FEDERAL RESERVE BANK *of* NEW YORK

FR 2900 Reporting Seminar

Tuesday, June 11, 2013

FEDERAL RESERVE BANK *of* NEW YORK

Overview of the FR 2900 Report

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Objectives

- Background
- General Instructions
  - Who Must Report and Frequency
  - Where, When and How to Submit
  - Key Reporting Concepts
- FR 2915
- Recent Updates

Background

What is the FR 2900?

- The FR 2900 is a report reflecting daily data (Tuesday through Monday) where Depository Institutions (DIs) report most “sources of funds”
- Amounts reported on the FR 2900 include:
  - Deposits held by the DI
  - Certain Borrowings

Background

Why File FR 2900?

Regulation D Requirement:

- Mandates the collection of the FR 2900 data
- Sets reserve requirements for institutions holding transaction accounts and non-personal time deposits
- Defines deposit types and sets regulatory constraints for products and services

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Background

What is the Purpose of the FR 2900 Data?

The FR 2900 has two primary purposes:

- The calculation of money stock
- The calculation of reserve requirements

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Background

What is the Purpose of the FR 2900 Data?

Money Supply:

- FR 2900 is used to calculate the measures of the U.S. Money supply or monetary aggregate
- Policy makers use the money supply measures to:
  - Evaluate the economy, and
  - Determine monetary policy
- Two measures currently monitored and analyzed by the Federal Reserve: M1 and M2

Background

What is the Purpose of the FR 2900 Data?

Money Supply:

- M1
  - Narrowest and most liquid measure of money, comprised of:
    - Currency
    - Travelers checks
    - Demand deposits
    - Other transaction accounts (ATS, NOW accounts)
- M2
  - A broader measure, comprised of:
    - M1 components
    - Small denomination time deposits (less than $100,000)
    - Savings deposits

Background

What is the Purpose of the FR 2900 Data?

Reserve Requirement:

- Reserve requirement is a monetary policy tool
- Required Reserves
  - Funds an institution must set aside in proportion to specified liabilities
  - Based on Net Transaction Accounts
    - A1a+A1b+A1c+A2-(B1+B2)
  - Must be held in
    - Vault cash at the DI,
    - On deposit at the Federal Reserve Bank, or
    - At a correspondent bank

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Background

What is the Purpose of the FR 2900 Data?

Other Uses of FR 2900 Data:

- Aggregate Data Publication
- Data Analysis

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Background

What is the Purpose of the FR 2900 Data?

Aggregate Data Publication:

- FR2900 is used by economic researchers and the public
- Weekly Statistical Releases at the Fed's website:
  - H.3 – Aggregate Reserves of Depository institutions and the monetary base
  - H.6 – Money Stock Measures

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Background

What is the Purpose of the FR 2900 Data?

Data Analysis:

- Creation of weekly and quarterly summaries
- Compilation of aggregate statistical reports

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General Instructions

Who Must Report?

The following entities are subject to reporting:

- Commercial banks
- Savings banks
- Savings and loan associations
- Credit unions
- Banking Edge Act and agreement corporations and their U.S. branches
- U.S. branches and agencies of foreign banks

Who Must Report?

All banking Edge Act and agreement corporations and their U.S. branches:

- **Frequency**: FR 2900 weekly, regardless of size

Note:

- 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

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Who Must Report?

All branches and agencies of foreign banks:

- **Frequency**: FR 2900 weekly, regardless of size

Note:

- 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)

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Who Must Report?

All other depository institutions **(commercial banks, savings banks, savings and loan associations and credit unions):**

<table>
<tr><th colspan="2">Exempt</th><th colspan="2">Non-exempt</th></tr>
<tr><td colspan="2">Net transaction accounts ≤ $12.4 million AND M2 deposits < $1.628</td><td colspan="2">Net transaction accounts > $12.4 million, OR M2 deposits ≥ $1.628</td></tr>
<tr><td>Non-reporters</td><td>Annual Reporters</td><td>Quarterly Reporters</td><td>Weekly Reporters</td></tr>
<tr><td>Total deposits ≤ $12.4 million</td><td>Total deposits > $12.4 million</td><td>M2 deposits < $290.5 million</td><td>M2 deposits ≥ $290.5 million</td></tr>
</table>

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Where and When to Submit?

- Where to File
  - The Federal Reserve District in which the reporting institution is located
- When to File
  - Due to the FRB at noon on Wednesday following the Monday as-of date
    - **Weekly FR 2900 reporters:** The reporting week is the seven-day period that begins on Tuesday and ends on the following Monday
    - **Quarterly FR 2900 reporters:** The reporting week is the seven-day period that begins on the third Tuesday of a given month and ends on the following Monday
    - **Annual FR 2910a reporters:** Shall submit the FR 2900 once each year, as of June 30th

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How to Submit?

- How to File
  - Via electronic submission
    - Electronic submission of these reports is available via the Internet using the IESUB application
    - See the Reporting Central section of the FRB Services website: http://www.frbservices.org/centralbank/reportingcentral/index.html
  - Via messenger or fax

Key Reporting Concepts

Reporting of 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

Key Reporting Concepts

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

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Key Reporting Concepts

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

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Key Reporting Concepts

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
- 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

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Key Reporting Concepts

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
- Balances should be reported as of “close of business,” regardless of when the transaction should have occurred

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Key Reporting Concepts

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

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Key Reporting Concepts

Back-valuing vs. Misposting:

<u>Question 1</u>

- 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 ?

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Key Reporting Concepts

Back-valuing vs. Misposting:

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.

Key Reporting Concepts

Back-valuing vs. Misposting:

Question 2

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

How should these funds be reported ?

Key Reporting Concepts

Back-valuing vs. Misposting:

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

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Key Reporting Concepts

Weekend/Holiday Activity:

- Institutions that post to their general ledger on Saturdays, Sundays, and/or holidays should report these balances on the FR 2900 for these days.
- Both debit and credit entries for each transaction must be recorded on the official books and recorded on the same day in order to be reported on the FR 2900;
  - otherwise, the preceding day’s balances are reported.

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Key Reporting Concepts

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

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Key Reporting Concepts

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.
- 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

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Key Reporting Concepts

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

- Regulation D defines "U.S. 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.

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Key Reporting Concepts

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 only outside the U.S., and
  - If the depositor is a U.S. resident, the deposit must be in a denomination of $100 thousand or more

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Key Reporting Concepts

U.S. Resident Deposits Less than $100,000 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.
  - 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.

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Key Reporting Concepts

U.S. Resident Deposits Less than $100,000 Payable at an Office Located Outside the U.S.:

<u>Question 1</u>

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

How should this transaction be reported?

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Key Reporting Concepts

U.S. Resident Deposits Less than $100,000 Payable at an Office Located Outside the U.S.:

Answer:

The transaction should be reported as a deposit on the FR 2900.

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Key Reporting Concepts

U.S. Resident Deposits Less than $100,000 Payable at an Office Located Outside the U.S:

Question 2

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

How should this transaction be reported?

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Key Reporting Concepts

U.S. Resident Deposits Less than $100,000 Payable at an Office Located Outside the U.S.:

Answer:

The transaction is **not** reported on the FR 2900.

Key Reporting Concepts

Liabilities and Fair Value Option:

- Liabilities that are reported on the FR 2900 must be based on the reporting institution's contractual liability to its counterparty, which includes accrued interest.
- Liabilities must be reported based on the reporting institution's contractual liability regardless of whether it has elected under the fair value option to report the fair value of liabilities on its financial statements.

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

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

Who Must Report:

- FR 2900 respondents holding foreign currency denominated deposits

Reporting Frequency:

- Quarterly

What is Reported:

- Weekly average amounts of foreign currency deposits
  - Amounts are held at the U.S. offices of the reporting institution
  - Amounts are also reported on the FR 2900 as deposits
  - Amounts are converted to U.S. dollars for reporting purposes

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Recent Updates

Updates

Reserves Simplification:

- Phase 1, effective July 12, 2012:
  - As-of adjustments related to deposit report revisions were discontinued, and all other as-of adjustments were replaced with direct compensation
  - Contractual clearing balance program was eliminated
- Phase 2, effective June 27, 2013
  - Creation of a common two-week maintenance period for all depository institutions
  - A penalty-free band around reserve balance requirements replaced carryover and routine waivers

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Summary

- Purpose
- General Instructions
- FR 2915
- Recent Updates

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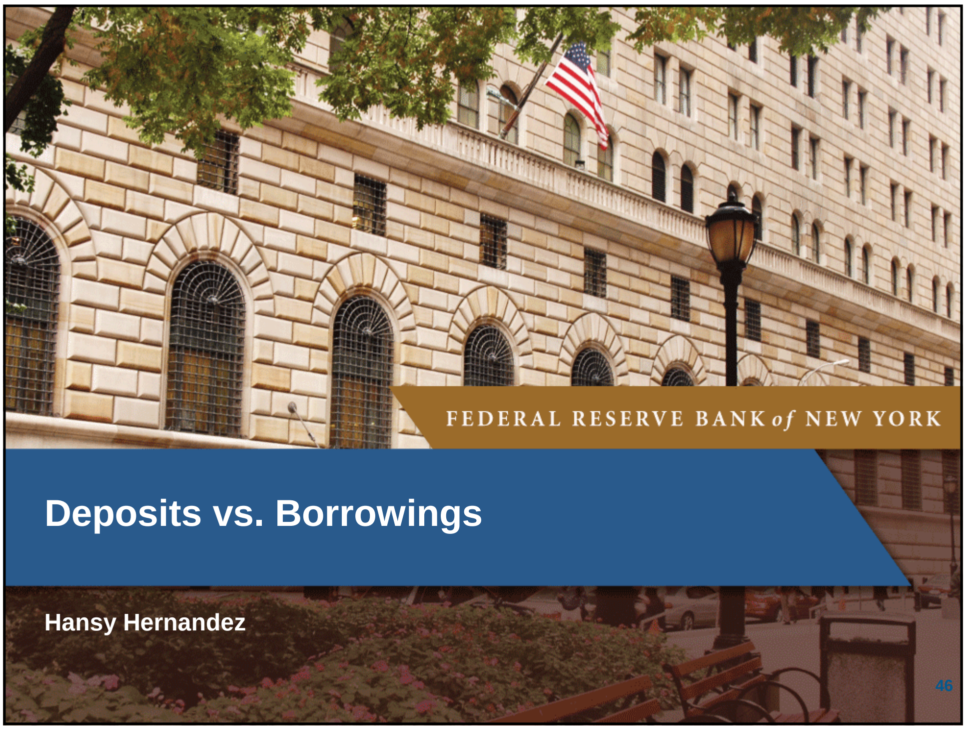

Objectives

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

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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.

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Deposits vs. Borrowings

- If a transaction is called a deposit it must be treated as a deposit, regardless of the counterparty as either transaction, savings, or time deposits.
- Three characteristics to consider for the type of deposit are:
  - The availability of funds
  - Maturity dates
  - The structure of the deposit
- 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.

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Primary Obligations

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

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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
    - Exempt entity
    - Non-exempt entity
  - The nature of the transaction or instrument

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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
  - Securities dealers, but only when the borrowing
    - Has a maturity of one day
    - Is in immediately available funds, and
    - Is in connection with the clearance of securities

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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, and when the borrowings
    - Has a maturity **longer than one day**
    - **Is not in** immediately available funds , and
    - **Is not in** connection with clearance of securities
  - 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
  - Non-U.S. banks (related or unrelated)
  - International Institutions (IBRD, IMF, etc.)

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Examples of Primary Obligations

- The following are examples of primary obligations reportable 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)
  - Promissory notes
  - Commercial paper
  - Due bills

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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

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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 non-exempt institutions are reportable on the FR 2900

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

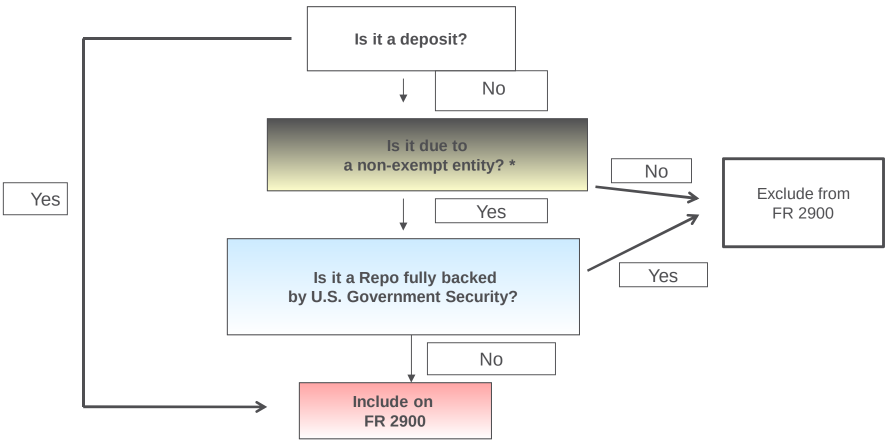
Due Bills

- 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 all of the following 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



* If the counterparty is a Securities Broker Dealer and the borrowing has a maturity of one day, is in immediately available funds, and is in connection with securities clearance, it is not considered a borrowing from a non exempt entity

Borrowings of "Cash Equivalents"

- For purpose of Regulation D the term deposit is defined as the unpaid balance of money or its "equivalent."
  - U.S. government or federal agency securities
  - Precious metals

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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

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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

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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.

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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 to a corporation 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

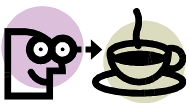
Federal funds purchased from which of the following institutions are reported on the FR 2900?

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

BREAK



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FEDERAL RESERVE BANK of NEW YORK
Transaction Accounts
Cheryl Rasmussen

Objectives

- Transaction Accounts
- Sweep Activity
- Deductions from Transaction Accounts
- Guidelines for Reporting Payment Errors
- Bona Fide Cash Management Agreement
- Reciprocal Balances

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Transaction Accounts

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

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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

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

Demand Deposits

- Demand deposits include:
  - Funds received or held 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

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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

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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

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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

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TT&L

- Treasury Tax & Loan Options:
  - Remittance Option
    - By the end of next business day, TT&L deposits must be remitted to the FRB
  - 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 and not reported on the FR 2900

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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
  - Tellers checks
  - Suspense accounts
  - Overdrafts

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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

- 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.
- Those checks drawn on, or payable at or through, another depository institution,
  - on a zero-balance account or
  - an account not routinely maintained with sufficient balances to cover checks or drafts drawn in the normal course of business

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

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
  - 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
  - If the due from account is not routinely maintained with sufficient funds (e.g., zero balance account) the overdrawn amount is considered a demand deposit and must be reported in Line A.1.a

Review

Bank ABC maintains the following demand deposits.

DDA Account	Amount
Corp. A	$25,000
Corp. B	($10,000)
Corp. C	($15,000)
Corp. D	$35,000

What should be reported on line A.1.c?

$60,000

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
- 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.

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

Example 3

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

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

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Trust Accounts

Trust funds are reportable if:

- Deposited by the trust department of the reporting institution in the commercial or other department of the reporting institution,
- Deposited by the trust department of another DI in the commercial or other department of the reporting institution, or
- Commingled with the general assets of the reporting institution
  - Negative balances of individual trust accounts must reflect a zero balance and should not be netted against positive balances from another trust account.

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Trust Accounts

Exclude from reporting:

- Trust funds received by a DI or held separately from its general assets and not available for general investments or lending
- Institutions holding for safekeeping: bonds, stocks, jewelry, coin collections

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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 at the close of business incurs a reservable liability that should be reflected on the FR 2900
- The sending institution does not report payment errors in:
  - B.1 (Due From) since the institution no longer has immediate access to the funds, since they were transferred in error to another institution
  - B.2 (Cash Item in Process of Collection) since these are not checks or drafts that will be credited to the institution once cleared

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Guidelines for Reporting Payment Errors on the FR 2900 Report

- This treatment ensures reserve requirements and money stock on an aggregate level are unaffected by payment errors
- This treatment is applied regardless of the application of as-of adjustments or the payment of compensation from the other depository institution

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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 or CIPC

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Types of Payment Errors

- Example of a Duplicate Payment Error:
  - 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.
  - 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 CIPC (Line B.2).

100

Types of Payment Errors

2. Misdirected payment
    - 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 or CIPC
    - The institution that did not receive the expected funds does not report these funds as a due from or CIPC

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Types of Payment Errors.

- Example of a Misdirected Payment:
    - 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.
    - 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 A (Line B.1) or CIPC (Line B.2).

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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 or CIPC

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Types of Payment Errors

- Example of a Failed Payment:
  - 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).
  - 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 CIPC (Line B.2).

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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 or CIPC

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Types of Payment Errors

- Example of an Improper Payment:
  - Bank S transfers $15 million on behalf of a corporate customer to Bank R at 6:15 PM.
  - 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 CIPC (Line B.2).

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FEDERAL RESERVE BANK *of* NEW YORK

“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

108

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

- NOW accounts are deposits:
  - In which 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, and 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 from a demand deposit account
  - There are no eligibility restrictions on who can hold a demand deposit account

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Retail Sweeps

- Legal
  - One account with two legally separate sub-accounts:
    - Transaction sub-account
    - Non-transaction sub-account
  - Disclosure
  - Sweep contracts must be in place.
  - Letter advising of sweeps must be provided to customers

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Retail 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)

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Retail Sweeps

Line Items Affected by Sweeps:

- A1A: Due to Depository Institutions
- A1C: Other Demand
- A2: ATS/NOW
- C1: Total Savings

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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
- 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.
- Checks drawn on your institution's correspondent bank account that have not been cleared should be excluded from line B.1.

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

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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

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

Excess Balances from Pass-through Relationships

- Correspondents report excess balances in “Due to Other Depository Institutions”, Line A.1.a
- Respondents report excess balances in “Due from Other Depository Institutions”, Line B.1

Excess Balances from Pass-through Relationships

Correspondent Bank		Respondent Bank	
Total Maintained	$1,500	Total passed through	$1,500
Required Reserves	$500	Required Reserves	$500
Excess Reserves	$1,000	Excess Reserves	$1,000
Excess Reserves reported in Line A1A $1,000		**Excess Reserves reported in Line B1 $1,000**	

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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 and excess balances held directly with the FRB
    - The reporting institution's required reserve balances passed through to the FRB by a correspondent

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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

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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

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

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

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

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Reciprocal Balances

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

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Reciprocal Balances

	Gross Method: Due To	Gross Method: Due From	Net Method: Due To	Net Method: Due From
Bank A	$6m	$5m	$1m	0
Bank B	$10m	$14m	0	$4m
Bank C	$27m	$21m	$6m	0
Total	$43m	$40m	$3m	0

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
  - Redeemed government bonds coupons
  - Money orders & 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)

Summary

- Transactions Accounts:
  - Demand deposits
  - “Other” transaction accounts
- Deductions from Transaction Accounts:
  - Due from DIs
  - CIPC
- Guidelines for Reporting Payment Errors
- Bona Fide Cash Management Agreement
- Reciprocal Balances

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FEDERAL RESERVE BANK *of* NEW YORK

Savings Deposits

Susanna Asaad

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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
- Other Time Deposits

133

Savings Deposits

- Savings Deposits are defined as deposit accounts that:
  - Have no specified maturity
  - The DI reserves the right to require 7 days written notice for withdrawals from them
  - Are subject to:
    - The six transfer/withdrawal rule
    - Sweep Activity

134

Include as Savings Deposits (Line C.1)

- The following should be included 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 & Trust Deposits
  - IRAs, Keogh, Club Accounts

135

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

136

The six transfer/withdrawal rule

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

137

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

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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

139

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

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Third Party Transfers (Line C.1)

Limited transfers

- Drafts
- Checks
- Debit Cards
- Automatic transfers
- Telephone transfers
- Preauthorized transfers
- Online banking
- Email

Unlimited transfers

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

141

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

142

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

143

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

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Office of Foreign Assets Control (OFAC)

- Funds from OFAC's Specially Designated Nationals (SDN) list that are flagged to be frozen
- Must be placed into an interest bearing account
- Service charges may be deducted from account
- Generally Reported As Savings (Line C.1) until further instructions from OFAC.

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Summary

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

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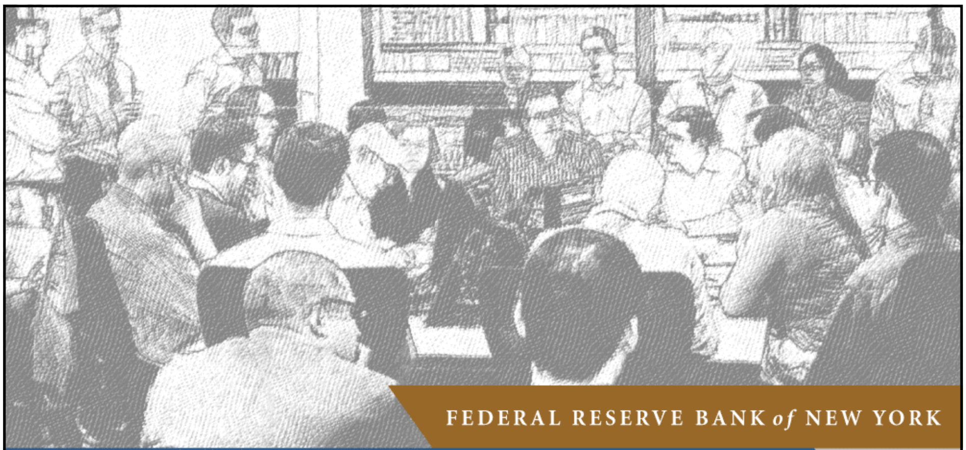

Time Deposits

Susanna Asaad

Total Time Deposits (Line D.1)

- Time Deposits are defined as 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

149

Include as Time Deposits (Line D.1)

- The following items should be included in line D.1 if they meet the definition of TD's
  - Time open accounts (maturity of 7 days or more)
  - Compensating balances for funds pledged as collateral for loans
  - Escrow & Trust Accounts
  - IRA, Keogh Plans
  - Brokered deposits

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Brokered Deposits

- What is a brokered deposit?

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

151

Treatment of Brokered Deposits

- For purposes of the FR 2900, in addition to line D.1, brokered deposits with balances $\geq$ \$100 thousand are reported as:
  - Large time deposits with balances $\geq$ \$100 thousand (Line F.1)

152

Treatment of Brokered Deposits

- Brokered deposits are also reportable as non-personal savings and time deposits (Line BB.1) unless any of the following are true:
  - 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;
    - These records will provide the DI with the amounts of the deposits owned by natural and non-natural persons
    - The DI must have access to these records

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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
  - Guaranteed CDs
  - Subordinated notes
  - Guaranteed Investment Contracts (GIC)
  - Certificate of Deposits Account Registry Services (CDARS)

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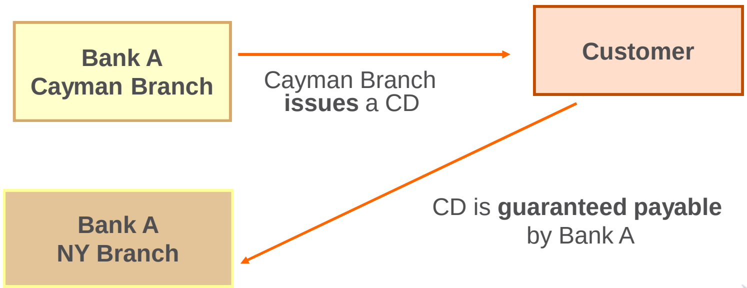
Guaranteed CDs

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



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.

Subordinated Notes

- Subordinated Notes
  - FR 2900 reporting criteria:
    - are federally insured,
    - have a weighted average maturity of less than five years, and
    - are approved by its federal supervisor

Guaranteed Investment Contracts (GIC)

- Guaranteed Investment Contracts (GIC)
  - Investment instruments issued by insurance companies funded by banks

Certificate of Deposits Account Registry Services (CDARS)

- Certificate of Deposits Account Registry Services (CDARS)
  - FDIC insured up to $50 million
  - Used to support lending initiative for local community
  - Reported in FR 2900 in line D1; if DI accepts funds in excess of $100k from a single depositor it should also be reported in F1.

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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 (if not withdrawn) even if interest is paid after maturity, unless the account agreement provides for automatic renewal at maturity
  - Transaction accounts
  - Savings deposits
  - Interest accrued on time deposits but not yet paid or credited to the customer's account

Note: DIs who offer a grace period for their customers to renew the matured CDs should continue to include these matured CDs until the grace period ends.

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Summary of Line D.1

- Specified maturity of 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
- Brokered deposits
- Guaranteed CDs
- Subordinated Notes
- Guaranteed Investment Contracts and
- CDARS

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Large Time Deposits (Line F.1)

Report in this item time deposits with balances $\geq$ \$100 thousand.

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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

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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.

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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 not 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?

Yes

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

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Time Deposits

- True or False

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

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.

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Time Deposits

- True or False **True**

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

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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
- Include interest accrued and credited to the customer's account.

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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.)

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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

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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

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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

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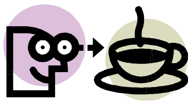
BREAK



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Vault Cash, Bankers Acceptances, and Net Eurocurrency Liabilities

Corona Johnson Brissett

Objectives

- Vault Cash
- Bankers Acceptances
- Other Obligations
- Net Eurocurrency Liabilities

Vault Cash (Line E.1)

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

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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 your institution has not yet received credit
  - U.S. currency and coin in **transit from** a Federal Reserve Bank or correspondent bank for which your institution has already been charged

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Vault Cash (Line E.1)

- Also included, is vault cash placed on the premises of another institution provided:
  - Your institution has full rights of ownership to obtain the currency and coin immediately in order to satisfy customer demands
  - Off-premises vault cash must be reasonably nearby and your institution must have a written cash delivery plan

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
  - Any currency and coin the reporting institution does not have the full and unrestricted right to use to satisfy depositors' claims
    - Coins and collections held in safekeeping for customers, or
    - Pledged as collateral

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Bankers Acceptances

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Bankers Acceptances

- Report in Schedules AA and BB:
  - Ineligible banker's acceptances
  - Funds received through the issuance of obligations by affiliates
- Obligations with maturities of <u>less than 7 days</u> in Line 1, Schedule AA (reported weekly or quarterly)
- Obligations with maturities of <u>7 days or more</u>, and if the counterparty is nonpersonal, in Line 2, Schedule BB (reported annually).

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Banker's Acceptances

- A banker's acceptance (BA) is a draft or a bill of exchange for which your 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 your bank's own credit on behalf of its customer.
- Report only BAs that are ineligible for discount by the Federal Reserve.

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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.

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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.

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Other Obligations Reported on Schedules AA and BB

Other Obligations Reported on Schedules AA and BB

- Report the amount of funds obtained by your institution when its nonconsolidated affiliates use the proceeds of the obligations that they issue to supply funds to your institution.
- May be in the form of promissory notes (including commercial paper), acknowledgments of advance, or due bills
- Should be reported only to the extent that they would have constituted deposits had they been issued by your institution

Net Eurocurrency Liabilities

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

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Net Eurocurrency Liabilities

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

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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

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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 on 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)*

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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

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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 on 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*)

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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

FEDERAL RESERVE BANK *of* NEW YORK

Definitional Differences: FR 2900 vs. Call Reports

Judy Adaku Ekwughalu

Definitional Differences

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

<u>FR 2900</u>

- U.S. branches and agencies in the same Federal Reserve District and state <u>must</u> submit a consolidated FR 2900 report

<u>FFIEC 002</u>

- U.S. branches and agencies in the same Federal Reserve District and state are <u>not</u> 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

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Definitional Differences

Consolidation of domestic branches and subsidiaries:

FR 2900

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

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

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Definitional Differences

Definition of “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

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Definitional Differences

Deposits of U.S. and non-U.S. Banking Subsidiaries:

FR 2900

- Deposits of U.S. and non-U.S. subsidiaries of the parent are included on the FR2900 (according to maturity)

FFIEC 002

- Deposits of U.S. and non-U.S. banking subsidiaries are excluded from Schedule E and included on Schedule M
- Deposits of non-banking (majority owned) subsidiaries are included in both Schedules E and M, Part III

Definitional Differences

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

Definitional Differences

Repurchase Agreements:

FR 2900

- Repurchased agreement, collateralized with assets other than U.S. government or Federal Agency securities, are reported as deposits

FFIEC 002/031/041

- Repurchased agreement, collateralized with assets other than U.S. government or Federal Agency securities and with a maturity greater than one business day, are reported as borrowings

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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.

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Definitional Differences

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

FR 2900

- Excludes checks drawn on a Federal Reserve Bank
- Excludes checks drawn on a bank outside the U.S.

FFIEC 002/031/041

- Includes checks drawn on a Federal Reserve Bank on Schedule A/RC-A, Item 1
- Includes all checks drawn on DIs, regardless of their location

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Definitional Differences

Overdrafts in due from accounts (Line B.1):

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.

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Definitional Differences

Pass through required and excess reserve balances:

FR 2900

- Required reserves are excluded from the FR 2900, if passed through to the FRB by a correspondent
- Excess reserves are reported as Due from (respondent)

FFIEC 002/031/041

- Required and excess reserve balances are included in Schedule RC1b, interest bearing balances

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Definitional Differences

Vault Cash:

FR 2900

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

FFIEC 002/031/041

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

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