
**Frequently Asked Questions (FAQ)
For the Report of
Selected Money Market Rates (FR 2420)**

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I. Introduction

This version of the FR 2420 Frequently Asked Questions applies to the data items and reporting requirements in effect from October 20, 2015 for Part A (Federal Funds), Part AA (Selected Borrowings from Non-exempt Entities), and Part B (Eurodollars) and from January 15, 2016 for Part C (Time Deposits and Certificates of Deposit) through the current report date.

The information contained in this document serves as a reference guide for preparing the Report of Selected Money Markets Rates (FR 2420). This information and guidance is a supplemental source of information to help ensure the accuracy of the data and clarify reporting issues. This information is not intended to be used as a substitute for the FR 2420 report instructions.

II. General Reporting Concepts

1. **Question:** For the FR 2420 report, the Federal Funds Purchased, Selected Borrowings from Non-exempt Entities and Eurodollar data are due on the next business day after the report date; Time Deposits and Certificates of Deposit data are due two business days after the report date. Given these different deadlines, are there specific instructions for filing these distinct data submissions?

Answer: Yes. There are specific filing instructions for FR 2420 data. Two or three separate files are required for submission of FR 2420 data depending on the requirements for your banking institution as described below.

- The FR 2420FE report is filed by your banking institution for the following Parts of the FR 2420:
 - Part A: Federal Funds,
 - Part AA: Selected Borrowings from Non-exempt Entities, and
 - Part B: Eurodollars.

The FR 2420FE is due by 7 a.m. U.S. ET, one business day after the report date.

- The FR 2420CD report is filed by your banking institution for the following Part of the FR 2420:
 - Part C: Time Deposits and Certificates of Deposit (CD).

The FR 2420CD is due by 2 p.m. U.S. ET, two business days after the report date.

- The FR 2420IB report is filed by your banking institution's IBF to report the IBF's Eurodollar transactions. The FR 2420IB is only required if your banking institution has an established IBF. The FR 2420IB is reported by the IBF for the following Part of the FR 2420:
 - Part B: Eurodollars.

The FR 2420IB is due by 7 a.m. U.S. ET, one business day after the report date.

2. **Question:** For the FR 2420 report, the instructions give a specific time for each submission deadline. Is this the local time zone or a specific U.S time zone?

Answer: The time zone for the FR 2420 submission is United States Eastern Time regardless of where the reporting institution or the office responsible for filing the report is located.

3. **Question:** When the deadline for submission of FR 2420 data falls on a weekday that is a holiday, when should we submit the data? For example, if Monday is a holiday, then when is the submission deadline for the data that would normally be due on Monday to the Federal Reserve?

Answer: When the deadline to submit the data falls on a U.S. bank holiday (on a weekday, for example a Monday holiday), then the data is due on the first business day after the holiday. For this example, the data that would normally be due on Monday is due the first business day after the holiday; therefore, the data is due on Tuesday.

4. **Question:** Where is the list of U.S. bank holidays located?

Answer: The U.S. bank holidays are published on the Federal Reserve's web site at the following link:

<https://frbservices.org/holidayschedules/index.html>

5. **Question:** If we have no transactions on the report date, what should be filed?

Answer: If your banking institution has no transactions for a given report date, then submit your data with a "0" entered for the dollar amount item in the applicable part(s) of the report (Part A, AA, B, and/or C).

Your banking institution would file the FR 2420FE, FR 2420IB, or FR 2420CD with the number "0" entered in the dollar amount item.

6. **Question:** If funding operations and trading are complete for the day at 4:00 p.m., can we submit the Federal Funds, Selected Borrowings from Non-exempt Entities, and Eurodollar data that day (i.e., on the report date) instead of waiting to submit the data on the next business day by 7:00 a.m. U.S. ET?

Answer: Yes, if the data has been compiled and reviewed for accuracy and completeness, then the data can be submitted that day (on the report date).

7. **Question:** Can Certificate of Deposit and Time Deposit data be submitted at the same time as the Federal Funds, Selected Borrowings from Non-exempt Entities, and Eurodollar data instead of waiting until the second business day to submit the Certificate of Deposit and Time Deposit data?

Answer: Yes, if all of the data has been compiled and reviewed for accuracy and completeness, then all of the data can be submitted when ready.

8. **Question:** If a transaction is mistakenly omitted from a previous report date (“as-of” date), can the missed transaction be added to the data submission for the current report date and specify that it had a different trade date?

Answer: No, past reports must be submitted to include any excluded transactions or correct any errors in reported data.

9. **Question:** What is the difference between the trade date and the settlement date?

Answer: For purposes of the FR 2420, the definitions and distinction are:

Trade Date:

The trade date is the date on which the terms of the trade or transaction are agreed upon (the date the agreement or contract is confirmed).

Settlement Date:

The settlement date is the date on which the financial transaction is settled and the funds from the transaction are available to the borrower.

10. **Question:** How should the trade date be reported?

Answer: Guidance on the reporting treatment for the trade date is provided below.

In the Trade Date item, enter the date on which the terms of the transaction are agreed upon. The trade date must always be the same as the report date (“as-of” date).

The trade date must not be a date that falls on a weekend or a holiday.

11. **Question:** How should the settlement date be reported?

Answer: Guidance on the reporting treatment for the settlement date is provided below.

In the Settlement Date item, enter the date on which the funds from the transaction are made available to the borrower. For a transaction that:

- **Settled on the same day as the trade date:**
The date entered in the settlement date item should equal the date reported for the trade date. In this situation, the settlement date is equal to both the trade date and the report date.
- **Will settle on a future date** (after the trade date, i.e., a forward starting transaction):
The date entered in the settlement date item should correspond with the future date when the funds will be made available to the borrower (the reporting institution).

The settlement date must not equal the maturity date.

The settlement date should not be a date that falls on a weekend or a holiday.

12. **Question:** Are forward starting transactions reported on the FR 2420?

Answer: Yes. Forward starting transactions are reported on all Parts of the FR 2420. All forward starting transactions that meet the reporting criteria are reported on the trade date. The transaction should only be reported once; on the trade date. It should not be reported again on the settlement date.

13. **Question:** Can you provide examples of how to report the items that require a date?

Answer: Yes. Provided below are examples of the reporting treatment of the items that require calendar dates be reported.

Example 1:

Transaction with Same Day Settlement and Maturity of One Day (Overnight)

A Fed Funds transaction is agreed upon, executed, and settled on March 17. The transaction is scheduled to mature on March 18 (overnight). In this example, all other FR 2420 reporting criteria are met for this transaction. This transaction would be reported as follows:

- The Fed Funds transaction is reported with the data for the March 17 report date, which is the date that the terms of this transaction were agreed upon. The transaction would be reported with the following dates:
 - **Trade date:** March 17 (same as the report date)
 - Reported in proper date format: YYYY0317
 - **Settlement date:** March 17 (same as report date and trade date)
 - Reported in proper date format: YYYY0317
 - **Maturity date:** March 18
 - Reported in proper date format: YYYY0318
- The dollar amount that would be reported is the contractual dollar amount (in millions) that will be made available to the reporting institution on the settlement date.

Example 2:

Transaction with a Same Day Settlement and a Term Maturity

A Eurodollar transaction is agreed upon, executed, and settled on September 3. The transaction is scheduled to mature on October 11. In this example, all other FR 2420 reporting criteria are met for this transaction. This transaction would be reported as follows:

- The Eurodollar transaction is reported with the data for the September 3 report date, which is the date that the terms of this transaction were agreed upon. The transaction would be reported with the following dates:
 - **Trade date:** September 3 (same as the report date)
 - Reported in proper date format: YYYY0903
 - **Settlement date:** September 3 (same as report date and trade date)
 - Reported in proper date format: YYYY0903
 - **Maturity date:** October 11
 - Reported in proper date format: YYYY1011

- The dollar amount that would be reported is the contractual dollar amount (in millions) that will be made available to the reporting institution on the settlement date.

Example 3:

Transaction with a Forward Start and a Maturity of One Day (Overnight)

A Fed Funds transaction is agreed upon and executed on March 11. The transaction is scheduled to settle on March 12 and to mature on March 13. In this example, all other FR 2420 reporting criteria are met for this transaction. This transaction would be reported as follows:

- The Fed Funds transaction is reported with the data for the March 11 report date, which is the date that the terms of this transaction were agreed upon. The transaction would be reported with the following dates:
 - **Trade date:** March 11 (same as the report date)
 - Reported in proper date format: YYYY0311
 - **Settlement date:** March 12
 - Reported in proper date format: YYYY0312
 - **Maturity date:** March 13
 - Reported in proper date format: YYYY0313
- The dollar amount that would be reported is the contractual dollar amount (in millions) that will be made available to the reporting institution on the settlement date.

Example 4:

Transaction with a Forward Start and a Term Maturity

A Time Deposit is issued on April 21. The transaction is scheduled to settle on April 23 and to mature on June 8. In this example, all other FR 2420 reporting criteria are met for this transaction. This transaction would be reported as follows:

- The Time Deposit is reported with the data for the April 21 report date, which is the date that the terms of this transaction were agreed upon. The transaction would be reported with the following dates:
 - **Trade date:** April 21 (same as the report date)
 - Reported in proper date format: YYYY0421
 - **Settlement date:** April 23
 - Reported in proper date format: YYYY0423
 - **Maturity date:** June 8
 - Reported in proper date format: YYYY0608
- The dollar amount that would be reported is the contractual dollar amount (in millions) that will be made available to the reporting institution on the settlement date.

14. **Question:** What is the minimum dollar amount to be reported for each part of the report?

Answer: Transactions greater than or equal to \$1 million are to be reported. This reporting requirement applies to all parts of the FR 2420 report (Part A: Federal Funds, Part AA: Selected Borrowings from Non-exempt Entities, Part B: Eurodollars, and Part C: Time Deposits and Certificates of Deposit).

15. **Question:** How should the dollar amount be rounded?

Answer: All dollar amounts must be reported in millions and are rounded to the nearest million with no decimals. Transactions less than \$1 million should not be reported. Examples for reporting dollar amount are provided below.

Example 1:

A transaction of \$218,000,000.00 is reported as: 218

Example 2:

A transaction of \$1,500,000.00 is reported as: 2

Example 3:

A transaction of \$1,499,999.99 is reported as: 1

Example 4:

A transaction of \$999,999.99 is: Not reported

16. **Question:** The FR 2420 instructions state that the interest rate should be reported as a percent expressed out to five decimal places. For a transaction with an interest rate less than 1 percent, should a leading zero be reported?

Answer: Yes. For a transaction with an interest rate less than 1 percent, a leading zero is to be reported.

Example:

An interest rate of 1/2 percent should be reported as: 0.50000

17. **Question:** If we have a transaction with a negative interest rate, how should the negative interest rate be reported?

Answer: A negative interest rate is to be reported as a percent expressed out to five decimal places preceded with a negative sign (-).

Example 1:

A negative interest rate of -1.064 percent would be reported as: -1.06400

Example 2:

A negative interest rate of -0.21 percent would be reported as: -0.21000

18. **Question:** On the report date, the certificates of deposit issued frequently have matching terms (i.e., the certificates of deposit issued have the same interest rate, same dollar amount, same counterparty type, etc.). If all of the terms match, can the transactions be consolidated and reported as one?

Answer: No. Each individual certificate of deposit issued is to be reported separately even when all of the terms of the certificates of deposit issued on the report date match exactly.

This general reporting requirement (that multiple transactions on the report date that have matching terms must each be reported separately) is applicable to each part of the FR 2420 (Part A: Federal Funds, Part AA: Selected Borrowings from Non-exempt Entities, Part B: Eurodollars, and Part C: Time Deposits and Certificates of Deposit).

19. **Question:** For the FR 2420 report, how is a continuing contract defined?

Answer: A continuing contract is an agreement or contract that remains in effect for more than one business day, but has no specified maturity and does not require advance notice of either the lender or the borrower to terminate. Such contracts may also be known as rollovers, open-ended agreements, or open trades.

20. **Question:** When should a transaction that does not have a specified maturity (i.e., under a continuing contract) be reported on the FR 2420?

Answer: A transaction executed under a continuing contract is reported at inception and then again on each report date that the transaction is rolled over with a change in any term of the agreement including a rate change. Therefore, if there is no change in terms on the report date, then the transaction need not be reported on that date.

An institution may opt to report all transactions under continuing contract each business day if this option is more in line with internal reporting or operations.

For banking organizations that are required to begin filing the FR 2420 report: On the first report date that the banking organization files the FR 2420, all transactions under continuing contract are to be reported. After which, the above applies.

21. **Question:** Is there any difference between the reporting treatment of an affiliate and a related party?

Answer: No. There is no difference in reporting. Transactions with both types of entities are excluded.

22. **Question:** How are majority-owned subsidiaries defined?

Answer: For purposes of the FR 2420 report, a majority-owned subsidiary of the reporting institution is defined as a subsidiary in which the reporting institution owns more than 50 percent of the outstanding voting stock. Majority-owned subsidiaries are consolidated on the FR 2420.

23. **Question:** For the FR 2420 report, how are U.S. and Non-U.S. distinguished?

Answer: For purposes of the FR 2420, the definitions are provided below:

U.S. (United States)

The 50 states of the United States, the District of Columbia, and U.S. military facilities, wherever located.

Non-U.S. (as specifically defined for the FR 2420)

This refers to any geographic location outside the 50 states of the United States and the District of Columbia. Non-U.S. includes the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, and any other U.S. territory or possession.

24. **Question:** How should counterparty type be reported for borrowings that use a correspondent bank?

Answer: If a reporting institution borrows from another institution through a correspondent bank, the reporting institution should not use the correspondent bank for the counterparty type of the transaction. The counterparty type should be based on the lender of the funds.

25. **Question:** If a reporting institution acts as a correspondent for another institution's borrowing transactions, should the correspondent bank report these transactions?

Answer: No, if a correspondent bank is an FR 2420 reporting institution and is facilitating a transaction between two separate institutions, it should not report this activity on the FR 2420.

III. Federal Funds (Part A)

26. **Question:** The FR 2420 instructions state a Federal funds transaction (purchase) is an unsecured borrowing in U.S. dollars from a counterparty that is an exempt entity as defined in Regulation D. What is an exempt entity?

Answer: An Exempt Entity is defined in Regulation D, Section 204.2 (a)(1)(vii). A list of exempt entities is provided below; however, the citations in Regulation D and the FR 2900 instructions supersede this list.

Exempt entities include, but are not limited to, the following:

- The U.S. offices of:
 - U.S. commercial banks and trust companies conducting a commercial banking business and their majority-owned subsidiaries
 - Banking Edge Act and agreement corporations
 - Mutual and stock savings banks
 - Building or savings and loan associations and homestead associations
 - Cooperative banks
 - Industrial banks
 - Credit unions (including corporate central credit unions)
- The U.S. branches or agencies of foreign (non-U.S.) banks [*that is, banks organized under foreign (non-U.S.) law*]
- The U.S. government and its agencies and instrumentalities, such as:
 - Federal Home Loan Banks (FHLBs)
 - Federal Agricultural Mortgage Corporation (Farmer Mac),

- Federal Farm Credit Banks
- Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
- Federal National Mortgage Association (FNMA or Fannie Mae)
- Federal Land Banks (FLBs)
- Financing Corporation (FICO)
- A securities dealer, when a borrowing by a depository institution from the securities dealer meets the following conditions:
 - a) Has a an original maturity of one day (overnight),
 - b) Is in immediately available funds, and
 - c) Is in connection with the clearance of securities transactions.
- Investment companies or trust companies whose entire beneficial interest is held exclusively by one or more depository institutions.
- New York State investment companies (chartered under Article XII of the New York State Banking Code) that perform a banking business and that are majority owned by one or more non-U.S. banks.

27. Question: When is an investment company or non-depository trust company considered an exempt entity?

Answer: An investment company or non-depository trust company is considered an exempt entity if all of the conditions in Regulation D, Section 204.123 are met as noted in the list below.

In this circumstance, the investment company or non-depository trust company is an independent institution. That is, it is not a unit or trust department within a bank. It is a stand-alone entity that is fully capitalized on its own. While the entity is an independent institution, it is not an independent investment company or non-depository trust company that is not

affiliated with a bank. And, it is not an investment company or non-depository trust company that is owned by the bank holding company.

1. The investment company or non-depository trust company's entire beneficial interest is held exclusively by one or more depository institutions. Such investment companies or trust companies are exempt because in effect they act as conduits for the holders of their beneficial interest.
2. The assets of the investment company or non-depository trust company must be limited to investments that all holders of the beneficial interest can make without limit.
3. The holders of the beneficial interest in the investment company or non-depository trust company must not be allowed to make third party transfers from their accounts with the investment company or non-depository trust company.

28. Question: When borrowing Fed Funds from an investment company or non-depository trust company that is considered an exempt entity, which counterparty type should be reported for the transaction?

Answer: The counterparty to this fed funds transaction would be reported as counterparty type 5, specifically a "non-depository financial institution that is defined as an exempt entity."

29. Question: Are unsecured borrowings from a Federal Home Loan Bank reported as Fed Funds (purchased)?

Answer: Yes. A Federal Home Loan Bank is designated as an exempt entity under Regulation D, Section 204.2 (a)(1)(vii). Therefore, borrowings from a Federal Home Loan Bank by the institution's U.S. offices that are unsecured and in U.S. dollars are considered Federal Funds Purchased for purposes of the FR 2420 report and are to be reported in Part A: Federal Funds.

30. **Question:** Are Federal Home Loan Bank advances reported as Fed Funds purchased?

Answer: No. Although a Federal Home Loan Bank is designated as an exempt entity under Regulation D, Section 204.2 (a)(1)(vii), borrowings in the form of advances that are fully secured by collateral from a Federal Home Loan Bank by the institution's U.S. offices are excluded from the FR 2420.

31. **Question:** Are funds borrowed from a Federal Reserve Bank reported as federal funds purchased?

Answer: No. A borrowing from a Federal Reserve Bank is a secured borrowing (the borrowing is collateralized to the Federal Reserve's satisfaction) and therefore is excluded from the FR 2420.

32. **Question:** Are unsecured borrowings from Farm Credit Banks reported as fed funds purchased?

Answer: Yes. Farm Credit Banks, including Agribank and Cobank are U.S. government-sponsored agencies, which are designated as exempt entities under Regulation D, Section 204.2 (a)(1)(vii). Therefore, the unsecured borrowing with the exempt entity is considered a fed funds purchase.

33. **Question:** When Fed Funds are borrowed from a Farm Credit Bank, such as Agribank or Cobank, which counterparty type should be reported for the transaction?

Answer: Since Farm Credit Banks, such as Agribank and Cobank, are U.S. government-sponsored agencies, then a fed funds purchase transaction with Agribank, Cobank, or any other Farm Credit Bank is to be reported as counterparty type 8 specifically a "U. S. government-sponsored enterprise that is defined as an exempt entity."

34. **Question:** Would fed funds borrowed by a U.S. commercial bank from one of their majority-owned subsidiaries be reported on the FR 2420?

Answer: No. A majority-owned subsidiary is a related party; and any transaction with a related party is eliminated in consolidation and excluded from the FR 2420 report.

35. **Question:** Are both overnight and term federal funds reported on the FR 2420?

Answer: Yes. All unsecured borrowings by the institution's U.S. offices in U.S. dollars are reported on the FR 2420, regardless of maturity. Transactions reported as federal funds purchased include unsecured borrowings under agreements or contracts that have an original maturity of one business day (overnight), an original maturity of more than one business day (longer specified term or term federal funds), or roll over under a continuing contract (open trades).

36. **Question:** For Federal Funds, how is an overnight transaction defined on the FR 2420?

Answer: An overnight borrowing has an original maturity of one business day if the funds borrowed on one business day are to be repaid or the transaction reversed on the next business day; that is, if immediately available funds borrowed today are to be repaid tomorrow.

Such transactions include those made on a Friday to mature or be reversed the following Monday and those made on the last business day prior to a holiday to mature or be reversed on the first business day following the holiday.

37. **Question:** Is an unsecured borrowing in the form of a security, such as commercial paper, reported as federal funds on the FR 2420?

Answer: No. All debt securities, including commercial paper, are excluded from the FR 2420.

38. **Question:** Is there any difference between the definitions of Federal Funds (purchased) on the FR 2420 versus the Call Report?

Answer: Yes, there are definitional differences between the two reports which are illustrated in the table below.

Federal Funds Purchased Reporting of:	FR 2420	Call Report
Unsecured Borrowing	Yes	Yes
Secured Borrowing	No	Yes Specifically, borrowings that involve the sale of financial assets, such as loans or other instruments that are <u>not</u> securities, under agreements to repurchase
Overnight Maturity	Yes	Yes
Continuing Contract	Yes	Yes
Term Maturity	Yes	No Term Fed Funds are reported as "Other Borrowed Money"

IV. Selected Borrowings from Non-Exempt Entities (Part AA)

39. **Question:** For Part AA, Selected Borrowings from Non-Exempt Entities, the FR 2420 instructions state to report all transactions of unsecured borrowings in U.S. dollars made to the institution's U.S. offices from a counterparty that is a non-exempt entity as defined in Regulation D. What should be reported?

Answer: For FR 2420 purposes, in Part AA report any unsecured primary obligations (*obligations undertaken by the reporting institution as a means of obtaining funds*) as described in the FR 2900 instructions in Section 1: General Instructions, Subsection G.2: Certain Primary Obligations.

An example of an unsecured primary obligation is provided below:

- An unsecured borrowing in U.S. dollars from a counterparty that is a non-exempt entity with a maturity of either overnight or for a specified term or under a continuing contract. (*Note that Subsection G.2 (Certain Primary Obligations) of the FR 2900 instructions refers to this type of transaction as the purchase of "federal funds" from a non-exempt entity*).

40. **Question:** For Part AA, Selected Borrowings from Non-Exempt Entities, the FR 2420 instructions state to report all transactions of unsecured borrowings in U.S. dollars made to the institution's U.S. offices from a counterparty that is a non-exempt entity. What is a non-exempt entity?

Answer: A non-exempt entity is drawn from Regulation D, Section 204.2 (a) (vii) [*Note that this section of Regulation D precisely defines which entities are designated as exempt and when certain entities are designated as exempt under specific conditions/transactions. All other entities are non-exempt (i.e., those entities and transactions that are not specifically cited in this section of Regulation D)*].

A list of non-exempt entities is provided in the glossary section of the “Report of Transaction Accounts, Other Deposits and Vault Cash” (FR 2900) instructions. Examples of non-exempt entities are provided below; however, the citations in Regulation D and the list contained in the FR 2900 instructions supersede this document.

Examples of non-exempt entities:

- A partnership or corporation, wherever located.
- A securities dealer, wherever located, when a borrowing by a depository institution from the securities dealer meets the following conditions:
 - a) Has an original maturity that is longer than one day, and
 - b) Is not in connection with the clearance of securities.
- State and local governments in the United States and their political subdivisions.
- A nonbanking subsidiary of a depository institution (*unaffiliated for purposes of the FR 2420*).
- The parent holding company of a depository institution if the holding company is not a bank (*unaffiliated for purposes of the FR 2420*).
- The nonbanking subsidiary of a depository institution’s parent holding company (*unaffiliated for purposes of the FR 2420*).
- The non-U.S. branch or office of a U.S. depository institution (*unaffiliated for purposes of the FR 2420*).
- The non-U.S. branch or agency of a foreign bank [*that is, a bank organized under foreign (non-U.S.) law*] (*unaffiliated for purposes of the FR 2420*).

V. Eurodollars (Part B)

41. **Question:** The FR 2420 instructions state to report all Eurodollar transactions, which are unsecured borrowings in U.S. dollars booked at non-U.S. offices. Are deposits reported in the Eurodollar section of the FR 2420 report?

Answer: Yes. Deposits are reported if the deposit is issued at arm's length, has an interest rate, and is issued to an unaffiliated entity. Also reported as a Eurodollar transaction is any unsecured liability unless specifically excluded in the instructions.

42. **Question:** Should a deposit booked in U.S. dollars in an offshore branch of a U.S. bank be reported?

Answer: Yes. Any deposit (unsecured liability) booked in an offshore branch that meets the criteria in the instructions for Part B is reported.

43. **Question:** Would deposits booked in U.S. dollars in a bank's branch in Puerto Rico be reported?

Answer: Yes. For purposes of the FR 2420, Puerto Rico is considered a foreign branch (*See definition of Non-U.S. in the "General Reporting Concepts" section of this document*). Any third party U.S. dollar deposit booked in a U.S. bank's branch located in Puerto Rico is reported on the FR 2420FE in Part B as a Eurodollar transaction if the branch meets the definition of significant.

44. **Question:** Is a U.S. branch or agency of a foreign bank required to report any transactions on Part B: Eurodollars?

Answer: Yes. A U.S. branch or agency of a foreign bank is required to report any third party U.S. dollar deposit booked in a non-U.S. branch that is located in the Cayman Islands or in the Bahamas, including Nassau, and is managed or controlled by the U.S. branch or agency of the same foreign (non-U.S.) bank.

“Managed or controlled” means that a majority of the responsibility for business decisions, including but not limited to decisions with regard to lending or asset management or funding or liability management, or the responsibility for recordkeeping in respect of assets or liabilities for that foreign branch resides at the U.S. branch or agency. “Managed or controlled” is fully defined in the FFIEC 002S (Report of Assets and Liabilities of Non-U.S. Branches That Are Managed or Controlled by a U.S. Branch or Agency of a Foreign (*Non-U.S.*) Bank) report instructions.

45. **Question:** How should a deposit in U.S. dollars booked in an IBF (International Banking Facility) be reported?

Answer: Any third party U.S. dollar deposit booked in an IBF is reported on the FR 2420 in Part B as a Eurodollar transaction. The IBF is required to report all Eurodollar transactions booked in the IBF on a separate FR 2420 filing, specifically the FR 2420IB.

VI. Time Deposits and Certificates of Deposit (Part C)

46. **Question:** Are time deposits, other than certificates of deposit, reported on the FR 2420?

Answer: Yes. All time deposits are to be reported on the FR 2420CD including time deposits, certificates of deposit, time certificates of deposit, and time deposit open accounts. This is regardless of the terminology used to describe or market the time deposit instrument.

Additionally, only time deposits that meet all of the FR 2420 reporting criteria, which includes any time deposit that is booked in a U.S. office, is booked in U.S. dollars, and is denominated in amounts of \$1 million or more; are reported on the FR 2420CD.

47. **Question:** Should a time deposit issued to a company which is a subsidiary of our bank holding company be reported on the FR 2420?

Answer: No. A subsidiary of the bank holding company (of this U.S. bank) is an affiliate of the bank. For purposes of the FR 2420, transactions between the reporting institution and its affiliates are excluded.

48. **Question:** With regard to Certificates of Deposit, what is the definition of negotiable and non-negotiable?

Answer: For purposes of the FR 2420, the definitions are provided below:

Negotiable:

A negotiable Certificate of Deposit is defined as a certificate of deposit of large value that can be bought and sold. The holder of the Certificate of Deposit can sell it to a third party. As with all Certificates of Deposit, the Certificate of Deposit cannot be redeemed before it has reached full maturity (without penalty) even if the Certificate of Deposit is sold.

Non-negotiable:

A non-negotiable Certificate of Deposit cannot be bought and sold.

49. **Question:** For a brokered Certificate of Deposit, what should be reported in the “Negotiable” item since individual transaction data is not always available?

Answer: Since a brokered Certificate of Deposit is reported as one transaction and information may not be available from the broker on individual shares of the Certificate of Deposit, the reporting institution should use all available information to determine whether the Certificate of Deposit is negotiable or non-negotiable. If there is no information available, report the transaction as negotiable since brokered Certificates of Deposit are usually negotiable by design.

50. **Question:** How should a Certificate of Deposit (or time deposit) that has an automatic renewal feature that allows the depositor a window of time (grace period) to modify the term be reported?

Answer: The renewal of an existing Certificate of Deposit (or time deposit) should be reported on the day it settles with its new terms. Therefore, the Certificate of Deposit that becomes effective on the day it is automatically renewed should be reported as a transaction on the automatic renewal date only, even if the customer modifies the term on a later date within the allowable window (grace period).

51. **Question:** What is the definition of fixed rate and floating rate?

Answer: The definitions for purposes of the FR 2420 report are provided below:

Definition of a Fixed Interest Rate:

A fixed interest rate is a rate that is specified at the origination of the transaction, is fixed and invariable during the term, and is known to both the borrower and the lender. Also treated as having a fixed interest rate is a Certificate of Deposit with a predetermined interest rate which is a rate that changes during the term of the Certificate of Deposit on a predetermined basis (i.e., there is a predetermined reset at which time the interest rate changes to a predetermined rate which was set at origination). The exact rate of interest

over the life of the Certificate of Deposit is known with certainty to both the borrower and the lender at the origination of the Certificate of Deposit.

Definition of a Floating Interest Rate:

A floating interest rate is a rate that varies, or can vary, in relation to an index, to some other interest rate such as the rate on certain U.S. Government securities or the "prime rate," or to some other variable criterion the exact value of which cannot be known in advance. Therefore, the exact rate the Certificate of Deposit carries at any subsequent time cannot be known at the time of origination.

52. **Question:** Can you provide additional information and examples of the reporting treatment for fixed rate time deposits?

Answer: Yes. Provided below are additional information and examples of reporting fixed rate time deposits (or certificates of deposit).

- a. One type of fixed rate time deposit (or certificate of deposit) is a time deposit with a fixed interest rate that is specified at origination and is fixed and invariable for the full term of the time deposit. Therefore at origination, the exact rate of interest paid over the life of the time deposit is known with certainty to both the borrower and the lender.

Example:

A certificate of deposit is issued for \$8 million with a 6 month term and an interest rate based on prime plus 20 basis points which equates to 1.5 percent on the date of origination. The rate remains fixed at 1.5 percent for the 6 month term. The other terms include: the issue date is March 2, the settlement date is March 3, the maturity date is September 3, the spread is not applicable, there is no step up, the certificate of deposit is negotiable, the embedded option is puttable, and the counterparty is a state municipality.

Since the interest rate is specified when the certificate of deposit is issued and the interest rate is fixed, this certificate of deposit would be reported on the FR 2420CD for the March 2 report data with the following values:

- **Dollar Amount:** 8
- **Trade date:** March 2 (same as the report date)
(Reported in proper date format: YYYY0302)
- **Settlement Date:** March 3
(Reported in proper date format: YYYY0303)
- **Maturity Date:** September 3
(Reported in proper date format: YYYY0903)
- **Interest Rate:** 1.50000
- **Spread:** null *(leave blank)*
- **Floating or Fixed Rate:** 2 *(for Fixed)*
- **Step-Up Indicator:** N *(for No step-up)*
- **Reset Period:** 0 *(for No Reset)*
- **Reference Rate:** 0 *(for NA)*
- **Negotiable:** Y *(for Yes, negotiable)*
- **Embedded Options:** 2 *(for puttable)*
- **Counterparty Type:** 12 *(for other entity)*

- b. Another type of fixed rate time deposit (or a certificate of deposit) is a time deposit with a predetermined interest rate which is a rate that changes during the term of the time deposit on a predetermined basis. With this type of fixed rate time deposit, there is a predetermined reset at which time the interest rate is changed to a predetermined rate which was set at origination. In addition, there may be more than one reset over the term of the time deposit. This type of product is defined as a fixed rate time deposit given that at origination, the exact rate of interest paid over the life of the time deposit is known with certainty to both the borrower and the lender.

Falling under the category of fixed rate time deposit is a time deposit (or a certificate of deposit) with a “step up” feature where the interest rate increases after a predetermined amount of time to the step-up rate(s), which is set at origination.

Example:

A certificate of deposit is issued for \$2 million with a 6 month term and an interest rate based on prime plus 21 basis points which equates to 0.71 percent on the date of origination. The rate resets to 1.05 percent at the 1 month mark and then resets again to 1.25 percent at the 4 month mark. The other terms include: today’s date is January 2, settlement date is January 2, maturity date is July 2, spread is not applicable since this is a fixed rate deposit, there are step ups, the deposit is non-negotiable, the embedded options are callable and puttable, and the counterparty is an individual.

Since the rate is specified when the certificate of deposit is issued and the rate changes based on predetermined rates and the certificate of deposit resets at a predetermined time, this certificate of deposit is fixed and reported on the FR 2420CD on the January 2 report date with the following values:

- **Dollar Amount:** 2
- **Trade date:** January 2 (same as report date)
(Reported in proper date format: YYYY0102)
- **Settlement Date:** January 2 (same as report and trade date)
(Reported in proper date format: YYYY0102)
- **Maturity Date:** July 2
(Reported in proper date format: YYYY0702)
- **Interest Rate:** 0.71000
- **Spread:** null *(leave blank)*
- **Floating or Fixed Rate:** 2 *(for Fixed)*
- **Step-Up Indicator:** Y *(for Yes; step-up)*
- **Reset Period:** 6 *(Reset period is Other)*
- **Reference Rate:** 0 *(for NA)*
- **Negotiable:** N *(for No; non-negotiable)*
- **Embedded Options:** 4 *(for Other)*
(Given CD is both callable and puttable)
- **Counterparty Type:** 12 *(for other entity)*

53. **Question:** Can you provide additional information and examples of how to report floating rate time deposits?

Answer: Yes. Provided below is additional information and an example of the reporting treatment for fixed rate time deposits (or certificates of deposit).

A floating rate time deposit (or certificate of deposit) is a time deposit with a rate that varies, or can vary, in relation to a reference rate the exact value of which is not known in advance. Therefore, the exact interest rate the time deposit carries over the term of the deposit is not known in advance to either the borrower or the lender.

Example:

A Certificate of Deposit is issued for \$14 million with a 1 month term and an interest rate based on the fed funds effective rate plus 20 basis points which equates to 0.7 percent on the date of origination. The rate resets daily based on the fed funds effective rate plus 20 basis points. The other terms include: today's date is October 1, the settlement date is October 3, the maturity date is November 3, the spread is 20 basis points, there is no step up, the deposit is negotiable, the embedded option is callable, and the counterparty is a U.S. branch of a foreign bank.

Since the rate changes according to the reference rate at each reset date over the term of the certificate of deposit, this certificate of deposit has a floating rate and would be reported on the FR 2420CD on the October 1 report date with the following values:

- **Dollar Amount:** 14
- **Trade date:** October 1 (same as report date)
(Reported in proper date format: YYYY1001)
- **Settlement Date:** October 3
(Reported in proper date format: YYYY1003)
- **Maturity Date:** November 3
(Reported in proper date format: YYYY1103)

- **Interest Rate:** 0.70000
- **Spread:** 0.20
- **Floating or Fixed Rate:** 1 *(for Floating)*
- **Step-Up Indicator:** NA *(for Not Applicable)*
- **Reset Period:** 7 *(Reset period is daily)*
- **Reference Rate:** 1 *(for Fed Funds Effective Rate)*
- **Negotiable:** Y *(for Yes; negotiable)*
- **Embedded Options:** 1 *(for Callable)*
- **Counterparty Type:** 3 *(for U.S. branch of a foreign bank)*