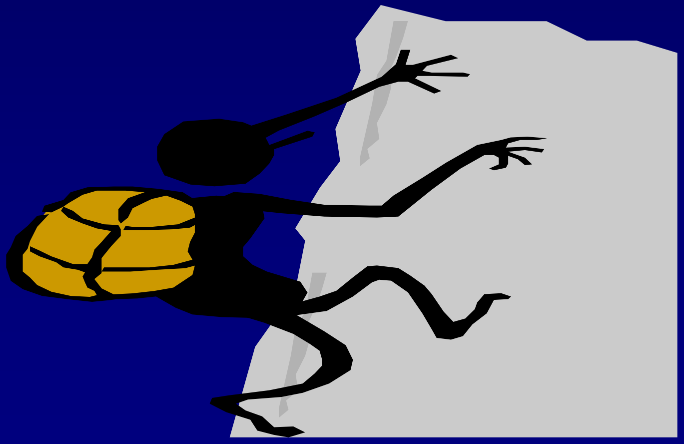
Step 3 Calculate Total Adjusted Assets

Step 1 - Step 2 =

Total Assets reported in Worksheet Item 4

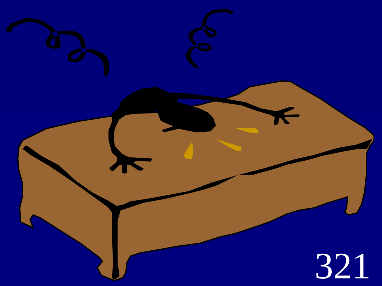
$404,000 - $12,000 = $392,000

Worksheet Item 4 (all institutions other than U.S. Branches and Agencies of Foreign Banks) and Worksheet Item 5 (U.S. Branches and Agencies of Foreign Banks): Assets held by own IBF and Non-U.S. Offices Acquired from U.S. Offices



Worksheet Item 4, 5: Assets held by own IBF and Non-U.S. Offices Acquired from U.S. Offices

- Depository institutions report in this item funds that are supplied to them by foreign related institutions or its own IBF through the sale of assets



Worksheet Item 4, 5: Assets held by own IBF and Non-U.S. Offices Acquired from U.S. Offices

- Funds received by the depository institution will continue to be reported in this item until the foreign related institution disposes of the asset
- Assets given to the IBF to start its operations for the first two fourteen day computation periods from its opening should be excluded from this line

Worksheet Item 4, 5: Assets held by own IBF and Non-U.S. Offices Acquired from U.S. Offices

Mt. Vernon Bank, NY branch sells loans to Mt. Vernon Bank, Paris at a book value of $10 million for $5 million.

$10 million →

← $5 million

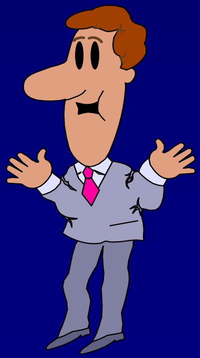
What should be reported on Worksheet Item 5?

Worksheet Item 4, 5: Assets held by own IBF and Non-U.S. Offices Acquired from U.S. Offices

Answer

Mt. Vernon Bank, Paris pays $5 million for the loans.

Mt. Vernon Bank, NY reports $5 million in line 5.



Worksheet Item 5: Credit Extended by Own Non-U.S. Branches to U.S. Residents (all institutions other than U.S. Branches and Agencies of Foreign Banks)

- Include in this item the amount of credit extended by the reporting institutions' non-U.S. branches to U.S. residents

- Exclude credit extended if:
  - Amount by a single non-U.S. branch did not exceed $1 million, or
  - Amount by all non-U.S. branches did not exceed $100,000

Summary

- Liabilities and Claims with Non-U.S. Parent and its Non-U.S. offices Plus Net IBF Position
- Net IBF Position
- Capital Contribution
- Total Assets