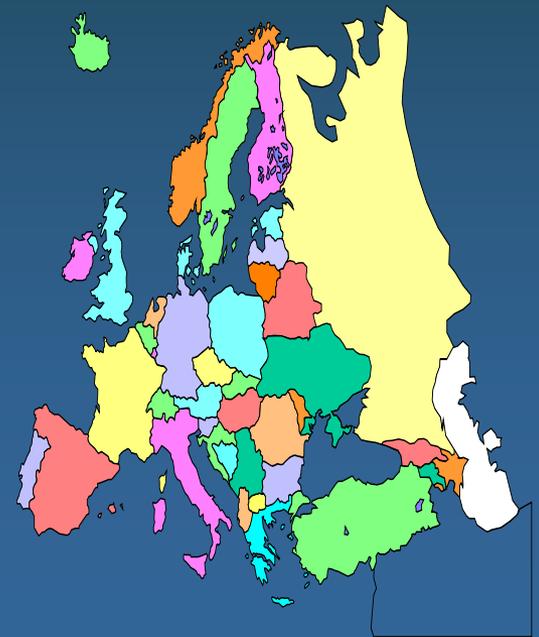


FFIEC 019 Reporting Seminar

*Anthony Guglielmo
Samantha Lewis-Hue*

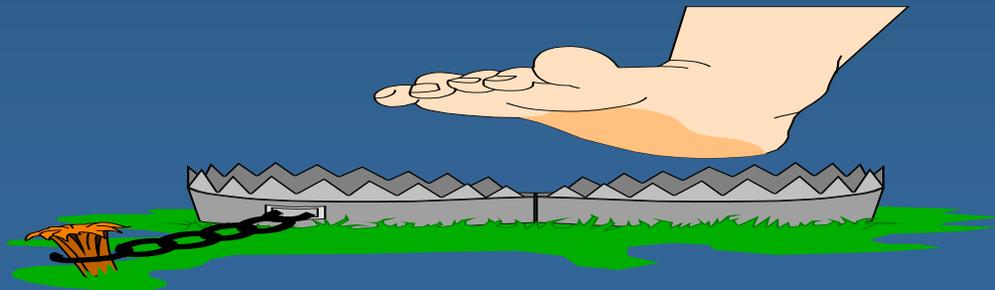
December 11, 2003



Reporting Overview

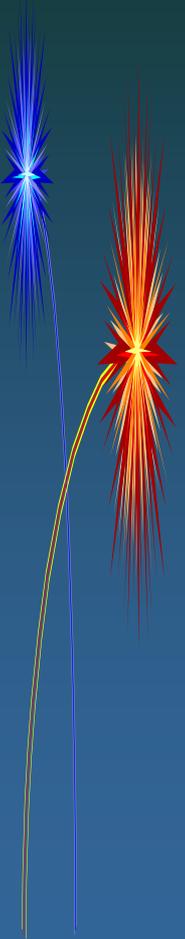
- *Anthony Guglielmo*

Accurate
Reporting
Keeps the Bank
Examiners Away!



Objectives

1. Background
2. Uses of data
3. Reporting Overview
4. Monitoring Program
5. Definitions and Exclusions
6. Report Form
7. Workshop Exercises



Purpose

This seminar is intended to provide detailed information, instructions and examples to assist you in the preparation of the FFIEC 019 Report.

Background

- Joint Agency Report (FFIEC)
- Created because of liquidity problems experienced by some U.S. branches and agencies due to the insolvency of the home countries of the parent banks



Background

- Implemented on June 30, 1986 to assist the Office of the Comptroller of the Currency, the FDIC, and the Board of Governors of the Federal Reserve System in carrying out their supervisory responsibilities under the International Banking Act of 1978

Reporting

- The FFIEC 019 report is filed quarterly as of the last calendar day in March, June, September and December.

Uses of the Data

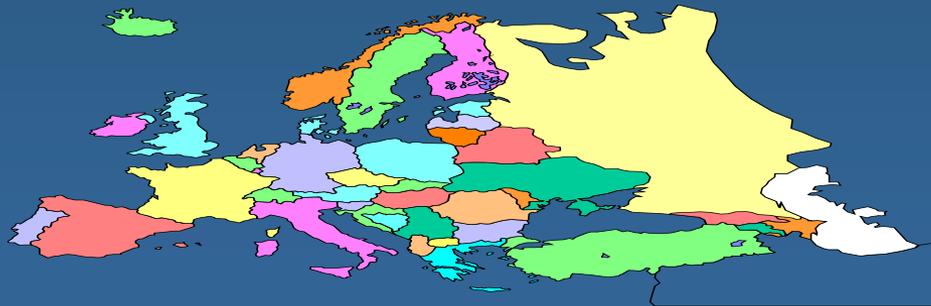
- The FFIEC 019 is designed to
 - Monitor the degree of political or sovereign risk, economic and transfer risk which may have a direct effect on the performance of a claim
 - Collect data by country on direct, indirect, and total claims on foreigners
 - Provide information on claims on related non-U.S. offices

Purpose of the FFIEC 019

- To monitor significant foreign country exposure of U.S. branches and agencies of foreign banks

Who Must Report?

- U.S. branches and agencies of foreign banks domiciled in the 50 states of the U.S. (including their IBFs) with more than \$30 million in total direct claims on foreign residents



Who Must Report?

- These criteria are based on the “Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks” (FFIEC 002)



Criteria for Determination

Schedule RAL, Item 1.c.(1)

Schedule RAL, Item 1.g.(2)

Schedule A, Items 4.a, 4.b and 4.c

Schedule C, Items 2.c.(1) and 2.c.(2)

Schedule C, Items 4.b, 6 and 9.b

Schedule M, Part I, Items 2.a,
2.b.(1), 2.b.(2) and 2.c

Scope

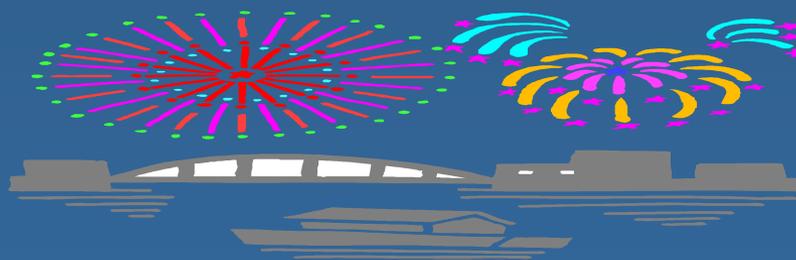
- Each reporting branch and agency must report its gross claims on related and non-related parties for
 1. The residents of its home country
 2. Five other countries of the reporting institution for which its “adjusted exposure” is at least \$20 million
- The U.S. is excluded as one of the five countries listed

Example 1

A branch of a French Bank Y in New York has \$50 million in claims on foreign residents. French Bank Y's claims are as follows:

Example 1

Home Country (France)	10



Example 1

Home Country (France)	10
Country Name	
Nicaragua	10

Example 1

Home Country (France)	10
Country Name	
Nicaragua	10
Spain	10

Example 1

Home Country (France)	10
Country Name	
Nicaragua	10
Spain	10
Brazil	10

Example 1

Home Country (France)	10
Country Name	
Nicaragua	10
Spain	10
Brazil	10
China	10

Example 1

Based on the previous information, you would only report the claims on your institution's home country. Other countries listed do not meet the exemption level of \$20 million.

Home Country (France)	10
----------------------------------	-----------

Filing of Report

- The FFIEC 019 report can be submitted
 - Ink form or typed
 - Computer generated printout material provided they receive prior approval
- Initial data received via facsimile are not acceptable
- All amounts should be converted to U.S. dollars and rounded to the nearest million

Filing of Report

- Two copies of the report should be filed within 45 days of the as-of date with the FRBNY
- This report must be signed by an authorized officer and include the contact name and a telephone number

Filing of Report

- Filing consolidated FFIEC 019 reports of multiple branches or agencies is permitted only if the FFIEC 002 report is filed on a consolidated basis



Monitoring Program

- Required by Federal Deposit Insurance Corporation Improvement Act of 1991
- Purpose
 - To ensure banking institutions file timely, complete, and accurate reports
 - To ensure that adequate follow-up is conducted so that late and false reporters file timely and accurately in the future

Monitoring Program

- Timeliness reporting
 - Reports received after 5:00 p.m. on the due date are considered late unless postmarked three calendar days prior to the due date or submitted to an overnight service the day before the due date



Monitoring Program

- False reporting
 - Computer “validity edits” are used to monitor basic reporting requirements
 - The FRBNY uses the most recent edit checklist to detect any reporting errors

Definitions

- For purposes of the classification of the reporter's customers for this report, the term “United States” means
 - The 50 states of the U.S.
 - The District of Columbia
 - Puerto Rico
 - U.S. territories and possessions



Definitions

Home country

- The country in which the reporting institution's parent bank is located

Foreign residents (non-U.S. residents)

- Any financial/depository institution, individual, partnership, or corporation, and any government or political subdivision located outside the U.S. (including non-U.S. offices related to the reporting institution)

Definitions

Foreign Residents (non-U.S. residents)

- Any international or regional organization created by treaty or convention between sovereign states including subsidiaries and affiliates (e.g., World Bank, IMF, etc.)



Definitions

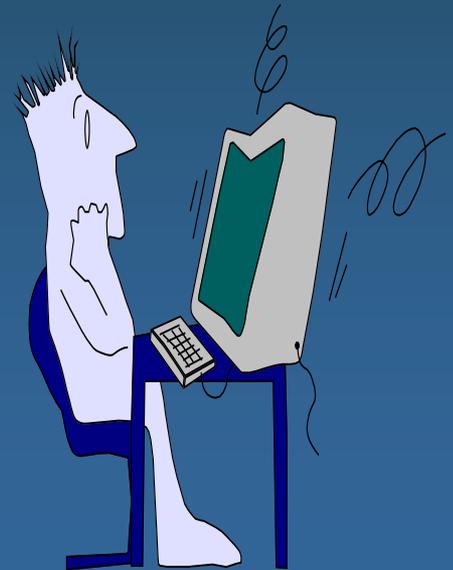
- Determining Residency (non-U.S. residents)
 - The principal location of counterparty
 - Claims on international and regional organizations are to be treated as a single “country”
 - Claims on organizations of foreign governments that operate in an official capacity (e.g., French Embassy) should be considered as a claim on that country

Definitions

- Related Non-U.S. Offices
 - Includes the head office of the reporting branch or agency and the bank's branches and agencies located outside of the U.S.
 - Foreign holding company of the bank
 - Other foreign banks that are majority-owned
 - Any other majority-owned subsidiaries

Direct and Indirect Claims

Samantha Lewis-Hue



Types of Claims

- Claims
 - Direct Claims
 - Indirect Claims
 - Adjusted Claims



Direct Claims

Column 1

- Total Direct Claims on Foreign Residents
 - A direct claim is one which the immediate obligor is a resident of that country
 - Report in this column, by country listed, the total amount of the reporting institution's direct claims on foreign residents

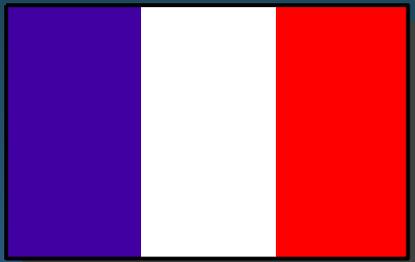
Direct Claims

Column 1

- Claims on a non-U.S. office of a branch or agency are considered to be direct claims on the country where the branch or agency is located regardless of the location of the parent.



Example 2



**French
Bank Y in New York**

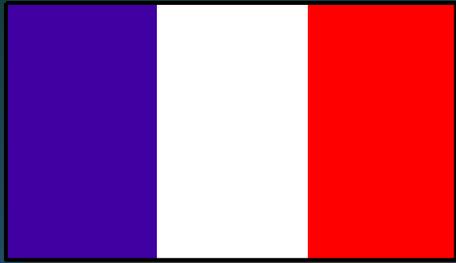


**Lends
\$70 million**



**Brazilian
Bank A in Spain**

Example 2



**French Bank Y
in New York**



**Direct Claim on
Brazilian Bank A
of \$70 million**



**Brazilian Bank A
in Spain**

Country Name	Column 1
Spain	70
Brazil	

What is a Direct Claim?

- Loans
- Federal funds sold
- Securities purchased under resale agreements
- Balances due from banks (placements)
- Customers' liabilities on bankers acceptances
- Accounts receivable
- Unrealized gains from derivatives

What is a Direct Claim?

- Assets held in trading account
 - Securities
 - Commercial paper
 - Negotiable certificates of deposits
- Premiums paid for options
- Loan participation
- Foreign direct lease financing



Direct Claims

Exclude

- Precious metals inventory
- Premises and fixed assets including real estate and similar property



Indirect Claims

- Those in which a resident of another country, through guarantees, is the “ultimate” obligor to the reporting institution in the event the immediate obligor is unable to satisfy the claim



Indirect Claims

For purposes of the FFIEC 019
a guarantee is

- A claim on the third party that formally and legally, obligates itself to repay the reporting institution if the direct obligor defaults on the direct claim



Indirect Claims

- Claims on branches and agencies of a foreign bank are automatically guaranteed by their head office if the head office is located in a different country



Indirect Claims

- Claims on subsidiaries of a foreign bank are not automatically guaranteed



Indirect Claims

- The term “guarantee” covers those claims that are collateralized by a third party, if the collateral is
 - Tangible and liquid (including readily marketable shares of stocks or bonds)
 - AND
 - Held and realizable outside of the country of residence of the borrower

Indirect Claims

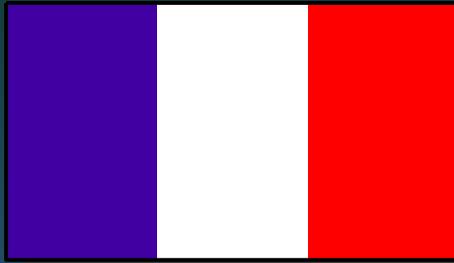
- The term “guarantee” does not cover limited guarantees
 - Guarantees that only cover political risk are not reported

Adjustments for Guarantees

Column 2

- Claims on borrowers with head office or guarantor in another country
- Report in this column claims from Column 1 that are guaranteed by residents of another country (including the U.S.)

Example 3



French
Bank Y
in New York



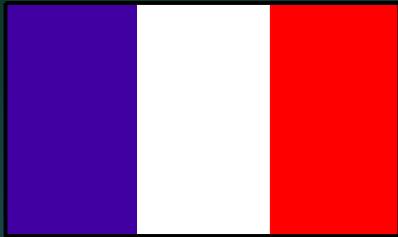
Direct Claim on
Brazilian Bank A
of \$70 million



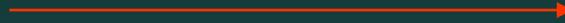
Brazilian
Bank A
in Spain

Country Name	Column 1	Column 2
Spain	70	
Brazil		

Example 3



**French
Bank Y
in New York**



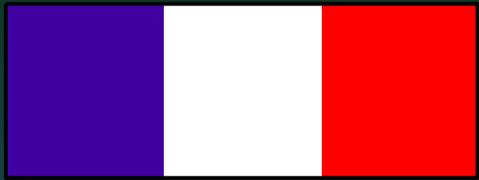
**Brazilian
Bank A
in Spain**

Guaranteed By

**Head Office
of Brazilian
Bank A**



Example 3



**French
Bank Y
in New York**



**Direct Claim
on Brazilian
Bank A
of \$70 million**



**Brazilian
Bank A
in Spain**



Guaranteed by

**Head Office of
Brazilian Bank A**

Country Name	Column 1	Column 2
Spain	70	70

Indirect Claims

Column 3

- Guarantees and other indirect claims for which the country listed is the country of the head office or guarantor



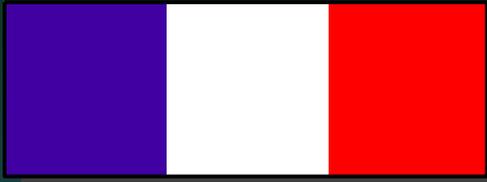
Indirect Claims

Column 3

- Indirect claims are to be reported against the country of the guarantor or head office, and not against the country with the direct claim



Example 4



**French Bank Y
in New York**



**Direct Claim on
Brazilian Bank A
of \$70 million**



**Brazilian Bank A
in Spain**

**Indirect Claim on
Head Office of
Brazilian Bank A**



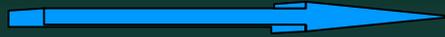
**Guaranteed by
Head Office of
Brazilian Bank A**

Country Name	Column 1	Column 2	Column 3
Spain	70	70	
Brazil			

Example 4



**French Bank Y
in New York**



**Direct Claim on
Brazilian Bank A
of \$70 million**



**Brazilian Bank A
in Spain**

**Indirect Claim on
Head Office of
Brazilian Bank A**



**Guaranteed by
Head Office of
Brazilian Bank A**

Country Name	Column 1	Column 2	Column 3
Spain	70	70	
Brazil			70

Credit Derivatives

- Reported as a guarantee when the reporting institution is the beneficiary of a credit derivative contract
- Terms provide an effective guarantee
- Effectual events of default are included
- References the same legal entity

Summary of Columns 1 - 3

Column 1

- Report all direct claims on foreign residents

Column 2

- Report any of the claims in Column 1 guaranteed by residents of another country

Column 3

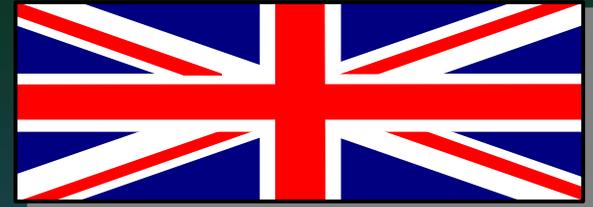
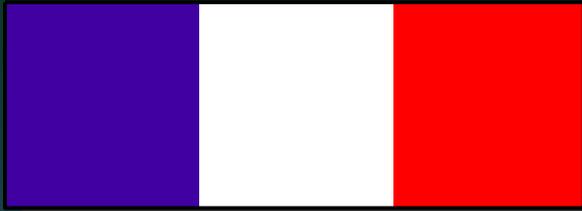
- Report against the country of the indirect claim, rather than against the country with the direct claim

Summary

- The specific treatment of a given claim will generally depend upon two factors
 - Where the counterparty is located
 - Whether the claim is guaranteed by a resident of another country



Example 5

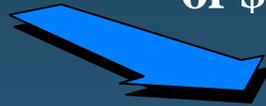


**French Bank Y
in New York**

**Direct Claim on
British Bank B
of \$70 million**

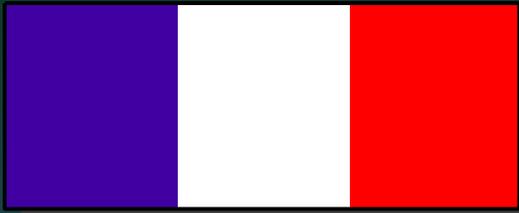
**British Bank B
in New York**

**Indirect Claim on
Head Office of
British Bank B
in U.K.**

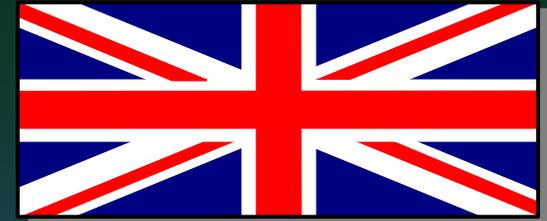


**Guaranteed by
Head office of British
Bank B in U.K.**

Example 5

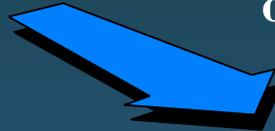


**French Bank Y
in New York**



**British Bank B
in New York**

**Direct Claim on
British Bank B
of \$70 million**



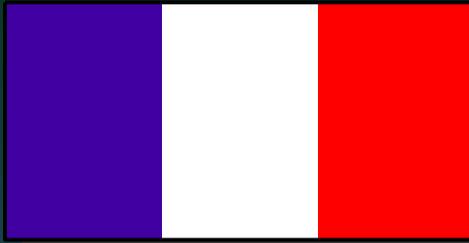
**Indirect Claim on
Head Office of British
Bank B in U.K.**



**Head office of
British Bank B
in U.K.**

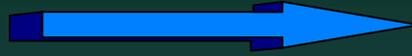
Country Name	Column 1	Column 2	Column 3
United Kingdom			
United States	Not Reportable	Not Reportable	Not Reportable

Example 5

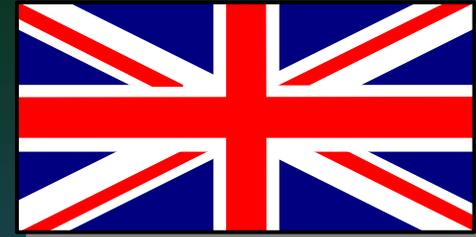


**French Bank Y
in New York**

**Indirect Claim on
Head Office of
British Bank B
in U.K.**



**Direct Claim on
British Bank B
of \$70 million**



**British Bank B
in New York**

**Head office of
British Bank B
in U.K.**



Country Name	Column 1	Column 2	Column 3
United Kingdom	0	0	70
United States	Not Reportable	Not Reportable	Not Reportable

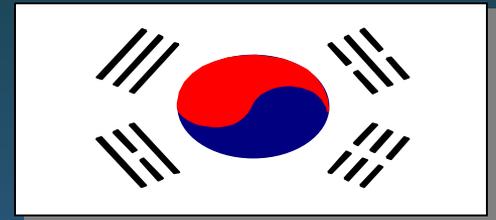
Example 6



**French Bank Y
in New York**

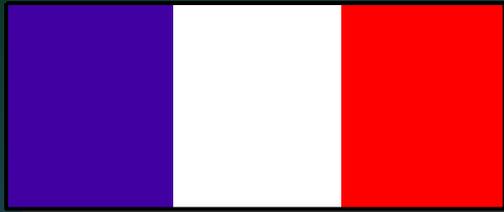


**Direct Claim on
Korean Corp. Q
of \$70 million**

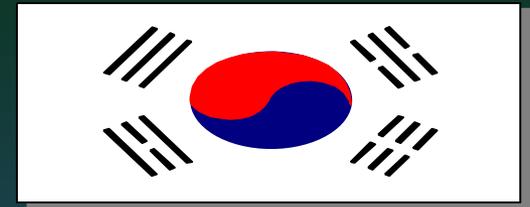


**Korean Corp. Q
in London**

Example 6



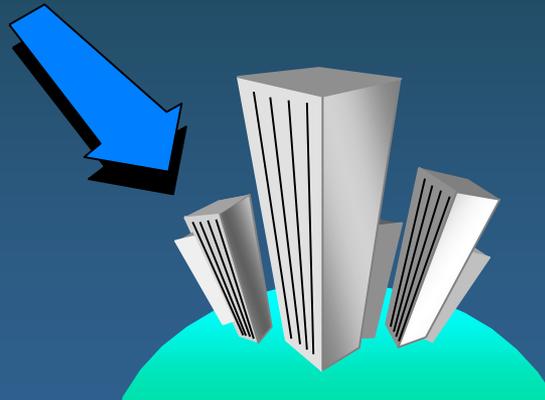
**French Bank Y
in New York**



**Direct Claim on
Korean Corp. Q
of \$70 million**

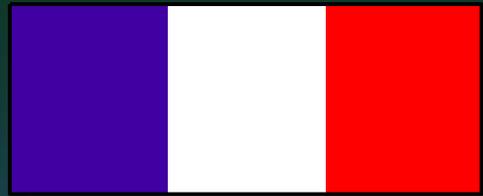
**Korean Corp. Q
in London**

**Indirect Claim on
Bank X
in New York**



**Guaranteed by
Bank X
in New York**

Example 6



**French Bank Y
in New York**

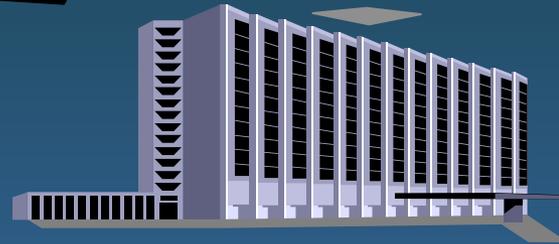


**Korean Corp. Q
in London**

**Direct Claim
on Korean Corp. Q
of \$70 million**



**Indirect Claim on
Bank X
in New York**



**Guaranteed by
Bank X
in New York**

Country Name	Column 1	Column 2	Column 3
United Kingdom	70	70	0
United States	Not Reportable	Not Reportable	Not Reportable

Total Adjusted Claims on Foreign Residents

Total direct claims	-	Claims in Column 1 with a guarantor in another country	+	Indirect claims on guarantor in listed country
---------------------------	---	---	---	---

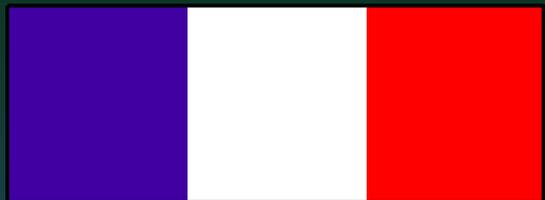
$$\underline{\text{Col. 4} = \text{Col. 1} - \text{Col. 2} + \text{Col. 3}}$$

Column 4

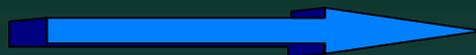
- This column should be completed for the home country and for the five other countries to which adjusted exposure is largest and is at least **\$20 million**.
- All amounts should be reported in U.S. dollars.



Example 7



**French Bank Y
in New York**



**Direct Claim
on Brazilian
Bank A**



**Brazilian
Bank A in Spain**

**Indirect Claim
on Head Office
of Brazilian
Bank A**



**Guaranteed by
Head Office of
Brazilian Bank A**

Country	Column 1	Column 2	Column 3	Column 4
Spain	70	70	0	0
Brazil	0	0	70	70

Column 5

Claims on related non-U.S. offices of the reporter included in Column 4

**This column is
completed only for the home country**

Adjusted Claims on Related Non-U.S. Offices

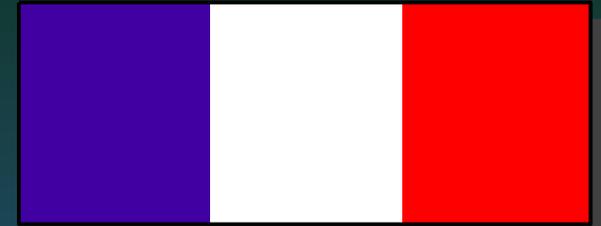
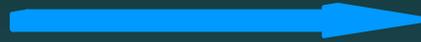
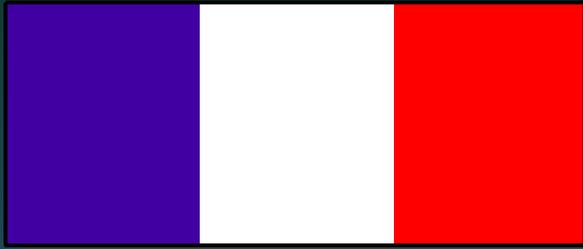
- Include claims on
 - The head office
 - Non-U.S. branches and agencies
 - Other “related non-U.S. offices”

Adjusted Claims on Related Non-U.S. Offices

- Exclude claims on any related U.S. offices
- Those claims are not reported as a guarantee by your head office



Example 8



**French Bank Y
in New York**

**Claims of
\$70 million**

**Head Office of
French Bank Y**

Home Country	Column 4	Column 5
France	100	70

Column 6

Total Adjusted Claims on Non-Related Foreign Residents

Column 6 = Column 4 - Column 5
(for the home country)

Column 6 = Column 4
(for the countries listed)



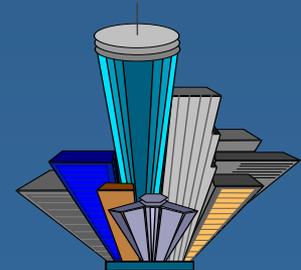
Columns 7 - 9

- Distribution of adjusted claims on unrelated foreign residents by type of borrower or guarantor



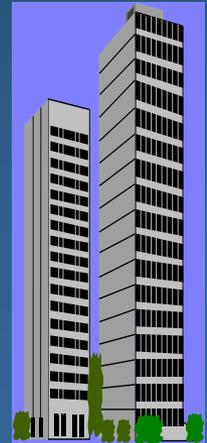
Columns 7 - 9

- Foreign public entity (Column 7)
 - Foreign central bank
 - Local government
- Unrelated foreign bank (Column 8)
 - All depository institutions



Columns 7 - 9

- Other unrelated foreign residents (Column 9)
 - Foreign IPCs
 - Financial institutions other than depository institutions



Columns 7 - 9

Col. 6 = Col. 7 + Col. 8 + Col. 9

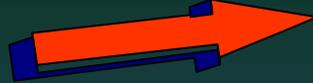


Example 9



Total Adjusted Claims
\$100 million

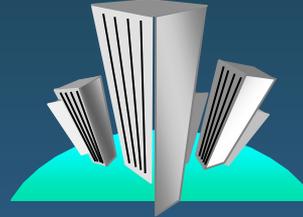
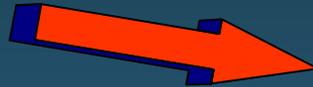
Sector of Borrower of Guarantor



\$50 million granted
to Central Bank of
Brazil



\$30 million granted
to Brazilian
Bank A



\$20 million loan to
Corporation X
in Brazil.

Country Name	Column 6	Column 7	Column 8	Column 9
Brazil	100	50	30	20

Columns 10 - 11

- Distribution of adjusted claims on non-related foreign residents by remaining maturity



Columns 10 - 11

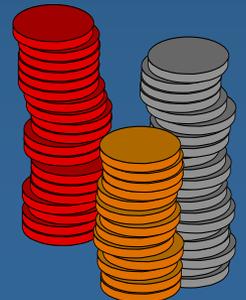
Column 10

- Remaining maturity of one year or less

Column 11

- Remaining maturity that is greater than one year

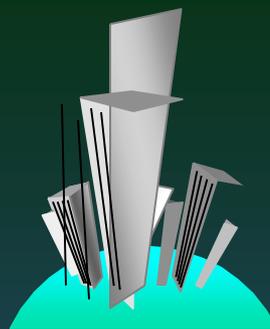
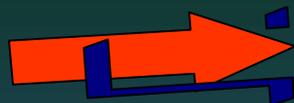
$$\text{Col. 6} = \text{Col. 10} + \text{Col. 11}$$



Example 10



**Total Adjusted
Claims
\$100 million**



**\$50 million loan is
due in 6 months**



**\$50 million loan is
due in 18 months**

Sector of Borrower or Guarantor

Country Name	Column 6	Column 10	Column 11
Brazil	100	50	50

Column 12

- Commercial and standby letters of credit and legally binding loan commitments



Column 12

- Report on the appropriate line, by country, all outstanding and unused letters of credit (commercial and standby) that have been issued



Column 12

- Report credit derivatives in which the reporting institution is the guarantor



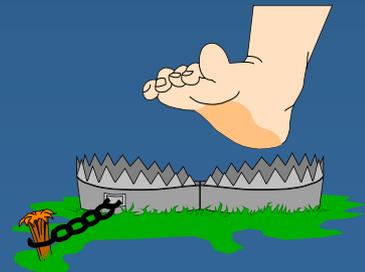
Column 12

- Report the unused portion of commitments that obligates the reporting branch or agency to extend credit in the form of
 - Loans or participation in loans
 - Lease financing receivables



Column 12

- Report only those commitments for which the branch or agency has charged a commitment fee or other consideration, or otherwise has a legally binding commitment



End