FR 2951

INSTRUCTIONS FOR PREPARATION OF THE REPORT OF CERTAIN EUROCURRENCY TRANSACTIONS FOR U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS

Section 1 below contains general instructions and guidelines, which provide the basic framework for reporting on the Report of Certain Eurocurrency Transactions (FR 2951) and which describe, in general, the nature of reservable Eurocurrency liabilities and the specific procedures for reporting these liabilities.

Section 2 contains item-by-item instructions for completing the FR 2951. This section describes the coverage of each item to be reported and specifies the categories of deposits and credit balances to be included in or excluded from each item.

Important terms and phrases that appear underlined throughout the instructions booklet can be found in the Glossary that appears at the end of the FR 2900 instructions.

Public reporting burden for this collection of information is estimated to vary from 0.2 to 5 hours per response, with an average of 1 hour per response, including the time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, N.W., Washington, D.C. 20551; and to the Office of Management and Budget, Paperwork Reduction Project (7100-0087), Washington, D.C. 20503.

SECTION 1—GENERAL INSTRUCTIONS

A. Who Must Report.

A Report of Certain Eurocurrency Transactions (FR 2951) must be submitted each week to the Federal Reserve Bank in whose District a U.S. branch or agency is located by:

A.1. A U.S. branch or agency of a non-U.S. bank that (1) has total worldwide consolidated bank assets in excess of $1 billion, or (2) is controlled by a foreign (non-U.S.) company or by a group of foreign companies that own or control foreign (non-U.S.) banks that in the aggregate have total worldwide consolidated bank assets in excess of $1 billion.

A.2. Any other U.S. branch of a non-U.S. bank that is eligible to apply to become an insured bank under Section 5 of the Federal Deposit Insurance Act (12 U.S.C. §1815).

The reporting week is a seven-day period that begins on Tuesday and ends on the following Monday.

B. How to Report.

The report should be prepared in accordance with the following procedures:

B.1. Combination of offices. U.S. branches and agencies of a non-U.S. bank shall prepare and file a Report of Certain Eurocurrency Transactions that combines, on an aggregated basis, the accounts of all branches and agencies of the same bank operating:

a. within the same state; and

b. within the same Federal Reserve District.

This combination, which may be comprised of one or more offices, is referred to as the "reporting institution."

B.2. Denomination. All balances should be rounded and reported to the nearest thousand U.S. dollars.

B.3. Foreign (non-U.S.) currency-denominated transactions. Transactions denominated in non-U.S. currency must be valued in U.S. dollars *each reporting week* either by using the exchange rate prevailing on the Tuesday that begins the 7-day reporting week or by using the exchange rate prevailing on each corresponding day of the reporting week.

Regardless of which of the above two options is elected, the exchange rates to be used for this conversion are either the 10:00 a.m. rates quoted for major currencies by the Federal Reserve Bank of New York, or the noon buying rates certified by the Federal Reserve Bank of New York for customs purposes, or some other consistent series of exchange rate quotations. (If deposits are issued in European Currency Unit (ECU) or some other currency basket, consistent series of exchange rate quotations either for the basket unit or for the corresponding individual exchange rates may be used.) These procedures will apply to all foreign-currency deposits that are outstanding during any one day of the reporting week, including those that are received by the depository institution after the start of the reporting week (Tuesday) or paid out before the close of the reporting week (the following Monday).

Once a depository institution chooses to value foreign currency transactions by using either the weekly (Tuesday) method or the daily (corresponding day) method, it must use that method consistently over time for all Federal Reserve reports. If at some future time thereafter the depository institution wishes to change its valuation procedure from one of these two methods to the other, the change must be applied to all Federal Reserve reports and then used consistently thereafter. Please notify your Federal Reserve Bank of any such change.

B.4. Recordkeeping. The amounts reported for each day should reflect the amount outstanding at the "close of business" for that day. The term "close of business" refers to the time established by the reporting institution as the cut-off time for posting transactions to its general ledger accounts for that day. The time designated as close of business should be reasonable and applied consistently. For any day on which any office of the reporting institution was closed, use the closing balance of the preceding day for that office in preparing the combined report.

For purposes of this report, the reporting institution is open when entries are made to the general ledger accounts of the branch or agency for the day on which the transaction is conducted.

A more detailed discussion of recordkeeping can be found in Part I, Section 1, Subsection C.6 of the FR 2900 instructions.

C. Amounts to be Reported.

The amount to be reported is the dollar amount outstanding at the close of business each day of:

1. Borrowings from non-U.S. offices of other depository institutions and from certain designated non-U.S. entities.

2. Gross liabilities to non-U.S. parent bank and its non-U.S. offices plus net liabilities to own IBF.

3. Gross claims on non-U.S. parent bank and its non-U.S. offices plus net claims on own IBF.

4. Total assets minus the sum of certain assets and positive net balances due from the parent bank's U.S. and non-U.S. offices and from the reporting institution's own IBF.

5. Assets held by certain related non-U.S. institutions or the reporting institution's own IBF that were acquired from U.S. offices.[1]

The amounts reported will be used to assess reserve requirements at ratios that the Board of Governors of the Federal Reserve System may, from time to time, prescribe. In order to avoid the inadvertent imposition of duplicate reserve requirements, the amounts reported on this report should not be included in any item on the Report of Transactions Accounts, Other Deposits and Vault Cash (FR 2900).

1. Do not include assets (1) that were acquired before October 7, 1979, or (2) that were acquired by an IBF from its establishing entity before the end of the second 14-day reserve computation period after establishment of the IBF.

SECTION 2--ITEM-BY-ITEM INSTRUCTIONS

U.S. branches and agencies of non-U.S. banks should complete all items on the report and should enter zeros where appropriate.

Please note that for purposes of this report the term non-U.S. offices excludes nonbanking offices of any depository institution, affiliate or subsidiary.

Item 1--Gross Borrowings from Non-U.S. Offices of Other Depository Institutions and from Certain Designated Non-U.S. Entities. Report in this item all outstanding borrowings by the reporting institution that were obtained from:

1. Non-U.S. banking offices of all U.S. and non-U.S. depository institutions (*except* the reporting institution's non-U.S. parent bank and its non-U.S. branches and agencies), including:

   A. a non-U.S. parent bank's holding company, *if* the holding company is a bank;

   B. a non-U.S. parent bank's non-U.S. banking subsidiary;

   C. a banking subsidiary of the non-U.S. parent bank's holding company regardless of whether the holding company is a bank; and

   D. a non-U.S. branch of:

      1. a U.S. depository institution; and

      2. an edge or agreement corporation.

2. foreign (non-U.S.) national governments;

3. foreign (non-U.S.) official banking institutions; and

4. international institutions.

All borrowings are to be reported on a gross basis.

Borrowings from non-U.S. banking offices of other banks should be reported in this item regardless of the terminology used to describe such borrowings, including transactions that are referred to as “Federal funds.”

Include in this item as borrowings:

1. obligations such as promissory notes, acknowledgments of advance, or similar obligations (including the proceeds from loan strips);

2. due bills or similar obligations that remain uncollateralized after three business days; and,

3. overdrawn balances at non-U.S. offices of other banks.

Exclude from this item (1) any liability of the IBF; or (2) any liability actually in the form of and recorded on the books of the reporting institution as a demand deposit, savings deposit, or time deposit (including certificates of deposit); or (3) assets of the reporting institution that represent obligations fully guaranteed as to principal and interest by the U.S. Government or a Federal agency, sold under an agreement to repurchase.

Include as borrowings:

1. Obligations such as promissory notes, acknowledgements of advance, or similar obligations (including the proceeds from loan strips), regardless of the terminology used to describe such borrowings, including transactions that are referred to as "Federal funds."

   Exclude from this item, (1) any liability on the books of the IBF, or (2) any liability actually in the form of and recorded on the books of the reporting institution as a demand deposit, savings deposit, or time deposit.

Report all borrowings on a gross basis.

Item 2--Gross Liabilities to non-U.S. Parent Bank and Its non-U.S. Offices Plus Net Liabilities to Own IBF. Report in this item the outstanding balance at the close of business each day of gross liabilities of the reporting institution to the foreign (non-U.S.) parent bank and its non-U.S. branches and agencies. In addition, report the net position of the establishing entity with its own IBF in Item 2., only if it is a net "due to". (The instructions for the calculation of the reporting institution's net position with its own IBF are shown following the detailed instructions in Item 3.) All liabilities due to the non-U.S. parent and its non-U.S. offices should be reported gross and not netted against claims. (Gross claims are reported in Item 3). Exclude from this item any liabilities to non-U.S. subsidiaries or non-U.S. affiliates owned by the foreign parent bank or its holding company.

These liabilities may arise from:

1. Funds placed on deposit at the reporting institution by the foreign (non-U.S.) parent bank or its non-U.S. branches and agencies, whether in the form of demand or time deposits or credit balances.
2. Borrowings by the reporting institution from the foreign parent bank or its non-U.S. branches and agencies.
3. Obligations of the reporting institution resulting from purchases of assets from the foreign parent bank or its non-U.S. branches and agencies.
4. Assets (other than U.S. government or federal agency securities) purchased under agreements to resell by the reporting institution from its non-U.S. branches.
5. Checks or drafts drawn by or on behalf of the reporting institution on accounts maintained at the foreign parent bank or its non-U.S. branches and agencies that give rise to an obligation of the reporting institution.
6. Funds that are advanced by the foreign parent bank that are regarded as capital contributions to the reporting institution, adjusted as described below:

   A. Unremitted profits (losses). Remitted earnings resulting from the posting of operating results should be added to the institution's capital contribution. If an unremitted loss is incurred by the institution, this amount should be subtracted from the capital contribution. (If the loss exceeds the capital contribution, excess between the amount of the loss and that of the capital account is reported in Item 3). Note that accrued income and expenses are not to be included in this calculation until posted to the reporting institution's net income accounts.

B. Provision for Loan Loss. The capital contribution should be reduced by any provision for loan loss amount maintained as a separate expense account at the office level.

7. Overdrawn balances in deposit accounts of the reporting institution held in the foreign parent bank or its non-U.S. branches and agencies.

8. The proceeds from loan strips sold to the reporting institution's foreign parent bank or its non-U.S. branches and agencies.

9. Other liabilities to the foreign parent bank and its non-U.S. branches and agencies, such as those resulting from clearing activities, payments related to foreign exchange transactions, bankers acceptance transactions, and other activities.

In addition, include in this item the reporting institution's *net* liabilities, if any, to its own IBF. For calculation of this amount, please see the section entitled "Calculation of net due to/due from own IBF" that appears immediately following the instructions for Item 3 of this report.

Item 3--Gross Claims on Non-U.S. Parent Bank and Its Non-U.S. Offices Plus Net Claims on Own IBF. Report in this item the outstanding balance at the close of business each day of gross claims of the reporting institution on the foreign (non-U.S.) parent bank and its non-U.S. branches and agencies. The net position of the establishing entity with its IBF should be reported in this line if it is a net "due from". (See instructions below for the calculation of the reporting institution's net position with its IBF). All claims on your parent and its non-U.S. offices should be reported gross and not netted against liabilities (Liabilities are reported gross in Item 2). Exclude from this item any claims on non-U.S. subsidiaries or non-U.S. affiliates owned by the foreign parent bank or its holding company.

These claims may arise from:

1. funds placed on deposit at the foreign (non-U.S.) parent bank or its non-U.S. branches and agencies by the reporting institution, whether in the form of demand or time deposits or credit balances;

2. funds advanced by the reporting institution to the foreign parent bank and its non-U.S. branches and agencies;

3. obligations of the foreign parent bank or its non-U.S. branches and agencies to the reporting institution resulting from sales of assets (including sales of participations in assets);

4. assets (other than U.S. government or federal agency securities) purchased under agreements to resell by the reporting institution from its non-U.S. branches and agencies;

5. overdrawn balances in deposit accounts held by the foreign parent bank or its non-U.S. branches and agencies at the reporting institution; and

6. other claims on the foreign parent bank and its non-U.S. branches and agencies, such as those resulting from clearing activities, foreign exchange transactions, bankers acceptance transactions, and other activities.

7. Unremitted loss - the sum of (1) any net operating loss in excess of the foreign bank's capital contribution, (2) any unallocated portion of the general loan loss account, and (3) any other allowance amount set aside for possible loan losses.

In addition, include in this item the reporting institution's *net* claims, if any, on its own IBF. For calculation of this amount, please see the section entitled "Calculation of net due to/due from own IBF" that appears immediately below.

Calculation of net due to/due from own IBF

To determine whether you have net liabilities due to your own IBF to be reported in Item 2, or net claims on your own IBF to be reported in Item 3, it is necessary to perform the following calculations using asset and liability accounts of your own IBF:

1. Compute IBF liabilities to parties other than U.S. offices of the establishing entity *minus* IBF assets due from parties other than U.S. offices of the establishing entity.

2. If the difference calculated in (1) is positive, it represents, on the books of the IBF, net balances due from U.S. offices of the establishing entity. For purposes of this report, it represents the *establishing entity's net liabilities due to own IBF* and should be included in Item 2.

3. If the difference calculated in (1) is negative, its absolute value represents, on the books of the IBF, net balances due to U.S. offices of the establishing entity. For purposes of this report, its absolute value represents the *establishing entity's net claims on its own IBF* and should be included in Item 3.

Item 4--Total Assets Minus Certain Assets and Positive Net Balances Due from Own IBF and the Parent Bank's U.S. and Non-U.S. Offices. Report the amount outstanding of total assets held by the reporting institution less the specific assets listed below. For the most part (see below) Total Assets in Item 4 is calculated in the same manner as on the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002). That is, the net due from related parties is calculated as one category, which is then excluded from the amount of Total Assets in Item 4. If the reporting depository institution has a net due to position with related institutions, the resulting amount is raised to zero.

Also note the accounting in Item 4 closely follows the instructions for preparing the FFIEC 002 report, except for the fact that the beginning amount of Total Assets in Item 4 will differ from Total Assets on the FFIEC 002. This because U.S. and non-U.S. subsidiaries and affiliates of the foreign parent bank or its holding company are all considered unrelated for purposes of calculating Item 4 on the FR 2951 report.

Total Assets as defined should then be reduced by:

1. Cash items in the process of collection and unposted debits (from Line B.2 of the FR 2900);

2. Demand balances due from depository institutions located in the U.S. (from line B.1 of the FR 2900).

3. Demand balances due from non-U.S. offices of U.S. depository institutions and of other non-U.S. banks.

4. Balances due from foreign (non-U.S.) official banking institutions. Please note that balances due from these entities include all deposits regardless of maturity (e.g., certificates of deposit, credit balances and eurocurrency placements). However, "due from" balances exclude term loans, federal funds sold, and repurchase agreements.

Item 5--Assets Held by Own IBF and Certain Related Non-U.S. Institutions Acquired from U.S. Offices. Report in this item the amount outstanding of funds received by the reporting institution for assets that were acquired after October 6, 1979, and still held by, the following "related" institutions:

1. the reporting institution's non-U.S. parent bank (including non-U.S. branches and agencies of the parent bank);
2. the reporting institution's non-U.S. parent holding company;
3. the reporting institution's non-U.S. offices or an IBF of an affiliated edge or agreement corporation; and
4. the reporting institution's own International Banking Facility.[1]

The amount to be reported here includes assets that are claims on *both* U.S. and non-U.S. residents.

Include assets such as:

1. loans and securities acquired and still held by the related non-U.S. institutions listed above; and
2. participations in loans and other assets acquired by the related non-U.S. institutions listed above.

Do not include in this item any asset that was required to be sold by Federal or State supervisory authorities or assets sold under agreements to repurchase that are reported in Item 2.

1. Do not include assets acquired by an IBF from its establishing entity before the end of the second 14-day reserve computation period after establishment of the IBF.