
FEDERAL RESERVE BANK of NEW YORK
Bank Holding Company Seminar
Tuesday, July 29, 2014


FEDERAL RESERVE BANK of NEW YORK
Regulatory Reporting Changes
Oscar Torres
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FR Y-9C, Consolidated Financial Statements for Bank Holding Companies

- The FR Y-9C has been modified to reflect the revised regulatory capital requirements, effective March 31, 2014.
- The Regulatory Capital Components and Ratios section of Schedule HC-R, Regulatory Capital, was divided into two sections to capture:
  - Existing requirements for holding companies not subject to advanced approaches, Basel I – HC-R, Part I.A.
  - New requirements for advanced approach holding companies, Basel III – HC-R, Part I.B.

Capital Components under Advanced Approach

- New concept of Common Equity Tier 1 Capital (CET1), which is calculated as follows:
  - Common stock and related surplus (HC 24 + HC 25)
  - Retained earnings (HC 26 (a))
  - Accumulated net gains/losses on cash flow hedges
  - Common equity Tier 1 minority interest includable in CET1.
  - The subtotal is reduced by Other Equity Capital Components (HC 26 (c)) and Tier 1 Capital Adjustments and Deductions (itemized on schedule HC-R).

Capital Components under Advanced Approach

- Perpetual preferred stock and related surplus (HC 23) is excluded from CET1. Under advanced approaches, noncummulative perpertual preferred stock and related surplus is treated as additional Tier 1 capital.
- CET1 + Additional Tier 1 Capital = Total Tier 1 Capital
- New CET1 Ratio

FFIEC 101, Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework

- The FFIEC 101 was modified to reflect revised regulatory capital requirements for financial institutions subject to advanced approaches, effective March 31, 2014.
- Schedule A, Advanced Risk-Based Capital was replaced to capture regulatory capital components under Basel III, similar to the FR Y-9C. The title was renamed “Advanced Approaches Regulatory Capital”.

FFIEC 101, Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework

- Schedule B, Summary Risk-Weighted Asset Information for Banks Approved to Use Advanced Internal Ratings-Based and Advanced Measurement Approaches for Regulatory Capital Purposes, was revised to include the following:
  - Cleared transactions – captures the balance sheet and risk-weighted amount of derivative contracts and netting sets of derivatives, repo-style transactions, and default fund contributions.
  - Credit Valuation Adjustments – captures the exposure at default and risk-weighted amount under the simple and advanced approach.

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FFIEC 101, Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework

- Schedule P, Securitization Exposures Subject to the Ratings-Based or Internal Assessment Approach; and Schedule Q, Securitization Detail Schedule was replaced by new schedules.

- The new Schedule P, Securitization Exposures, collects information on securitizations and resecuritizations; while the new Schedule Q, Cleared Transactions, collects data on cleared transactions.

- Submission change: once an institution has completed its parallel run period, the submission date for each FFIEC 101 report will be the same as the submission date for the reporting institution’s Call Report or FR Y-9C, as appropriate.

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FR Y-9C Common Reporting Issues

Michael Tursi

Loans: Common Classification Errors

- Commercial Real Estate Loans and C&I Loans
- Loans to financial institutions
- Loans to Foreign entities
  - Governments and official institutions
  - Financial institutions
  - Commercial entities

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Loan Classification: Example 1

- Question: Is a loan secured by a commercial building site a construction loan or a commercial real estate loan? The loan is held for sale under the fair value option.

Counterparty	Purpose of Loan	Collateral	Cost	Fair Value
Construct, LLC	Commercial Land development	Land	$50 M	$46 M

- Reported at fair value as other construction, land development and other land loans secured by real estate
  - $46 M Schedule HC-C, Line 1.a (2)

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Loan Classification: Example 1 (Continued)

Counterparty	Purpose of Loan	Collateral	Cost	Fair Value
Construct, LLC	Commercial Land development	Land	$50 M	$46 M

- Also reported on Schedule HC-Q, Assets and Liabilities Measured at Fair Value on a Recurring Basis
  - Assuming fair value measurements are inputs other than quoted prices for identical assets (Level 2), $46 M Schedule HC-Q, Line 3, columns A and D
  - Assuming fair value measurements inputs are unobservable (Level 3), $46 M Schedule HC-Q, Line 3, columns A and E

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Loan Classification: Example 2

- Should a loan be classified by its purpose (commercial activity) or its collateral (real estate)? The loan is held in the trading portfolio.

Counterparty	Purpose of Loan	Collateral	Cost	Fair Value
XYZ Hotels, Inc	Commercial activity	Hotel building	$ 19 M	$20 M

- Reported at fair value as secured by nonfarm nonresidential properties
  - $20M Schedule HC-D, Line 6.a (5)

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Loan Classification: Example 3

- Should a loan secured by mortgage-backed securities be considered secured by real estate? The loan is held for investment.

Counterparty	Purpose of Loan	Collateral	Cost	Fair Value
Top Rate Investment Company	Investment activity	MBS	$ 6.1 M	n/a

- Reported at cost as loans for purchasing or carrying securities
  - $6.1M Schedule HC-C, Line 9.b(1)
- Note: loans secured by mortgage-backed securities (MBS) or pools of mortgages are not classified as secured by real estate

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Loan Classification: Example 4

- How should a loan that is for the purpose of purchasing securities, but also secured by real estate be reported? The loan is held for sale.

Counterparty	Purpose of Loan	Collateral	Cost	Fair Value
Top Notch Investment Company	Purchasing equity securities	Top Notch's head office building	$ 2.2 M	$ 2.3 M

- Reported at the lower of cost or fair value, as loans secured by owner occupied nonfarm nonresidential real estate
  - $2.2 M Schedule HC-C, Line 1.e(1)

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Common Classification Errors

- **Commercial Real Estate Loans**
  - Commercial land development or construction loans secured by real estate
  - Loans secured by lien on nonfarm nonresidential properties where the lien is central to the extension of the credit
- **Commercial and Industrial Loans**
  - Include loans for commercial and industrial purposes to sole proprietorships, partnerships, corporations **except those**:
    - secured by real estate, or
    - for the purpose of purchasing or carrying securities

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Loan Classification: Example 5

- How should a loan that is partially secured by real estate be reported? The loan is held in our trading portfolio.

Counterparty	Purpose of Loan	Collateral	Cost	Fair Value
Fifty-Fifty Corporation	Commercial land development	*Partially* secured by real estate	$ 38 M	$ 35 M

- If value of the RE collateral at origination is greater than 50% of the principal amount of the loan, report as secured by real estate
  - $ 35M Schedule HC-D, Line 6.a.(1)
- If value of the RE collateral at origination is 50% or less of the principal amount of the loan, report as a commercial and industrial loan
  - $35M Schedule HC-D, Line 6.b

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Loan Classification: Example 6

- How should a loan to a REIT subsidiary be reported?

Counterparty	Purpose of Loan	Collateral	Cost	Fair Value
Subsidiary of a REIT	Commercial activity	unsecured	$ 1.4 M	n/a

- If the subsidiary is a qualified REIT subsidiary reported as loans to nondepository financial institutions
  - $1.4M Schedule HC-C, Line 9.a
- If subsidiary is a taxable REIT subsidiary reported as C&I loan
  - $1.4M Schedule HC-C, Line 4

Term	Definition
Qualified REIT subsidiary	100% owned and created to provide the REIT the business advantages of owning assets in subsidiaries.
Taxable REIT subsidiary	Provides real estate related services to tenants of properties owned by the REIT.

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Other Common Reporting Errors

- Asset-Backed Securities

Asset-Backed Securities

- U.S Government Agency obligations
  - e.g., SBA, FHA, GNMA
  - *Excludes* mortgage-backed securities
- Mortgage-backed securities issued or guaranteed by U.S. Government agencies
  - FNMA
  - FHLMC
  - GNMA
  - REMIC issued by the VA
  - Other mortgage-backed securities
    - Non-U.S. government issuers
    - State and local housing authorities in the U.S.
  - Other asset-backed securities
    - e.g., credit card receivables, HELOCs, auto loans

Asset-Backed Securities: Example 7

- How would a residential MBS issued by Delaware State Housing Authority held for trading be classified?

Issuer	Underlying Assets	Fair Value
Delaware State Housing Authority	Residential mortgages	$6M

- Reported as other residential mortgage-backed securities
  - $6M Schedule HC-D, Line 4.c

Derivatives: Common Reporting Errors

- Misreporting of gains/(losses) in derivative transactions
- Incorrect reporting on Schedule HC-L, Line 11
  - Credit derivatives
  - Matured and settled derivative contracts
- Misinterpretation of risk category
  - Interest rate vs. foreign exchange contracts
- Incorrect reporting of notional amounts
  - The notional value is the underlying principal amount upon which the exchange of funds is based

Derivatives – Gain(losses) Example 8

- We have multiple trading derivative assets and liabilities with the same counterparty subject to a qualifying master netting agreement meeting the offsetting criteria in the ASC 210-20. How should we report the net positive fair value of derivative contracts with the same counterparty and the changes in the fair value?

Counterparty	Fair Value @ 10/1/2013	Fair Value @ 12/31/2013	Gain/(loss)
BMN Company	$120,000	$100,000	$(20,000)

- Report the end-of-period fair value – derivatives with a positive fair value
  - $100K Schedule HC-D, Line 11
- Report the loss as part of noninterest income - trading revenue
  - $(20)K Schedule HI, Line 5.c

Derivatives – Gain(losses) Example 9

- How should we report gains/(losses) from foreign exchange swaps used to hedge a Cumulative Translation Adjustment (CTA) exposure of a net investment in a foreign operation?
- If the net investment in the foreign operation is sold during the reporting quarter, how should we report such gains/(losses) from the CTA hedge?

Designation	Gains/ (Losses)
ASC 815 CTA Hedge	$100,000

- Report the gain as part of other comprehensive income
  - $100K Schedule HC, Line 26.b
  - $100K Schedule HI-A, Line 12
- Reclassify the gain into earnings as other noninterest income if sold
  - $100K Schedule HI, Line 5.l

Derivatives – Exclusion Example 10

- For matured but unsettled derivative contracts as of the reporting date, should we still report them on Schedule HC-L?

Product	Notional	Maturity Date	Settlement Date
Interest rate swap	$10M	6/30/2013	7/2/2013

- Yes, report the contract above as interest rate swap contracts
  - $10M Schedule HC-L, Line 11.e, Column (A)

- Note: All unsettled derivative contracts should be reported in the appropriate column according to contract and risk.

Derivatives – Classification Example 11

- How should we report derivative contracts with multiple risk characteristics, for example currency interest rate swaps?

Product	Contract Size		Settlement FX Rate	Spot Rate on the Reporting Date	Receive	Pay
A USD/GBP interest rate swap	15M USD	10M GBP	1.5 GBP/USD	1.6 GBP/USD	Floating in USD	Fixed in GBP

- Report the foreign currency side as Foreign Exchange Contracts.
  - $16M Schedule HC-L, Line 11, Column (B)
    - 16M USD = 10M GBP * 1.6 GBP/USD

- Note: In general, when contracts involve the exchange of payment streams in different currencies, their predominant risk characteristic is foreign exchange risk.

Derivatives – Classification Example 12

- Should a currency swap contract with multiple payment streams be reported separately as spot (Schedule HC-L, Line 8) and forward contracts (Schedule HC-L, Line 11.b)?

Product	Notional	Fixed	Floating	Term	Initial Swap Date
A USD/GBP interest rate swap	$16M	1.5%	LIBOR+1%	Payments settled quarterly	6/30/2013

- No. Report it as foreign exchange swap contracts
  - $16M Schedule HC-L, Line 11.e, Column (B)
- Note: The derivative contracts with multiple payment streams should be reported as ONE contract according to predominant risk and type

Derivatives – Notional of Interest Rate Contracts Example 13

- How should we report the notional of swap contracts with an embedded amortization schedule on Schedule HC-L?

Product	Amortizing Factor	Lockout Period	Stated Notional	Amortized Notional in Yr 3
An index amortizing rate swap	Notional declines in accordance with the path of LIBOR	2 years	$1,000,000	$200,000

LIBOR	Change in BP	Amortization Rate
3.50%	0	80%

- Report amortized notional as of the reporting date in year 3
  - $200K Schedule HC-L, Line 11.e, Column (A)
- Note: Amortizing swaps should be reported at notional value based on the amortization schedule as of the reporting date.

Derivatives – Notional of Interest Rate Contracts Example 14

- Should we report OTC interest rate collars used to hedge a floating-rate loan as swap contracts on Schedule HC-L?

Cap Notional	Cap Rate	Cap Premium	Floor Notional	Floor Rate	Floor Premium
$5 M	10%	$100K	$5 M	5%	$100K

- Report notional in purchased and written option lines
  - $5M Schedule HC-L, Line 11.d.1, Column (A)
  - $5M Schedule HC-L, Line 11.d.2, Column (A)
- Note: Collars are separate option contracts (one purchased and one written) that combine to make a cap and a floor. The notional value for the written portion of the contract should be reported in Line 11.d.1 and the purchased portion should be reported in Line 11.d.2.

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Derivatives – Notional of Commodities Example 15

- What price should be used in calculating commodity derivative contracts, contract price or spot price on the report date?

Product	Quantity	Remaining Term	Unit Contract Price	Unit Spot Price
A fixed-for-floating commodity price swap (crude oil)	100,000 barrels settled monthly	4 months	$20	$22

- Report notional amount calculated based on the contract price
  - $8M Schedule HC-L, Line 11.e, Column D
    - $8M =$20 *100,000 *4
- Note: Notional value of commodity derivative contracts with multiple exchanges of principal should be calculated based on the contract price multiplied by the remaining payments.

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Derivatives – Notional of Foreign Exchange Contracts

- Reporting of Notional Amount
  - Only one side of a foreign currency transaction is to be reported
  - Two circumstances:
    - Foreign currency vs. USD
      - Report the foreign leg (in USD)
    - Foreign currency vs. foreign currency
      - Report the purchase leg (in USD)
  - All amounts should be reported in USD equivalent values using Spot Rate on the report date (i.e. 3/31, 6/30, 9/30, 12/31)

Derivatives – Notional of Foreign Exchange Contracts Example 16

- In the case that we buy/sell JPY against USD, how should we calculate the notional amount of the future contract?

Contract Size	Initial Contract Price	Settlement Value	Spot Rate
12,500,000 JPY	0.012654 USD/JPY	158,175 USD	0.012195 USD/JPY

- Report $152,438 as notional amount
  - $152,438 Schedule HC-L, Line 11.a, Column (B)
    - 152,438 USD = 12,500,000 JPY * 0.012195
- Note: The calculations are summarized as follows

Long Position: we buy JPY and sell USD	Initial Contract Size JPY * Spot Rate
Short Position: we sell JPY and buy USD	Initial Contract Size JPY * Spot Rate

Funds Held at Non-depository Institutions

- Funds held at a non-depository institution should be reported as "Other assets" on Schedule HC-F, Line 6.
  - Examples:
    - Funds held in margin accounts at:
      - brokers
      - nonbank clearing organizations
    - Cash collateral held at an investment bank
- Balances due from non-depository institutions should NOT be reported as "Cash balances due from depository institutions" on Schedule HC, Line 1.

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Example 17

- Question: How would the following funds held at a non-depository institution be reported?

Counterparty	Amount in Deposit Account	Purpose
ABC Investment Bank	$400 million	Collateral for OTC Interest Rate Option

- Reported as other assets
  - $400M Schedule HC-F, Line 6

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Example 18

- Question: How would the following funds held at a non depository institution be reported?

Counterparty	Amount in Deposit Account	Purpose
Broker BB	$400 million	Margin Account

- Reported as other assets
  - $400M Schedule HC-F, Line 6

Cash Collateral

- Cash collateral received and held in deposit accounts at other depository institutions should be reported in “Cash and balances due from depository institutions” on Schedule HC, Line 1.

- Cash collateral received and held in a deposit account at another depository institution should NOT be reported in “Other assets”.

Example 19

- Question: How would the following cash collateral received for a letter of credit and held in a deposit account at another bank be reported?

Counterparty	Amount
Cash collateral received from AA Corporation and held at XYZ Bank	$300 million

- Reported as cash balances due from depository institutions
  - $300M Schedule HC, Line 1

Equity securities no readily determinable fair values

- Equity securities that do not have readily determinable fair values should be reported as other assets at historical cost on Schedule HC-F, Line 4, because:
  - Outside the scope of ASC Topic 320, Investments-Debt and Equity Securities (formerly FAS 115, *Accounting for Certain Investments in Debt and Equity Securities).*
  - An equity security does not have a readily determinable fair value if:
    - Sales or bid-and-asked quotations are
      - not currently available on a securities exchange registered with the SEC, and
      - not publicly reported by the National Association of Securities Dealers Automated Quotations systems or the National Quotations Bureau

Example 20

- How would the following stock held by your institution be reported?

Instrument	Historical Cost
Stock of a Federal Home Loan Bank	$770 million

- Reported as other assets
  - $770 million Schedule HC-F, Line 4
    - Equity securities that do not have readily determinable fair values

Fair Value and Schedule HC-Q

- Level 1 inputs are quoted prices in active markets for identical assets/liabilities that the reporting entity has the ability to assess at the measurement date.

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset/liability either directly or indirectly (e.g., yield curves, interest rates…etc.).

- Level 3 inputs are unobservable inputs for the asset/liability. The inputs reflect the reporting entity's own assumptions about the assumptions a market participant would make in pricing the exit price of an asset/liability.

Example 21

- How would the following be reported on Schedule HC-Q?

Product	Fair Value on Balance Sheet (HC)	Gross Fair Value	Netting Adjustment	Notes
Interest rate swap	$0	$100 million Positive fair value	$100 million	Fair value is based on a model whose inputs are observable (public data on interest rates)
		$100 million Negative Fair Value	$100 million	FIN 39 netting applies

Example 21 (continued)

Schedule HC-Q—Assets and Liabilities Measured at Fair Value on a Recurring Basis

Schedule HC-Q is to be completed by all bank holding companies.

Dollar Amounts in Thousands	(Column A) Total Fair Value Reported on Schedule HC		(Column B) LESS: Amounts Netted in the Determination of Total Fair Value		(Column C) Level 1 Fair Value Measurements		(Column D) Level 2 Fair Value Measurements		(Column E) Level 3 Fair Value Measurements		
	BHCY	Bil Mil Thou	BHCK	Bil Mil Thou	BHCK	Bil Mil Thou	BHCK	Bil Mil Thou	BHCK	Bil Mil Thou	
Assets											
1. Available-for-sale securities	1773		G474		G475		G476		G477		1.
2. Federal funds sold and securities purchased under agreements to resell	BHCK G478		G479		G480		G481		G482		2.
3. Loans and leases held for sale	G483		G484		G485		G486		G487		3.
4. Loans and leases held for investment	G488		G489		G490		G491		G492		4.
5. Trading assets:	BHCT										
a. Derivative assets	3543	0	G493	100 000	G494		G495	100 000	G496		5.a.
	BHCK										
Liabilities											
8. Deposits	F252		F686		F694		F253		F254		8.
9. Federal funds purchased and securities sold under agreements to repurchase	G507		G508		G509		G510		G511		9.
10. Trading liabilities:	BHCT										
a. Derivative liabilities	3547	0	G512	100 000	G513		G514	100 000	G515		10.a.
	BHCK										

Example 22

- How would the following be reported on Schedule HC-Q?

Product	Fair Value on Balance Sheet (HC)	Fair Value	Netting Adjustment	Notes
Resale Agreement	$0	$42 million Fair value option elected, and measurement Level 2	$42 million	Fair value option elected FIN 41 netting applies
Repurchase Agreement	$0	$42 million Fair value option elected, and measurement Level 2	$42 million	Fair value option elected FIN 41 netting applies

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Example 22 (continued)

Schedule HC-Q—Assets and Liabilities Measured at Fair Value on a Recurring Basis

Schedule HC-Q is to be completed by all bank holding companies.

Dollar Amounts in Thousands	(Column A) Total Fair Value Reported on Schedule HC BHCY Bil Mil Thou	(Column B) LESS: Amounts Netted in the Determination of Total Fair Value BHCK Bil Mil Thou	(Column C) Level 1 Fair Value Measurements BHCK Bil Mil Thou	(Column D) Level 2 Fair Value Measurements BHCK Bil Mil Thou	(Column E) Level 3 Fair Value Measurements BHCK Bil Mil Thou	
Assets						
1. Available-for-sale securities	1773	G474	G475	G476	G477	1.
2. Federal funds sold and securities purchased under agreements to resell	BHCK G478 0	G479 42 000	G480	G481 42 000	G482	2.
Liabilities						
8. Deposits	F252	F686	F694	F253	F254	8.
9. Federal funds purchased and securities sold under agreements to repurchase	G507 0	G508 42 000	G509	G510 42 000	G511	9.

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Other OBS Items Common Reporting Errors

- Incorrect Reporting: Line 1
  - Commitment that are not legally binding
  - Commitment supporting asset-backed commercial paper
  - Commitment to purchase equity in unconsolidated subsidiaries

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Other OBS Items – Commitment Example 23

- A BHC decided to extend credit to a financial institution on 3/31, but a legally binding contract was not formed until 4/1. Should the BHC report this commitment to line 1.e.2, Other unused commitments Loans to financial institutions as of 3/31/2013?

Counterparty	Commitment	4/2/2013 (Monday)
BOC Bank, N.A	$10,000,000	A legally binding contract is formed

- No. Do NOT report this commitment to FR Y-9C. Loan commitments that are not legally binding on the report date should be excluded from the FR Y-9C.

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Other OBS Items – Commitment Example 24

- Should we report unused commitments to advance funds to asset-backed commercial paper conduits sponsored by non-related institutions to Schedule HC-L, Line 1.e.(3), "All other unused commitments"?

Counterparty	Commitment
RBK Company	$5,000,000

- No. Report this commitment as follows:
  - $5M Schedule HC-L, Line 9, and
  - $5M Schedule HC-S Memoranda, Line 3.b.(2), "Unused commitments to provide liquidity to conduit structures: conduits sponsored by other unrelated institutions"

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Other OBS Items – All Other OBS Items Example 25

- If a BHC has unfunded commitments of $2 million to make equity investments in an unconsolidated subsidiary, how should the BHC report this item given the total equity capital reported to Schedule HC, Line 27.a is $7.5 million?

Counterparty	Commitments	Total Equity Capital	% of Total
ABC Corp.	$2,000,000	$7,500,000	26.7%

- Report and itemize it as other off-balance-sheet items
  - $2M Schedule HC-L, Line 9
  - $2M with its description in a line between Schedule HC-L, Lines 9.a through 9.g
- Note: Unfunded commitments to purchase equity should be reported to Line 9 because it exceeded 10% of total equity capital. Because it exceeded 25% of total equity capital, it also should be disclosed in one line between Lines 9.d through 9.g

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FR Y-10 and FR Y-6 Common Reporting Errors

Richard Crawn

Agenda

- Common Reporting Errors:
  - Report of Changes in Organizational Structure (FR Y-10)
  - Annual Report of Holding Companies (FR Y-6)

FEDERAL RESERVE BANK of NEW YORK

Report of Changes in Organizational Structure - (FR Y-10)

FR Y-10 Common Reporting Errors

Inactive Entities are not reported correctly

- Inactive entities are those entities that are no longer conducting business
- Entities whose reporting status change from active to inactive should be reported within 30 days of the event.

FR Y-10 Common Reporting Errors

State or Country of Incorporation is incorrect

- Entities whose state or country of incorporation is different than the physical location.

- New York, NY = physical location
- Delaware = state of incorporation

- Dusseldorf, Germany = physical location
- France = country of incorporation

- Physical location is the address at which the main office of the entity is physically located.

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FR Y-10 Common Reporting Errors

Multiple Events are not reported correctly

- Changes in characteristics, ownership, activity or legal authority should only be reported for the same entity on the same form if they occurred on the same date.

- Changes occurring on different dates should be reported on separate FR Y-10 reports.

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FR Y-10 Common Reporting Errors

Liquidations, No Longer Reportable, Became Inactive are not reportable

- Entities who tiered either below or above an entity that was reported either as a liquidation, no longer reportable, or inactive must also be reported as either:
  - Internal transfer or partial transfer to a new parent
  - External transfer
  - No longer reportable

- The consequence is the creation of “Orphans” or Danglers of entities whose direct holder relationship was ended.

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FR Y-10 Common Reporting Errors

Functional Regulator is incorrect

- If an entity is functionally regulated, report one of the functional regulators listed in Report Item 4.
  - SEC and CFTC
  - SEC Only
  - CFTC Only
  - State Securities Department
  - State Insurance Regulatory

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FR Y-10 Common Reporting Errors

Business Organization Type is inconsistent with the legal name

- If an entities legal name ends with either Inc. or GP or LP or LLC then the following business organization type should correspond:
  - Atlantic Inc. = corporation
  - Atlantic GP = General Partnership
  - Atlantic LP = Limited Partnership
  - Atlantic LLC = Limited Liability Co./Corp

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FR Y-10 Common Reporting Errors

Reporting the Correct NAICS Code

- An entity's North American Industry Classification System (NAICS) Codes should be the primary business activity that generated the largest percentage of that entity's gross revenue during the most recently completed fiscal year.
- If the primary business activity changes, then the NAICS code should be updated on the FR Y-10 report.
- Public Welfare Investments (PWIs) should be reported with NAICS Code 62422, Community Housing Services.
- Merchant Banking Companies engaged in merchant banking investments should be reported with NAICS Code 52391, Miscellaneous Intermediation.

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FR Y-10 Common Reporting Errors

Entities commonly reported incorrectly or misreported

Variable Interest Entities (VIE)

- Legal entities, including Variable Interest Entities (VIE)s should be analyzed to determine control status for Regulation Y purposes.

Small Business Investment Company's (SBIC)

- Small Business Investment Company (SBIC) investments that are controlled should be reportable on the FR Y-10 report.

FR Y-10 Common Reporting Errors

4(k) Schedule is not filed

- A post transaction notice must be filed for new activity commenced directly by an FHC through an existing subsidiary, through an acquisition of a going concern or through a denovo formation.

Annual Report of Holding Companies (FR Y-6)

FR Y-6 Common Reporting Errors

- Cover Page is incomplete
  - Title of Holding Company Director and Official missing.
  - Date of Signature – commonly missing from the signature.
  - Mailing Address versus Physical address – failure to report both if they are different.

FR Y-6 Common Reporting Errors

- Organization Chart – Item 2.a is incomplete
  - Entities whose ownership is greater than 5% and is less than 25% are missing.
  - Entities that are not reportable on the FR Y-10 are not labeled on the organization chart.
  - State or country of incorporation is missing.
  - General Partner/Managing Member or Limited Partner/Non-Managing Member designation is missing.

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FR Y-6 Common Reporting Errors

- Organization Chart – Item 2.a is incomplete (Cont.)
- Debts Previously Contracted (DPC):
  - A company that holds only foreclosed properties should not be reported
  - A company that holds a mixture of foreclosed properties and nonperforming loans that are not yet in default should be reported

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FR Y-6 Common Reporting Errors

- Domestic Branch Listing – Item 2.b is inaccurate
  - Openings, name changes, relocations, closures must be reported within 30 days of the event on the FR Y-10 Domestic Branch Schedule.

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FR Y-6 Common Reporting Errors

- Report Item 3: Securities Holder is missing
  - In a multi-tiered holding company organization the top-tier holding company is required to submit a separate Report Item 3 for each lower tier holding company.

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FR Y-6 Common Reporting Errors

- Report Item 4: Insiders is incomplete
  - “Principal Securities Holders” must be reported as an insider.
  - A principal securities holder generally means an individual or a company that directly or indirectly, or acting through or in concert with one or more persons (including families), owns, controls, or has the power to vote 10 percent or more of any class of voting securities of a member bank or company.

FR Y-6 Common Reporting Errors

- Report Item 4: Insiders is missing
  - In a multi-tiered holding company organization the top-tier holding company is required to submit a separate Report Item 4 for each lower tier holding company.

Conclusion

- The FR Y-10 and FR Y-6 reporting forms and instructions are available at:
  - www.federalreserve.gov/reportforms

- If you have any further questions or need clarification, please contact:
  - Brian Osterhus, Director
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    - E: Brian.Osterhus@ny.frb.org
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Reporting Central

- What is Reporting Central?
- Why are we replacing IESUB?
- What are some of the new features?
- What is the credentialing process?
- What is the transition plan?
- Where can I find Reporting Central documentation?

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Reporting Central

- **What is Reporting Central?**
  - Reporting Central is an application which is replacing the Internet Electronic Submission (IESUB) system for reports submission
  - Multi-year project which began in 1st quarter 2012
  - Reports will be transitioned by series families or groups of reports.

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Reporting Central

- **Why Are We Replacing IESUB?**
  - IESUB is a 15 year old application
  - Enhanced security features, such as 2-Factor Authentication
  - New Application Features

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Reporting Central

- What are Some of the Reporting Central Features?
  - Allows for direct data entry and file uploads
  - File uploads must be submitted one at a time
  - Save draft with errors
  - Check errors prior to submission and provides a complete list of errors
  - Reports submission status check
  - Easier navigation on large matrix report forms

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Reporting Central

- **What is the Credentialing Process?**
  - Reporting Central will use physical tokens instead of Logon IDs and Passwords
  - Prior to issuing physical tokens, reporting entities must establish the following:
    - OAL – Official Authorization Listing
    - EUAC – End User Authorization Contact
    - Subscriber
  - Once the tokens are issued, reports series level security must be completed.
  - Anyone who already has a token either for Reporting Central or another Fedline service does not need to get a new token.

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Reporting Central

- **Credentialing Process (continued)**
  - A Global Awareness letters was distributed on July 1, 2014 providing notification that all reports currently submitted through IESUB will transition to Reporting Central by the end of 2015.
  - Specific instructions on how to sign up for credentials was distributed to all FR 2314 and FR Y-11 reporters on July 8, 2014.
  - Those who will submit the data from a foreign country must complete different credentialing forms to obtain a token.
  - Those institutions who are new to Reporting Central should begin the credentialing process ASAP as this process could take several weeks to complete.

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Reporting Central

- **What is the Transition Plan?**
  - Reports transitioning to Reporting Central with the September 30, 2014 as-of date are:
    - FR 2314/s
    - FR Y-11/s
  - IESUB reporting will be turned off
  - Ability to send test files will be available for institutions who request access to the test environment

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Reporting Central

- **Where Can I Find Reporting Central Documentation?**
  - Reporting Central Website:
    - http://www.frbservices.org/centralbank/reportingcentral/index.html
  - Reporting Central Resource Center:
    - http://www.frbservices.org/centralbank/reportingcentral/resource_center.html

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Reporting Central

QUESTIONS

Questions can be emailed to:

NY.REPORTINGCENTRALCOMMUNICATION@NY.FRB.ORG

Objectives

- Filing Requirements
- Common Reporting Errors

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Quarterly Reporting

- Who is required to file?

  Quarterly Reporting:
  - total assets equal to or greater than $1 billion; or
  - total off-balance-sheet activities equal to or greater than $5 billion; or
  - equity capital of at least 5% of the consolidated equity capital of the top-tier BHC; or
  - operating revenue is at least 5% of consolidated operating revenue of the top-tier BHC.

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Annual Reporting

- **Annual Reporting – Detailed**
  - total assets are greater than or equal to $500 million (but < $1 billion).

- **Annual Reporting – Abbreviated**
  - total assets are greater than or equal to $250 million but less than $500 million;

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Exemptions

- Who is exempt? –check exemption list in general instructions before filing.

Examples:

- Functionally Regulated
  - (e.g. SEC, CFTC, State Insurance Commissioners, State Securities Departments)
- Subsidiaries holding shares as a result of debts previously contracted (“DPC” assets)
- Merchant banking investment companies
  - Under section 4(k)4(H) of the BHC Act

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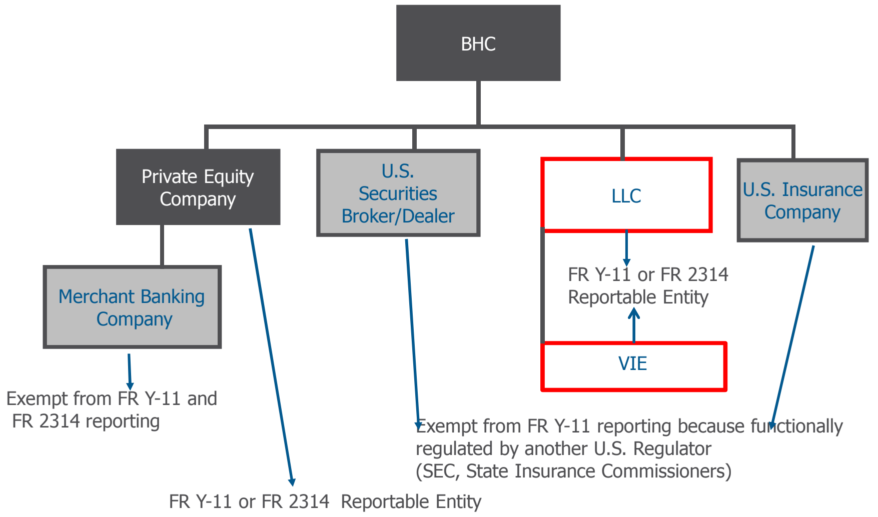
Reporting Criteria



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Filing Criteria - Timing

- If a subsidiary meets the reporting criteria to file quarterly as of June 30 of the preceding year, the BHC must file the quarterly report beginning in March of the current year and would continue to file until it falls below the reporting criteria for four consecutive quarters and other criteria listed in the instructions apply.

- If a subsidiary meets the reporting criteria due to a business combination, the BHC must file a quarterly report beginning with the first quarter following the effective date of the business combination.

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Filing Criteria – Frequency of Reporting

- Once a nonbank subsidiary satisfies the criteria to file the FR Y-11 and / or the FR 2314 for the June quarter during the calendar year, the nonbank subsidiary must file March the following year and continue to file quarterly for the remainder of the calendar year.

Example:	Total Assets*	Report Filed
Year 2013		
March 31, 2013:	$800 Million	N/A
June 30, 2013:	$1.5 Billion	N/A
Year 2014		
March 31, 2014:	$ 1.2 Billion	Quarterly FR Y-11
June 30, 2014:	$600 Million	Quarterly FR Y-11
September 30, 2014:	$1.5 Billion	Quarterly FR Y-11
December 31, 2014:	$900 Million	Quarterly FR Y-11

**For purposes of this example, off-balance-sheet activities is not applicable for this reporter and therefore that criteria are not met in any quarter*

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Common Reporting Errors Reporting Method

- No Consolidation
  - Separate report for each legal entity that is a subsidiary of the BHC (directly or indirectly owned) and that meets the reporting criteria.
  - Each BHC should separately assess whether a VIE meets the definition of a subsidiary and determine if any such entity meets the criteria for filing the report.
  - For purposes of these reports, a subsidiary generally includes a company 25 percent or more owned or controlled by another company and is defined by Section 211.2(w) of Regulation K for the FR 2314, and Section 225.2 of Regulation Y for the FR Y-11.

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Common Reporting Errors Reporting Method

- Equity method accounting for all subsidiaries of the reporting entity

Income Statement – net income of reporter's sub:

"Equity in undistributed income" (Line 11)

Balance Sheet – net investment balance of reporter's sub:

"Balances due from related institutions - gross" (Line 9), if positive

"Balance due to related institutions - gross" (Line 16), if negative

Common Reporting Errors Reporting Method

- OCI including the cumulative translation adjustment pertaining to the subsidiaries of the reporting entity is included as part of the net income of the subsidiary, and is reported in Schedule IS, "Equity in undistributed income" (Line 11).

- Accumulated OCI of the reporter's subsidiaries is reported on Schedule BS, "Balances due from related institutions" (Line 9).

Reporting of Related Party Balances

- Related Parties
  - Reported gross on Schedule BS, Line 9 (Due From) or Line 16 (Due to) and includes:
    - Balances with the top tier bank holding company or banking organization and the subsidiary bank holding companies of the top tier bank holding company;
    - Balances with subsidiary banks (or their branches);
    - Balances with other subsidiaries (including those of the parent and the reporting nonbank subsidiaries);
    - Investment in all subsidiaries (whether consolidated or unconsolidated) and associated companies, less dividends paid/declared.

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Related Parties Transactions - Example

- A nonbank subsidiary received a loan in the amount of $450 million from its parent on 1/31/2014, and on 2/20/2014 the nonbank subsidiary placed $200 million deposits at its parent. How should the nonbank subsidiary report both transactions on 3/31/2014?

Product	Amount	Item Name	Schedule, Line
Borrowings	$450 million*	Balances due to related institutions, gross	BS, Line 16
Deposits	$200 million*	Balances due from related institutions, gross	BS, Line 9

*include in Schedule BS-M where applicable

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Common Reporting Errors Fair Value Option

- Nonbank subsidiaries that have elected to account for financial instruments or servicing assets at fair value under a fair value option (FVO) with changes in fair value recognized in earnings.
  - Assets and liabilities that are reported under the FVO are reported at fair value on Schedule BS.
  - FVO assets and liabilities with third parties and related institutions are also disclosed on Schedule BS, Memoranda, Line 1.a and 1.b., respectively.

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Common Reporting Errors Fair Value Option

Dollar Amounts in Thousands	SUBC	Bil	Mil	Thou	
Derivatives and Off-Balance-sheet Items					
20. Unused commitments on securities underwriting	3817				20.
21. Unused commitments on loans and all other unused commitments	A013				21.
22. Standby letters of credit and foreign office guarantees	A014				22.
23. Commercial and similar letters of credit	3411				23.
24. Commitments to purchase foreign currencies and U.S. dollar exchanges (spot, forward, and futures)	3415				24.
25. All other futures and forward contracts (excluding contracts involving foreign exchange)	A015				25.
26. Option contracts:					
a. Written option contracts	A098				26.a.
b. Purchased option contracts	A099				26.b.
27. Notional value of interest rate swaps	3450				27.
28. Notional value of exchange swaps (e.g., cross-currency swaps)	3826				28.
29. Notional value of other swaps	3829				29.
30. All other off-balance-sheet liabilities	A100				30.

Memoranda

Dollar Amounts in Thousands	SUBC	Bil	Mil	Thou	
Memoranda items 1.a. and 1.b. are to be completed by subsidiaries that have elected to account for financial instruments or servicing assets and liabilities at fair value under a fair value option.					
1. Financial assets and liabilities measured at fair value under a fair value option					
a. Total assets	F819				M.1.a.
b. Total liabilities	F820				M.1.b.

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Common Reporting Errors Fair Value Option

- Income Statement
  - Periodic revaluation adjustments to the carrying value of assets and liabilities reported under a FVO are reported as, "Other noninterest income" on Schedule IS, Line 5.a (10).
  - Servicing assets/liabilities reported at fair value under a FVO "Net servicing fees", Line 5.a(6).
  - The net change in fair values of financial instruments accounted for under a FVO should be reported as, "Net change in fair values of financial instruments accounted for under a fair value option" on Schedule IS, Memorandum, Line 2 for the FR 2314 and FR Y-11.

  **Excludes revaluation adjustments of trading assets and trading liabilities. These are reported in "Trading Revenue," Line 5.a (3).

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Common Reporting Errors Assets and Liabilities Fair Value Option Example

- How should MTM changes on loans and subordinated debt that are FVO reported?

Product	Book Value	Fair Value Amount	Change in Fair Value from marked to market	Schedule IS
Loans	$100 million	$116 million	$16 million Reported Amount $16 million Reported Amount	Other noninterest income, Line 5.a (10) Memoranda, Net change in fair value of financial instruments accounted for under a fair value, Line 2
Subordinated debt	$150 million	$125 million	($25 million) Reported Amount ($25 million) Reported Amount	Other noninterest income, Line 5.a (10) Memoranda, Net change in fair value of financial instruments accounted for under a fair value, Line 2

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Common Reporting Errors Trading Assets & Liabilities

- Realized gains and losses and other income and expenses resulting from the sale and purchase of all assets and liabilities held in the trading account in:
  - "Trading revenue", Line 5.a (3).

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Common Reporting Errors ALLL

- Allowance for Loan & Lease Losses (ALLL) must be reported on a standalone basis for each legal entity.
  - ALLL cannot be reported at the parent bank level or at another subsidiary level.
  - ALLL should exclude reserves for credit risk on off balance sheet items. These should be reported in "Other liabilities," Line 14 on Schedule BS and in "Noninterest expense," Line 7 on Schedule IS.
- Specific Reserves
  - Loans are to be reported net of specific reserves (exclude specific reserves from ALLL).

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Common Reporting Errors
Past Due & Nonaccrual Loans - TDRs

- Include in Schedule BS-A, "Loans restructured in troubled debt restructuring included in items 7.a through 7.c above" to clearly indicate that loans in this item should be troubled debt restructuring and exclude leases.

- Loans restructured in TDRs include those loans that have been restructured or renegotiated to provide a reduction of either interest or principal because of a deterioration in the financial position of the borrower.
  - A loan extended or renewed at a stated interest rate equal to the current interest rate for new debt with similar risk is not considered a TDR.
  - For further information, see the FR Y-9C Glossary entry for "troubled debt restructurings."

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Common Reporting Errors Assets & Liabilities

- Deferred Tax Assets and Liabilities
  - Income taxes are reported on a stand-alone basis.
  - Deferred tax assets and liabilities must be reported net for each tax jurisdiction and should be reported on Schedule BS, "All other assets", Line 7 or "Other liabilities", Line 14, respectively.
- Repurchase Agreements and Resale Agreements
  - Repurchase agreements and FFP are reported as "Other borrowed money" on Schedule BS, Line 12 and 13.
  - Resale agreements and FFS are reported as "Loans" on Schedule BS, Line 3.a.

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Common Reporting Errors –Example Resale and Repurchase agreements

- A nonbank subsidiary entered into repurchase agreements of $850 million with a nonrelated party on 1/31/2014 and then entered into resale agreements of $780 with another nonrelated party. How should the nonbank subsidiary report both transactions on 3/31/2014?

Product	Amount (Gross)	Item Name	Schedule, Line
Repurchase agreements	$850 million	Other borrowed money	BS, Line 12 or Line 13
Resale agreements	$780 million	Loans and lease financing receivables AND: All other loans for non-depository counterparties Loans to depository institutions for depository counterparties	BS, Line 3.a BS-A, Line 5 BS-A, Line 2

Common Reporting Errors Assets & Liabilities

- Goodwill
  - Goodwill is reported on Schedule BS, “All other assets,” Line 7.
    - Impairments to goodwill are reported as “noninterest expense” on Schedule IS, Line 7.
- Other Assets & Other Liabilities
  - Other assets reported on Schedule BS-M, Line 5 should be equal to or less than balance reported on Schedule BS, “All other assets,” Line 7.
  - Other liabilities reported on Schedule BS-M, Line 8 for the FR 2314 and Line 12 for the FR Y-11 must be equal to or less than balance reported on Schedule BS, “Other liabilities,” Line 14.

Common Reporting Errors Derivatives

- Derivatives and Off-balance Sheet items reported on Schedule BS, Lines 20 – 30 include transactions with related and nonrelated institutions.

- Notional Value of foreign exchange spot contracts are reported with foreign exchange futures and forwards on Schedule BS, Line 24.

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Common Reporting Errors Derivatives

- Derivatives
  - Accrued interest receivable and payable from derivative contracts excluded from the calculation of fair value should be reported separately on Schedule BS, "All other assets," Line 7 and "Other liabilities," Line 14, respectively. (Methodology should be applied consistently).

  - Unrealized gains and losses from derivative contracts held for trading with nonrelated institutions are reported net on Schedule IS, "Trading Revenue," Line 5.a (3).

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Common Reporting Errors Derivatives

- Derivatives
  - Fair Value of Derivatives held for purposes other than trading – with nonrelated parties
    - Derivatives held for purposes other than trading that do not qualify for hedge accounting under ASC 815-20 must be reported as held for trading.
    - Fair value if hedging applies reported on BS, "All other assets," (Line 7), if a positive fair value.
    - Fair value if hedging applies reported on BS, "Other liabilities," (Line 14), if a negative fair value.

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Common Reporting Errors All Other Off Balance Sheet Liabilities

- All credit derivatives are reported in "All Other Off Balance Sheet Liabilities," (Line 30) .
- All securities borrowed/lent against collateral other than cash (i.e. against other securities) are reported in "All Other Off Balance Sheet Liabilities," (Line 30).

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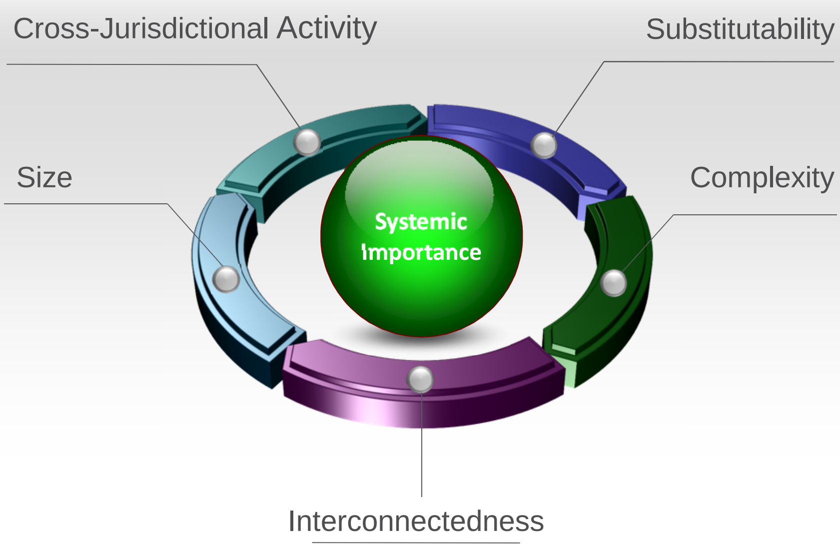
FR Y-15 Reporting

Nikkie Christy

Overview

- Annual report filed by
  - U.S. top-tier bank holding companies (BHCs) with total consolidated assets of $50 billion or more
  - U.S.-based organizations designated as global systemically important banks (G-SIBs) by the Basel Committee on Banking Supervision
- Rules of consolidation
  - All offices (branches, subsidiaries, variable interest entities, international banking facilities, etc.) within the scope of the consolidated BHC should be reported on a consolidated basis
    - Exclude subsidiaries where control does not rest with the parent (e.g., due to legal reasons)
    - Balance sheet items: exclude custody and safekeeping activities unless cash funds held in safekeeping for customers are commingled with the general assets of the reporting holding company (commingled funds are reportable)
      - Assets under custody are disclosed separately on Schedule C, Substitutability Indicators.

Indicator-Based Measurement Approach



Schedule A: Size Indicator

- Include all positions, regardless of whether they are included in the banking book or trading book
  - Reported net of specific provisions and valuation adjustments
- Securities financing transactions (SFTs)
  - Should exclude margin lending

Schedule B: Interconnectedness Indicators

- Coverage: “financial institution” counterparties
  - Depository institutions(as defined in FR Y-9C Schedule HC-C, item 2), BHCs, securities dealers, insurance companies, mutual funds, hedge funds, pension funds, investment banks, central counterparties (as defined in Schedule D, item 1), and state-owned commercial banks
  - Central banks and other public sector bodies (e.g., multilateral development banks) are excluded

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Schedule B: Interconnectedness Indicators Cont’d

- Securities issued by a holding company of a stock exchange should not be reported on “Holdings of securities issued by unaffiliated financial institutions” (Line 3)
  - If subsidiaries of the stock exchange holding company meet the definition of a financial institution, activities directly with those subsidiaries should be reported
- Equity securities reportable on line 3 should be reported at fair value in accordance with ASC Topic 820, Fair Value Measurements
  - Equity securities that do not have readily determinable fair values should be excluded

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Schedule C: Substitutability Indicators

- Reporting definitions
  - Sub-custodian: an institution that provides custody services on behalf of another custodian
  - Assets under custody: securities or other assets that are held by a banking organization or subsidiary of the banking organization on behalf of a customer under a safekeeping arrangement
  - Assets under management: securities or other assets that are managed by a banking organization or subsidiary of the banking organization on behalf of a customer for which the reporting banking organization or the subsidiary acts as an investment adviser
  - Assets under administration: securities or other assets for which a banking organization or subsidiary of the banking organization is contractually obligated to provide an administration service (e.g., bank office administration and recordkeeping services)

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Schedule C: Substitutability Indicators Cont'd

- FR Y-15 reporting requirements for assets held as custodian on behalf of customers (Line 3) differ from the Call Report (Schedule RC-T)
  - Custody relationships are reportable on the FR Y-15
    - Includes custodial accounts held by the holding company's consolidated brokerage subsidiaries
- Reportable payments
  - Payments sent via large-value payment systems ("LVPS", outlined by country within the BIS/CPSS "Payment, clearing and settlement systems" publications)
  - Include all cash payments sent through an agent bank regardless of how they were settled (i.e., via an LVPS or otherwise)
  - Include outgoing payments (do not net any outgoing payment values, even if the transaction was settled on a net basis)

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Schedule D: Complexity Indicators

- Securities reporting
  - Securities should be reported on a gross long basis (do not net short positions against long positions)
  - All securities not classified as trading or held-to-maturity (HTM) securities must be reported as available-for-sale (AFS) on line 5

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Schedule E: Cross-Jurisdictional Activity Indicators

- Foreign liabilities
  - Exclude local liabilities in local currency
  - Report all foreign-office liabilities in nonlocal currency, all U.S. dollar liabilities to foreign residents, and all foreign currency liabilities to foreigners
    - Foreign offices include banking and nonbanking entities, any foreign office indirectly owned through a U.S. subsidiary depository or nondepository financial institution
      - Reporters owned by a foreign resident should include their direct foreign parent and any non U.S. branches or agencies as own foreign offices
        - Exclude offices of the reporter's parent's non-banking or banking subsidiaries as own foreign offices
  - Refer to the instructions for preparation of the FFIEC 009 and the Treasury International Capital (TIC) B reports

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Schedule F: Ancillary Indicators

- Small business customers with over $1 million in consolidated deposits (even those internally managed as retail accounts) should be excluded from the retail funding line
- Reportable committed credit lines must be legally binding

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FR Y-14Q – FAQ Process

- FAQ Process: Effective changes
  - Questions on managed schedules to Reserve Bank analysts
  - Questions on CCAR and non-managed schedules to: info@CCAR.frb.org
  - Systemic questions published in FAQ release
  - Reserve Bank Contact List available on IntraLinks

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FR Y-14Q – Non-Managed Schedules

- Transition dates*

Schedule	Frequency	Transitioned to Managed
Regulatory Capital Inst.	Quarterly	Q2 2014
Balances	Quarterly	Q3 2014
Summary	Semi Annual	Q3 2014
Regulatory Capital Transitions	Quarterly	Q4 2014
Counterparty	Quarterly	Q1 2015
Scenario Variable	Semi Annual	Q1 2015
Trading	Quarterly	Q2 2015
Mortgage Servicing Rights	Quarterly	Q2 2015
Operational Risk	Annual	Q3 2015
Regulatory Capital Transitions	Annual	Q3 2015
Regulatory Capital Inst.	Annual	Q3 2015

*Dates subject to change

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FR Y-14Q – Common Formatting Issues

- Validity edit failures

Failed Value	Edit Test
SEGMENT_ID = 030603020605 ORIG_FICO = >620 and <=660	The ORIG_FICO must equal > 620 and <=660' when the ORIG_FICO portion of the SEGMENT_ID is equal to '02'.
SEGMENT_ID = 010103030202 ORIG_FICO = >660 and <=720	The ORIG_FICO must equal > 660 and <=720' when the ORIG_FICO portion of the SEGMENT_ID is equal to '03'.
SEGMENT_ID = 0102010202 AGE = >Three years old	The AGE must equal > Three Years Old' when the AGE portion of the SEGMENT_ID is equal to '02'.

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