

FFIEC 009 FAQs

Sector and Country Classification

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: 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”?

A2: Reference to the FR Y-9C, Schedule HC-C, Line Item 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. Therefore, any reportable claims on households should be reported regardless of the product type.

Q3: 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?

A3: The reporting of “small business” credit cards should be done consistently with the guidance in the FR Y-9C instructions (Schedule HC-C, Line Item 4, “Commercial and industrial loans”).

Q4: How should exposures reported in the Household sector in Schedule C reconcile to R/HC-C, Line Item 6, “Loans to individuals for household, family, and other personal expenditures”?

A4: While the definition of a “household” is consistent between the FFIEC 009 report and Schedule HC-C, Line Item 6, of the FR Y-9C, the claims reportable in the household sector on the FFIEC 009 report are not limited to “loans” reported in Line Item 6. For example, included within the household sector would be loans secured by 1-4 family residential properties to individuals for household, family, and other expenditures and consumer leases.

Q5: The “country of residence,” “country of legal residence,” and “country of incorporation” are used interchangeably throughout the 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?

A5: 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, 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. (Please note that all claims on bank branches are assumed to hold the implicit guarantee of their parent.)

Q6: How should the location of an individual or household be determined for reporting on the Country Exposure Report?

A6: The location of a counterparty that is an individual or household is reported based on the country in which the counterparty is domiciled. Individuals that file IRS Form W-8, indicating that they are foreign residents, are treated as such. Please note that there may be exceptions (such as for Puerto Rico). If an IRS Form is not available, the mailing address can be used to determine the location of individuals.

Product Accounting and Reconciliation

Q7: 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]?

A7: Held-to-Maturity (HTM) and available-for-sale (AFS) securities should be reported together in Column 12 of Schedule C, Part II. These securities should be reported using measurements consistent with U.S. GAAP. Therefore, HTM securities should be reported at amortized cost and AFS securities should be reported at fair value throughout the FFIEC 009 report.

Q8: Should Schedule C, Part II, Column 12, reconcile to Schedule HC-B or are respondents to report AFS securities balances posted as collateral only?

A8: 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.

Q9: How should contra-assets and other adjustments to loan principal amounts, such as allowances for loan and lease losses, unearned income, net unamortized loan fees, and unamortized discounts on purchased loans (including purchased credit-impaired loans) be reported?

A9: Loan amounts, including those for individually evaluated and impaired loans, should not be adjusted for allowances for loan and lease losses on the FFIEC 009 report. When other contra-asset balances and adjustments to loan principal amounts, including unearned income, net unamortized loan fees, and unamortized discounts on purchased loans can be attributed to specific loans, the loans should be reported on a net basis on the FFIEC 009 report. When such contra-asset balances and adjustments cannot be ascribed to loans with counterparties in a specific country and sector, the loans should not be adjusted for these amounts on the FFIEC 009 report.

Q10: 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?

A10: 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.

Q11: When the reporter has long and short positions in the same CUSIP, but they are held by entities in different countries, how is "CUSIP netting" applied?

A11: "CUSIP netting" is permitted. However, it should only be applied on the FFIEC 009 report when the office of the reporter with the position, the country of the issuer of the underlying security and the counterparty to a short position are in the same country.

Q12: Should a credit default swap (CDS) purchased to hedge a trading asset (as defined by U.S. GAAP) be reflected in Column 17 of Schedule C, Part II (Trading Assets)?

A12: If a CDS contract hedges a trading asset, the hedged portion of the trading asset should be reported in Schedule C, Part II, and in Column 17 for the country of the ultimate obligor, in this case the country of the issuer of the CDS contract. Any unhedged position remaining would be included in Schedule C, Part II, and in Column 17 for the country of the immediate obligor.

Q13: If a reporter has purchased credit-impaired (PCI) loans that are aggregated into pools based on common risk characteristics and treated as a single asset with a single composite interest rate, for which country and sector should these loans be reported?

A13: Purchased loan pools should be reported based on the characteristics (e.g., borrower country and sector) of each loan in the pool. Therefore, each of the loans in the pool should be reported as claims for the country and sector of the immediate and ultimate-risk obligors on Schedule C, Parts I and II.

Q14: Are property/casualty and life insurance policies excluded from Column 2 of Schedule O "Guarantees (Excluding Credit Derivatives Sold)"? How would reinsurance policies purchased on such policies be reported, if at all?

A14: Only insurance policies that a reporter issues that guarantee payment of a claim if a borrower defaults should be reported in Column 2 of Schedule O. Therefore, property/casualty and life insurance policies, as well as any associated reinsurance policies, should be excluded from this Column.

Q15: How should insurance policies sold that guarantee payment in case of default by a borrower be reported when reinsurance is purchased?

A15: Insurance policies that guarantee payments by borrowers should be reported, by the country of the borrower or underlying reference entity, in Column 2 of Schedule O, "Guarantees (Excluding Credit Derivatives Sold)." Amounts should be reported on an ultimate-risk basis, and therefore should take any further guarantees or reinsurance into account. Therefore, the amount reinsured

should be reported for the country of the entity providing the reinsurance, while the amount retained by the reporter should be reported for the location of the borrower or underlying reference entity.

“Collateral Held Against Claims with No Risk Transfers” – Columns 13 through 16 of Schedule C, Part II

Q16: What other activity should be reported on Schedule C, Part II, Column 13, other than Resale and Reverse Repurchase Agreements and Securities Lending?

A16: Secured financing transactions are the only contracts that should be reported in this section. However, the category may be used for other products for which the reporting of collateral would not result in a risk transfer according to the FFIEC 009 guidelines.

Q17: Schedule C, Part II, columns 13-16, indicate claim amounts should be reported, rather than collateral. Please clarify examples 14 and 18 as they appear to contradict the template layout.

A17: In Columns 13 through 16 of Schedule C, Part II, report the amount of the claim outstanding that is collateralized, but for which the collateral provided by the obligor did not meet the definition of collateral for the risk transfer of claims. If the collateral exceeds the underlying claim, report only up to the amount of the claim. All amounts should be reported against the country of the counterparty. Examples 14 and 18 are consistent with this treatment.

Q18: As it relates to Column 15 of Schedule C, Part II, should cash collateral pledged by the counterparty be reported?

A18: Cash collateral should be included in Column 15 of Schedule C, Part II, if the cash collateral is pledged by the counterparty as part of a resale agreement or securities borrowing arrangement and the “holder of cash” is in the same country as the counterparty to the transaction. For purposes of the FFIEC 009 report, the “holder of cash” is the legal entity that has the liability for the cash collateral.

Q19: Should claims be reallocated when the collateral for the claim is from an obligor in the same country and sector as the immediate counterparty?

A19: Claims where collateral is from an obligor in the same country and sector as the immediate counterparty should not be reallocated. In addition, this collateral should not be reported in Columns 13 through 16 of Schedule C, Part II.

Q20: If cash collateral is held by the reporter for a non-derivative claim, how should the cash collateral be reported?

A20: Claims where the collateral is cash that is held by the reporter or a branch/consolidated subsidiary of the reporter (regardless of location) should be reallocated to the “Banks” sector of the United States in Schedule C, Parts I and II.

Q21: If resale agreements are made with a branch of a bank, where the branch and the parent bank are located in different countries, should risk transfers take place on Schedule C?

A21: Claims (including resale agreements) on a third-party bank branch are considered to be implicitly guaranteed by the branch’s parent bank and should result in a risk transfer. Therefore, claims on a

bank branch should be reported in Columns 1 or 6 of Schedule C, Part II, for the country of the branch's parent bank. If the claim is a resale agreement, then the collateral backing that claim should be excluded from Columns 13 through 16 of Schedule C, Part II. The memorandum section of Schedule C, Part II, is intended to capture claims where collateral is provided (e.g., a resale agreement), but no risk transfer takes place. (Claims on a consolidated subsidiary of the counterparty, where no explicit guarantee exists, should not be risk-transferred and, in the case of resale agreements, should be included in Columns 13 through 16 of Schedule C, Part II, as appropriate.)

Q22: Should resale agreements be reported in Column 15 of Schedule C, Part II (“Of Which, Same Country”), when FIN 41 netting is used?

A22: Resale agreements should be reported in Column 15 only when FIN 41 netting is not applied.

Cash Collateral Provided for Derivative Contracts

Q23: Should cash collateral held by a reporter (including its branch/consolidated subsidiary) that is provided by an obligor to offset the positive fair value of a derivative contract be reported as a foreign office liability in Schedule L?

A23: Cash collateral provided by obligors to offset positive fair value positions of derivative contracts should be reported as a foreign office liability in Schedule L, Column 1 or 2, as appropriate, according to the location of the foreign office holding the cash collateral and in Column 3 according to the country of the creditor, i.e., the obligor who provided the cash collateral.

Q24: How is cash collateral held by the reporter that is provided by an obligor to offset the positive fair value of a derivative contract reported in Schedule D?

A24: In Schedule D, the positive fair value of derivative contracts can be offset against the negative fair value and cash collateral held by the reporter if the transactions are executed under a legally enforceable master netting agreement and the offsetting is in accordance with ASC 815-10 and 210-20. For derivative contracts executed under such a master netting agreement, only the net residual fair value, if positive, is reported in Schedule D according to the sector and country of residence of the ultimate counterparty. When offsetting under ASC 815-10 and 210-20 is not appropriate, cash collateral provided by obligors to offset positive fair value positions of derivative contracts should be reported according to the sector and country of the institution or other legal entity holding the cash collateral. The remaining uncollateralized portion of the positive fair value positions should be reported according to the sector and country of the counterparty. However, if cash collateral is held by the reporter's branch or a consolidated subsidiary, it should be reallocated in Schedule D in a manner consistent with the guidance provided in the response to question 20 above.