FFIEC 009 – Frequently Asked Questions

Q1: To which sector(s) are the following institutions to be assigned?

- **Special Purpose Vehicles (SPVs)**
- **Personal Financial Companies**
- **Personal Investment Trusts**
- **Grant-making Non-profit Institutions**
- **Trusts**
- **Partnership Firms**
- **Credit Bureaus**

A1: Sectors should be reported based on the legal entity of the counterparty. Therefore, if the legal entity is engaged in financial services as defined on page 9 of the FFIEC 009 instructions (but is not a bank), it should be classified as a Non-Bank Financial Institution (NBFI). Otherwise, unless the legal entity should be reported as a bank, the claim should be reported under the Corporate sector.

Q2: Are held-to-maturity (HTM) securities required to be reported at amortized cost separately from other instruments reported at fair value [Schedule C, Part II, Column 12]?

A2: HTM and available-for-sale (AFS) securities should be reported together in Column 12 of Schedule C, Part II. These should be reported using the required U.S. GAAP valuation. Therefore, HTM securities should be reported at amortized cost and AFS securities should be reported at fair value throughout the FFIEC 009 report.

Q3: What other activity should be reported on Schedule C, Part II, Column 13, other than Resale and Reverse Repurchase Agreements and Securities Lending?

A3: Currently, secured financing transactions are the only contracts that should be reported in this section. However, the category may be used for future products for which the reporting of collateral would not result in a risk transfer according to the FFIEC 009 guidelines.

Q4: Should Schedule C, Part II, Column 12, reconcile to Schedule HC-B or are respondents to report AFS securities balances posted as collateral only?

A4: Column 12 of Schedule C, Part II, should reconcile to Schedule HC-B of the FR Y-9C report (or Schedule RC-B of the Call Report). Column 12 should capture securities owned by the reporting institution, and exclude securities held as collateral.

Q5: Schedule C, Part II, columns 13-16: The Proposals indicate claim amounts should be reported, rather than collateral. Please clarify examples 14 and 18 as they appear to contradict the template layout.

A5: In Columns 13 through 16 of Schedule C, Part II, report the amount of the claim outstanding. For example, if in a reverse repurchase agreement, the respondent provides $100 of cash for $105 in securities, $100 should be reported in Columns 13 through 16 in the country where the counterparty resides. However, if only $95 in securities were provided as collateral, $95 should be reported in Columns 13 through 16. All amounts should be reported against the country of the counterparty. Therefore, Examples 14 and 18 are consistent with this treatment.

Q6: Should only the claims falling under the classification of "Loans and Lease Financing Receivables" on the Balance Sheet of the bank holding company report be categorized under the "Household" category, or can claims under any other Balance Sheet line be categorized under "Household"?

A6: Reference to the FR Y-9C, Schedule HC-C, Line 6, for the definition of "Households" was not intended to restrict the claims only to loans, but to provide a consistent definition of which counterparties are considered households. The reporting instructions have been updated to clarify this reporting. Therefore, any reportable claims to households should be reported regardless of the product type.

Q7: Should accounts receivable from "small business" credit cards be categorized as Corporate or Household? Would this determination be impacted if the counterparty is an individual?

A7: The reporting of "small business" credit cards should be done consistently with the guidance in the FR Y-9C instructions (Schedule HC-C, Line 4, "Commercial and Industrial Loans").

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Q8: Answer #3 to the FAQ published on June 19, 2013, states, "Currently, secured financing transactions are the only contracts that should be reported in this section [Schedule C, Part II, Column 13]." However, in the Draft Instructions, page 20 states, "Also include any other collateralized claims that do not result in a risk transfer of claims." We request that the Draft Instructions be revised to make clear our understanding to only report secured financing transactions in Schedule C, Part II, Columns 13 through 16.

A8: At this juncture, it would be inappropriate to add such language to the reporting instructions as Schedule C, Part II, Columns 13 through 16, may be used for future products for which the collateral would not result in a risk transfer according to the FFIEC 009 instructions.

Q9: Page 21 of the Draft Instructions provides in relevant part: "In Column 15, report claims held where the country of the ultimate obligor (i.e., the issuer of the collateral or holder of the cash) is the same as the country of the immediate counterparty." Please define the criteria for holder of cash (e.g., financial institution of counterparty, custodial firm of counterparty).

A9: For the purposes of the FFIEC 009 report, the "holder of cash" is the legal entity that has the liability for the cash collateral. The reporting instructions have been updated accordingly.

Q10: Please confirm that the exposure reported in the Household sectors in Schedule C should reconcile to R/HC-C, item 6, "Loans to individuals for household, family, and other personal expenditures."

A10: While the definition of a "household" is consistent between the FFIEC 009 report and Schedule HC-C, item 6, of the FR Y-9C, the claims reportable in the household sector are not limited to "loans" reported therein. For example, included within this sector would be loans secured by 1-4 family residential properties to individuals for household, family, and other expenditures and consumer leases. The instructions have been updated to reflect this guidance.

Q11: The "country of residence," "country of legal residence," and "country of incorporation" are used interchangeably throughout the Draft Instructions. Which term should we use in the event that the country of residence (i.e., jurisdiction of legal address) and country of incorporation (i.e., jurisdiction of registration) are different? In addition, in which country should bank branches be reported? Would it be the "country of domicile" (i.e., jurisdiction of legal address) or the country of incorporation (i.e., jurisdiction of registration)?

A11: For purposes of the FFIEC 009, reporting is based on the country where the counterparty is legally established (e.g., country of incorporation, country of charter), which may differ from the country of residence. For bank branches, although all claims on bank branches are assumed to hold the implicit guarantee of their parent, claims on branches should be reported on an immediate-risk basis against the jurisdiction where the branch is licensed to operate and on an ultimate-risk basis against the jurisdiction where the parent bank is chartered. The reporting instructions have been updated to clarify the reporting of claims on bank branches.

Q12: Please provide additional clarification on the reporting of all adjustments to loan principal amounts as there currently are no specific references in the Draft Instructions regarding the Allowances for Loan and Lease Losses, Unearned Income, Unamortized Fees, and Purchased Credit-Impaired Loans.

A12: The FFIEC 009 report follows U.S. GAAP. According to Section I.E of the General Instructions for the FFIEC 009 report, "[c]laims, liabilities, and unused commitments should be reported using the same accounting basis as used on the FFIEC 031 and FR Y-9C, unless stated otherwise in these instructions."

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Q13: Should an extension of credit to a financial institution that indirectly facilitates international trade (e.g., an extension of credit that is used by the borrower to fund a credit extension or letter of credit to a customer for the purpose of facilitating international trade when the initial loan to the financial institution is not required to be repaid with the proceeds of international trade) be reported as "Trade Finance" in Schedule O, Column 7?

A13: In Schedule O, Column 7, report total extensions of credit with maturities one year and under that are included in Columns 1 through 10 of Schedule C, Part II, or Columns 1 or 2 of Schedule O *and* that: (1) are directly related to imports or exports (including credit extensions where the funds are used by the direct counterparty to finance its customer's import or export activity) *and* (2) will be liquidated through the proceeds of international trade (unless the borrower is not directly engaged in international trade). Thus, an extension of credit to a financial institution that indirectly facilitates international trade is reported as "Trade Finance" even if the loan to the financial institution is not repaid through the proceeds of international trade between the financial institution's customer and the counterparty to the trade.

Q14: How should the location of an individual or household be determined for reporting on the Country Exposure Report?

A14: The location of a counterparty that is an individual or household is reported based on the country in which the counterparty is domiciled.