

Country Exposure Report  
(FFIEC 009)  
Presentation  
2006

Federal Reserve Bank of New York  
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# Schedule 1

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# Overview

- Background
- General Instructions
- Immediate-Counterparty Basis
- Redistribution of Claims
- Ultimate Risk Basis
- Schedule 1.a
- Schedule 2

# Background

The FFIEC issued a Federal Register notice during the first quarter delaying the implementation of the proposed changes published on August 17, 2004.

- The proposed changes were re-evaluated based on comments received.

# Background

- Why the change?
  - Harmonize U.S. data with data on cross-border exposures collected by other countries and disseminated by the Bank of International Settlements (BIS).
  - Bring U.S. data into agreement with current BIS guidelines.

# Background

- Overview of Report Changes:
  - Additional information on a immediate-counterparty basis
    - Foreign-office claims (Columns 4-6 and Column 8)
  - Additional information on a ultimate-risk basis
    - Cross-border claims (Columns 15-17)
    - Foreign-office claims (Columns 18-21)

# Background

- Overview of Report Changes:
  - Commitments will be split from guarantees and credit derivatives and reported on an ultimate-risk basis (Columns 22 and 23)
  - Addition of Schedule 1.a
    - Foreign Office Liabilities (Columns 1-3)
    - Memorandum Items (Columns 4 and 6)

# General Instructions

- Who must report?
  - U.S. chartered insured commercial bank
    - \$30 million in claims on residents in foreign countries
    - Foreign branch or subsidiary
    - IBF
    - Branch in Puerto Rico or in U.S. territory or possession



# General Instructions

- Who must report?
  - Edge and/or Agreement corporations with \$30 million in claims on residents of foreign countries.
  - Institutions meeting the Schedule 2 requirements
    - Excess of \$10 billion in total gross notional value of derivative contracts or total gross fair values of derivative contracts greater than 5% of assets.

# General Instructions

- Who must report
  - U.S. bank holding company that has a subsidiary meeting the reporting threshold
  - If a subsidiary bank meets the reporting criteria and accounts for less than 90% of the BHCs total claims on foreigners, the BHC should only report. If a subsidiary bank accounts for more than 90%, either the BHC or banking subsidiary should file.

# General Instructions

- Who must report
  - If two or more subsidiary banks meet the reporting criteria and account for 90% or more of the BHCs total claims on foreigners, the BHC is not required to file a separate report.

# General Instructions

## Definitions

- Claims
  - Deposit balances
  - Foreign securities
  - Federal funds sold to foreigners
  - Loans to or guaranteed by non-U.S. addressees
  - Holdings of acceptances
  - Resale agreements and other financing agreements
  - Accrued interest receivables
  - Positive fair values of derivative contracts

# General Instructions

- Banks
  - Identical to the definition to “Banks, U.S. and Foreign” in the Report of Condition.
    - Includes commercial banks, savings, banks and other similar institutions.
    - Includes banking institutions owned by foreign governments. Except those that function as central banks or banks of issue.

# General Instructions

- Public
  - Includes central, state, provincial and local governments and their departments and agencies
  - Treasuries, ministries of finance, central banks
  - Government owned banks, including development banks that perform the functions of treasury, central banks
  - International or regional organizations or affiliated agencies created by treaty or convention between sovereign states

# General Instructions

- Other
  - All persons, businesses and institutions other than banks and public entities

# General Instructions

- Resale Agreements - *New*
  - Allocated on an ultimate risk basis, according to the country of the ultimate counterparty without regard to the country of the collateral.
    - (i.e., to the country of the parent bank in the case of a bank branch and to the country of any other entity that provides an explicit guarantee)



# Immediate-Counterparty Basis

- Cross Border Claims (Columns 1 through 3)
  - On an immediate counterparty basis and by sector, report all claims of its consolidated U.S. offices with residents of foreign countries, regardless of currency
  - and claims of its foreign offices with residents of other foreign countries, regardless of currency
  - Excluding claims against foreign branches or subsidiaries of the consolidated institution

# Immediate-Counterparty Basis

- Examples:

The London branch of the respondent has a real-denominated claim of \$30 million on a bank in Brazil.

	Col 1	Col 2	Col 3	Col 4	Col 5	Col 6
Brazil	\$30					

# Immediate-Counterparty Basis

- Examples:

The respondent's U.S. office has a \$10 million claim on private company in France.

	Col 1	Col 2	Col 3	Col 4	Col 5	Col 6
France			\$10			

# Immediate-Counterparty Basis

- Foreign Office Claims on Local Residents (Columns 4 through 6) - *New*
  - On an immediate counterparty basis and by sector, report all foreign office claims in currencies other than the official currency of the reporter's foreign offices on residents of the country in which the foreign office is located.

# Immediate-Counterparty Basis

- Examples:

The respondent's office in Spain has \$10 million claim on a manufacturing company in Spain.

	Col 1	Col 2	Col 3	Col 4	Col 5	Col 6
Spain						\$10

# Immediate-Counterparty Basis

- Remaining Maturity Up to and Including 1 Year (Column 7)
  - Report all claims reported in Columns 1 through 6 that have 1 year or less remaining contractual maturity.
  - Debt securities held in the available-for-sale portfolio should be reported according to the contractual maturity date.

# Immediate-Counterparty Basis

- Foreign Office Claims on Local Residents in Local Currency (Column 8) - *New*
  - Report all foreign office claims on local residents in the official currency of the country in which the local office is located.

# Immediate-Counterparty Basis

- Example:

The respondent's office in Spain has \$10 million claim, denominated in Euros on a manufacturing company in Spain.

	Col 4	Col 5	Col 6	Col 7	Col 8
Spain					\$10



# Redistribution of Claims

- Redistribution of Claims for Required Risk Transfers (Columns 9 through 14)
  - Redistribute claims subject to required risk transfer from the sector and country row of the immediate counterparty to the sector and country row of the ultimate obligor.
    - By recording all Outward Risk Transfers in Columns 9 through 11
    - and recording Inward Risk Transfers in Columns 12 through 14

# Redistribution of Claims

- Risk transfers include:
  - Guarantees
    - Legally binding commitments by a third party to repay a debt if the direct obligor fails
      - Financial and performance standby letters of credit
  - Insurance policies
    - Guarantee payment of a claim if the borrower defaults or if non-convertibility occurs
      - Exclude political risk insurance

# Redistribution of Claims

- Risk transfers include:
  - Head Office (only claims on branches)
    - Claims on a branch of banking institution are considered guaranteed by the head office
  - Credit derivatives
    - Guarantees – if the arrangement is an effective risk transfer based on internal criteria and the contract contains provisions to transfer the risk

# Redistribution of Claims

- Risk transfers include:
  - Collateralized claims
    - Collateral is treated as a guarantee
      - Tangible, liquid and readily-realizable
      - Held and realizable outside of the country of residence of the borrower
  - Risk participations

# Ultimate-Risk Basis

- Cross Border Claims (Columns 15 through 17) - *New*
  - All claims, that are cross-border claims for which the ultimate obligor, after required risk transfers, is a resident of a country other than the country of the office that holds the claim.
  - Claims for which the ultimate obligor is a U.S. resident should be excluded.

# Ultimate-Risk Basis

- Foreign Office Claims on Local Residents (Columns 18 through 20) – *New*
  - All claims, that are foreign office claims on local residents, for which the ultimate obligor, after required risk transfers, is a resident of the country in which the foreign office is located (regardless of currency)
- Foreign Office Claims on Local Residents- Claims in Non-Local Currency (Column 21) - *New*

# Ultimate-Risk Basis

- Examples:

The respondent's offices in Japan have \$50 million in claims, denominated in Hong Kong dollars, on private manufacturers in Hong Kong that are guaranteed by a bank located in Japan.

		Col 11	Col 12	Col 15	Col 18	Col 21
Hong Kong	Col 3	\$50	---	---	---	---
Japan	---	---	\$50	---	\$50	\$50

# Ultimate-Risk Basis

- Examples:

The respondent's offices in Denmark have a total of \$100 million in claims on residents of Denmark, \$90 million on banks and \$10 million on public sector entities. Of the claims on banks, \$20 million is explicitly guaranteed by the parent bank in Greece.

	Col 4	Col 5	Col 9	Col 12	Col 15	Col 18	Col 19
Denmark	\$90	\$10	\$20	---	---	\$70	\$10
Greece	---	---	---	\$20	\$20	---	---



# Ultimate-Risk Basis

- Examples:

The respondent's U.S. office has a \$50 million claim (matures in 6 months) on a private company in France that is collateralized by German government securities.

	Col 3	Col 7	Col 11	Col 13	Col 16
France	\$50	\$50	\$50	---	---
Germany	---	---	---	\$50	\$50

# Ultimate-Risk Basis

- Examples:

The respondent's Italian office has a \$30 million claim, denominated in Euros, on the U.S. branch of a German bank.

	Col 1	Col 9	Col 12	Col 15
Germany	---	---	\$30	\$30
United States	XXX	\$30	---	---

# Ultimate-Risk Basis

- Examples:

The Brazilian branch of the respondent has issued real-denominated loans equivalent to \$50 million to a Brazilian non-banking subsidiary of a Belgian company. The parent explicitly guarantees only \$20 million of the claims.

		Col 11	Col 14	Col 17	Col 20	Col 21
	Col 8	11	14	17	20	21
Brazil	\$50	\$20	---	---	\$30	---
Belgium	---	---	\$20	\$20	---	---

# Ultimate-Risk Basis

- Commitments (Column 22) – *New*
  - Report all cross border and foreign office legally binding commitments to extend credit, including
    - Letters of credit
    - Purchases of risk participations
  - Exclude commercial letters of credit, financial and performance standby letters of credit, which should be reported as guarantees in Column 23.

# Ultimate-Risk Basis

- Guarantees and Credit Derivatives (Column 23) –  
*New*
  - Report all legally binding guarantees and insurance contracts issued by the reporter’s U.S. or foreign offices
    - Financial and performance standby letters of credit
  - Report all credit derivatives where the respondent is a protection seller

# Ultimate-Risk Basis

- Example:

The respondent U.S. office has provided credit protection of \$30 million to a German bank, against risk default by a French investment company through a credit derivative and extended a \$10 million loan commitment to a Brazilian manufacturer.

	Col 22	Col 23
France	---	\$30
Brazil	\$10	---

*If the credit derivative had a positive fair value, it would be reportable in Schedule 2.*

# Foreign Office Liabilities and Memorandum Items (Schedule 1.a)

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Statistics Function

# Foreign Office Liabilities and Memorandum Items (Schedule 1.a)

- Foreign Office Liabilities (Columns 1 through 3)
  - Liabilities of the reporter's foreign office by country of each foreign office for which no payment is guaranteed at locations outside the country of the office.
    - Foreign Office Liabilities in Non-Local Currency (Column 1)
    - Foreign Office Liabilities in Local Currency (Column 2)
  - Exclude negative fair values of derivative products



# Foreign Office Liabilities and Memorandum Items (Schedule 1.a)

- Foreign Office Liabilities
  - Total Liabilities Booked at Foreign Offices (Column 3)- *New*
    - By country of the creditor, liabilities that are booked at any of the reporter's foreign offices, regardless of currency and whether payment is guaranteed at locations outside the country of the office.
    - Data will be collected for March 31, 2006.

## Foreign Office Liabilities and Memorandum Items (Schedule 1.a)

- Example:

The reporter's offices in Japan, Germany and Italy have total liabilities of \$100 million to a construction company in the United Kingdom.

	<b>Col 3</b>
<b>Italy</b>	---
<b>Germany</b>	---
<b>United King.</b>	\$100
<b>Japan</b>	---

# Foreign Office Liabilities and Memorandum Items (Schedule 1.a)

- Memorandum Items (Columns 4 through 6)
  - Net due to Own related Offices in Other Countries
    - For each country, net liabilities (or claims) of those offices of the reporter to other offices that are located in other countries
      - Claims and liabilities
      - Unremitted profits and capital contributions
      - Equity investments in consolidated subsidiaries
    - A positive figure should be reported for net due to position

## Foreign Office Liabilities and Memorandum Items (Schedule 1.a)

- Memorandum Items (Columns 4 through 6)
  - Assets held for trading
    - Fair value of trading account assets that are included in Columns 15 through 17
  - Trade Finance
    - Total extensions of credit with maturities one year and under that are included in Columns 15 through 20 and Columns 22 and 23

# Claims from Derivative Contracts

## Schedule 2

- Positive Fair Value of Derivative Contracts (Columns 1 through 4)
  - An ultimate risk basis, by country and sector cross-border and foreign office claims on local residents
    - Optional: Report foreign office claims in Column 7 instead of Columns 1 through 4 (only include cross-border claims)
  - Netting allowed under FIN 39
  - Contracts not covered by a master netting agreement must be reported gross.

# Claims from Derivative Contracts

## Schedule 2

- Memorandum Items
  - Claims on branches with no Guarantee from Parent (Column 5)
    - Identify claims on bank branches (reported in Column 1) according to the country location of the branch
    - Except claims formally and legally guaranteed by the head office

# Claims from Derivative Contracts

## Schedule 2

- Example:

The German office of the respondent has a contract with a positive fair value of \$5 million with a the German branch of a U.S. bank.

	Col 1	Col 4	Col 5
Germany	---	---	\$5
United States	N/A	N/A	N/A

# Claims from Derivative Contracts

## Schedule 2

- Foreign Office Exposure
  - Optional for those that choose to identify local country claims and local country liabilities
  - Foreign Office Claims on Local Residents Foreign Office Liabilities (Column 6)
  - Foreign Office Liabilities (Column 7)
    - Liabilities of the reporter's foreign office by country of each foreign office for which no payment is guaranteed at locations outside the country of the office.



# Claims from Derivative Contracts

## Schedule 2

- Example:

A U.S. bank, the respondent, enters into various derivative contracts with a Japanese bank. The balances with the various branches of the Japanese bank on the books of U.S. bank's various locations are shown below:

<i>US Hong Kong with:</i>	<b>Gross PFV</b>	<b>Gross NFV</b>	<b>Net</b>
<b>Japan Hong Kong</b>	15	11	
<b>Japan London</b>	45	75	
<b>Japan Tokyo</b>	60	40	
<b>Total</b>	<b>120</b>	<b>126</b>	<b>-6</b>

# Claims from Derivative Contracts

## Schedule 2

- Example:

Assume the respondent has no master agreement and elects to report Columns 6 and 7.

	Col 1	Col 4	Col 5	Col 6	Col 7
Japan	105	105			
Hong Kong			15	15	11
United Kingdom			45		

# Claims from Derivative Contracts

## Schedule 2

- Example:

Assume the respondent has a master netting agreement with the Japanese bank. Elects not to report Columns 6 and 7.

	Col 1	Col 4	Col 5	Col 6	Col 7
Japan					
Hong Kong			4		
United Kingdom					

# FFIEC 009a

- Country Exposure Information Report
  - Provides public disclosure of significant country exposures of U.S. banking institutions
  - Has two parts; Part A and Part B

# FFIEC 009a

- Who must report?
  - Institutions that submit the FFIEC 009 and has exposure meeting the reporting requirements for the FFIEC 009a
    - Part A
      - Exposure to a single country that exceeds 1 percent of the institution's total assets or exceeds 20 percent of the institution's total capital, whichever is less.

# FFIEC 009a

- Who must report?
  - Part B
    - Report the name of the countries where the amount of exposure exceeds 0.75 percent but does not exceed 1 percent of the institution's total assets or is between 15 and 20 percent of the institution's total capital, whichever is less.
    - Report the aggregate amount of exposures for all countries listed in Part B.

## Part A

- Amount of Cross Border Claims after Mandated Adjustments for Transfer of Exposure (excluding derivative products) (Column 1)
  - Report the sum of Columns 15, 16 and 17 from Schedule 1 for each country meeting the reporting criteria

# Part A

- Amount of Net Foreign Office Claims on Local Residents (including derivative products) (Column 2)
  - Report only if the difference is a net claim (do not report if the difference is a net liability)
  - Calculated by subtracting foreign office liabilities (sum of Columns 1 and 2 from Schedule 1.a and Column 7 of Schedule 2) from the sum of Columns 18, 19 and 20 of Schedule 1 and Column 6 of Schedule 2.



## Part A

- Amount of Cross Border Claims Outstanding from Derivative Products after Mandated Adjustments for Transfer of Exposure (Column 3)
  - Report the total amount of cross border claims from derivative products (Column 4 of Schedule 2)
- Adjusted Cross Border Claims and Foreign Office Local Country Claims (Column 4)
  - Sum of Columns 1, 2 and 3.

# Part A

- Distribution of Cross Border Claims Outstanding (excluding derivative products) (Columns 5-9)
  - Columns 5 – 7, distribute the amounts in Column 1 by the type of borrower
  - Columns 8 and 9, distribute the amounts in Column 1 by time of remaining to maturity