Overview of Proposed Changes to the Country Exposure Report (FFIEC 009/009a)

Based on Federal Register Notice Published January 29, 2013

February 20, 2013
Proposed Report Changes

- Expanded sector breaks
- Added memorandum items
  - AFS and HTM securities
  - Collateralized claims with no risk transfer
  - Netting of trading assets
- Expanded credit derivatives reporting
- Added United States row
- Added new a requirement for Savings and Loan Holding Companies to report
- Clarified Instructions
- Expanded public disclosures (FFIEC 009a)
Expand Sector Breaks

- “Banks” and “Public” remain unchanged.

- “Other” expanded to:
  - “NBFIs” – Non-Bank Financial Institutions
  - “Corporate”
  - “Households”

- Schedule D and FFIEC 009a only break out “NBFIs” from “Other”.
Schedule C, Part II Memorandum Items

- Schedule C, Part II includes new memorandum items.
  - Column 12 – “Securities (HTM and AFS)”
  - Columns 13 through 16 – “Collateral Held Against Claims With No Risk Transfer (Reported in Columns 1 through 10) – By Counterparty”
    - Column 13 – “Total Collateral”
    - Column 14 – “Of which, Cash”
    - Column 15 – “Of which, Same Country”
    - Column 16 – “Of which, Resale and Reverse Repurchase Agreements and Securities Lending (Counterparty)”

- Columns 14 through 16 not mutually exclusive.
Schedule C, Part II Memorandum Items

- Columns 13 through 16:
  - Consistent with the current rules, claims from reverse repurchase and securities lending agreements are reported by counterparty, not by issuer of the collateral.
    - These memorandum items capture the claims reported in Columns 1 through 10 of Schedule C, Part II that are from reverse repurchase and securities lending agreements.
    - They also provide detail as to whether they are collateralized by cash and/or by securities issued from the same country as the counterparty.

- Column 18 – “Offsetting Positions for Trading Book”
  - Short positions that offset amounts reported in Column 17.
  - Must be same issuer (on a legal entity basis) and same product type (debt vs. debt and equity vs. equity) for offsetting.
Credit Derivatives

- Capture purchases and sales of credit derivatives.
  - Commitments and guarantees reported separately.

- Schedule O, Columns 3 through 6 – “Credit Derivatives (By Reference Entity)”
  - Columns 3 and 4 – “Gross-Gross”
    - Column 3 – “Total Credit Derivatives Purchased”
      - Excludes amounts used for risk-transfers in Schedule C, Parts I and II.
      - Only risk transfer up to amount of underlying claims in Schedule C, remainder is reported here.
    - Column 4 – “Total Credit Derivatives Sold”
      - Included in current Schedule 1, Column 23.
Credit Derivatives

- Columns 5 and 6 – “Gross-Net”
  - Net contracts reported in Columns 3 and 4:
    - Net purchased and sold credit derivative contracts not used to hedge balance sheet assets
    - Have same reference entity (legal entity basis)
    - Have same counterparty
    - Subject to a master netting agreement
Example:

The reporter’s U.S. office has $8 million in French government debt. To hedge this claim, they purchase a credit derivative with a notional value of $10 million from a bank in Germany. The derivative has a negative fair value. Entries would be:

- **Schedule C, Part I**

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<th>Col. 18</th>
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<tr>
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- **Schedule C, Part II**

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- **Schedule O**

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</table>
Include United States

- Added the United States row to:
  - Provide globally consolidated data
  - Ease comparison and reconciliation to other regulatory reports

- Not applicable to:
  - Schedule L, Columns 1 and 2 – “Foreign-Office Liabilities, By Country of Foreign Office”
  - Schedule D, Columns 7 and 8 – “Foreign-Office Claims on Local Residents” and “Foreign-Office Liabilities”
Savings and Loan Holding Companies

- Certain Savings and Loan Holding Companies would now be required to file the FFIEC 009/009a.

- Reportable under same criteria as for commercial banks (unchanged)
  - $30 million in claims on foreign residents, and
  - at least one of these entity types:
    - a branch in foreign country,
    - a consolidated subsidiary in a foreign country,
    - an Edge or Agreement subsidiary,
    - a branch in Puerto Rico or in any U.S. territory or possession,
    - an International Banking Facility (IBF)
Report Instructions

- Added a table outlining the differences between FFIEC 009 reporting and U.S. GAAP
- Additional reporting scenarios, including:
  - Reporting of partially and over-collateralized claims
  - Liabilities
  - Net Due To/Due From
  - Netting of purchased and sold CDS contracts
- General concept clarification
  - Expanded list of examples of reportable claims and liabilities (no definitional changes)
  - Collateral eligible for risk transfer
  - Treatment of short sales
  - Reporting of credit derivatives used for hedging and CDS indexes
- Table summarizing data collected and the basis of reporting (immediate vs. ultimate-risk) by schedule and column
Public Disclosures

- Updated FFIEC 009a report form and instructions.
- Column 2 will capture gross foreign-office claims on local residents (excluding derivative products). (Current form requires net foreign-office claims.)
  - Gross foreign-office liabilities are to be reported separately
- Expand distribution of total claims:
  - Add “NBFIs” sector break
  - Add “Offsetting Positions for Trading Book”.
  - Add “Securities (HTM and AFS)”
- Include data items from Schedule C, Part II Memorandum (“Collateral Held Against Claims with No Risk Transfers”)
- Include all items from Schedule O, excluding trade finance claims.