

INTERNATIONAL REPORTS DIVISION (IRD)
QUESTIONS and ANSWERS
FOR
TREASURY INTERNATIONAL CAPITAL (TIC)
B-SERIES FORMS AND INSTRUCTIONS
BANK'S OWN LIABILITIES TO, AND CLAIMS ON, FOREIGNERS AND SELECTED LIABILITIES TO, AND
CLAIMS ON, FOREIGNERS OF BROKER OR DEALER
CUSTODY LIABILITIES TO, AND CLAIMS ON, FOREIGNERS

TABLE OF CONTENTS

	<u>Page</u>
A. General Instructions	1
B. Reportable Claim and Liabilities	2
C. Loan Sales	4
D. Loans	5
E. Financing Transactions	6
F. Custody Reporting	7

A. General Instructions

1. **Q. How are figures to be rounded?**
 - A. The amounts reported in each cell should be rounded to the nearest million dollars. Amounts of less than \$500 thousand should be rounded to zero. Do not round figures until all data for each cell have been totaled.

2. **Q. Can filing extensions be granted?**
 - A. Federal Reserve Bank staff will consider requests for extensions on a case by case basis.

3. **Q. How should revised data be submitted?**
 - A. Revised data should be submitted on a report form with the word "Revised" indicated on top of it or on the reporter's letterhead with the report cycle date, name of country to be revised, and revised amount. All revisions should be signed by an authorized person. For electronic filers, Federal Reserve Bank staff should be contacted before revised data are transmitted.

4. **Q. What criteria are used to determine if an institution is a "Foreign Public Borrower"?**
 - A. Generally, the degree to which the institution is owned by the central government determines whether or not an institution is classified as a foreign public borrower. For example, development banks and agencies owned by national governments are foreign public borrowers. Nonbanking institutions that are majority-owned by a central government or its departments, such as airlines and railroads, are also defined as public borrowers. State, provincial and local governments of foreign countries and their departments and agencies are classified as foreign public borrowers. Your credit officer should be the source of this information.

5. Q. Can agencies and branches of foreign banks consolidate their reports with other agencies and branches?

A. United States branches and agencies of foreign banks located in the same Federal Reserve District should submit an aggregated report. However, a foreign bank's branches and agencies located in the same state but in different Federal Reserve Districts should submit separate reports.

6. Q. At what value are assets held in trading accounts reported?

A. Assets held in banks' trading accounts are reported at face value.

B. Reportable Claims and Liabilities

1. Q. Are claims and liabilities between two IBFs reported?

A. No. IBFs are domestic entities. Therefore, claims and liabilities between them are excluded.

2. Q. When a U.S. parent bank has foreign branches, what claims and liabilities of the branches should the U.S. bank report?

A. 1. All claims/liabilities of foreign branches with its parent are reported by parent bank on Forms BL-1, BC and BQ-2, Part 1, unless they meet the definition of direct investment. (Please see instructions for the B reports for more information on the reporting of direct investment.)

2. All U.S. dollar-denominated claims of foreign branches on U.S. residents held by the parent as a custodian for the branches should be reported on Form BL-2.

3. All loans of foreign branches issued to U.S. residents that are serviced by the U.S. parent should be reported on Form BL-2 or BQ-2.

3. Q. Are negotiable CDs issued by a foreign office and guaranteed payable by the U.S. parent reported on Form BL-1 by the U.S. parent?
- A. No, the deposit is a liability of the foreign branch. The guarantee is irrelevant. If a U.S. resident is holding the CD, the CD should be reported as claim on Form BC if held by a bank holding company or securities firm. If the CD is held in custody the CD should be reported on either Form BQ-1 or BQ-2.
4. Q. If an instrument is issued by a resident of a foreign country in a foreign currency and guaranteed by a party located in a third country, opposite which country should the instrument be reported?
- A. Instruments are reported opposite the country of the **direct** obligor. For the TIC reports, the country of currency and the country of guarantor are irrelevant in determining the counter-party country.
5. Q. What country should claims and liabilities with regional and multi-national regional organizations be reported (e.g., the World Bank)?
- A. Positions with an international or multi-national regional organization, whether located in the U.S. or elsewhere, should be classified as international if it operates worldwide (e.g. World Bank), or as a regional based on its target area (i.e., Europe, Latin America, Asia, Africa or Middle East).
6. Q. Where should claims and liabilities with the Bank for International Settlements (BIS) be reported?
- A. Claims and liabilities with the BIS should be reported opposite the regional classification "Other Europe".

C. Loan Sales

1. Q. How are loans to U.S. residents sold by a U.S. reporter to foreigners reported?

A. The sale of a U.S. resident's loans to a foreigner meeting the sales criteria of FAS 140 should be reported by the debtor **if** the transaction was fully disclosed to the debtor. The debtor should report the outstanding balance of their liability to the foreigner on Form BL-1 or BQ-2 if the debtor is a bank, BHC or securities firm, and on Form CQ-1 if the debtor is another type of entity. However, if the sale is not fully disclosed to the debtor, the U.S. institution servicing the loan should report the outstanding balances on Form BL-2 and the debtor should not report the loan.

If the sale does not meet the sales criteria of FAS 140 the sale is treated as a secured loan from a foreigner to the U.S. lender. Funds received from the foreigner are reported by the U.S. lender on Form BL-1 and the debtor should not report the loan.

2. Q. How should the sale of loans to foreigners made by one U.S. entity to another U.S. entity be reported?

A. The sale of loans to foreigners by one U.S. entity to another meeting the sales criteria of FAS 140 are reported by the seller removing the amount of the loans from Form BC or BQ-2 and the U.S. purchaser reporting the face value of the loan on Form BC or BQ-2.

However, if a U. S. institution other than the purchaser continues to service the loan, the servicing institution is responsible to report the outstanding balances on Form BQ-1 or BQ-2 and the purchaser excludes the loans from its report.

If the sale does not meet the sales criteria of FAS 140, the selling institution should continue to report the loan in the same manner as prior to the sale and the purchaser excludes the loan from the TIC reports.

3. Q. How should the sale of loans to foreigners from a foreign institution to a U.S. institution be reported?

A. The purchase of loans to foreigners meeting the sales criteria of FAS 140 are reported by the U.S. purchaser on Form BC or BQ-2 unless the loans are being serviced by another U.S. entity. If the loans are being serviced by an U.S. entity other than the purchaser, the servicing institution should report these loans on Form BQ-1 or BQ-2. If the sales do not meet the sales criteria of FAS 140, the purchaser should treat the sale as a collateralized borrowing by a foreigner and report this borrowing on Form BC.

D. Loans

1. Q. Is past due interest on nonaccrual loans reported?

A. Yes. Past-due interest is reported until it is paid or written off. For purposes of the TIC forms the status of loan payments should not be considered.

2. Q. How do you report a loan that is partially charged off?

A. The amount of the identified loss should be deducted from the value of the asset. In addition, the amount of the charge-offs or the specific reserves for the identified loss should be reported in row 82009, Assets Written Off, for the reporting period that the charge-off was made.

3. Q. Are all loans reported, regardless of maturity?

A. Yes. Loans and other banking instruments, other than long-term securities which are reported separately on Form S (see definition in the instructions), are reported regardless of maturity.

4. Q. **At what value are discounted loans reported?**
- A. Loans originated at a discount should be reported at the discounted value. Purchased loans should be reported at the face value of the loan.
5. Q. **What are the determining factors in classifying deposits and loans/borrowings?**
- A. It is the reporter's responsibility to determine the nature of each transaction and report it appropriately. Key factors in determining the proper classification of instruments are the provisions of the underlying contract or agreement. If no such contract exists, the confirmation may be used to determine the nature of the instrument.

E. Financing Transactions

1. Q. **How are dollar rolls and dollar repos treated?**
- A. Dollar rolls and dollar repos are treated as repurchase/resale agreements and therefore reported as collateralized loans on Form BC or BL-1.
2. Q. **Are security lending arrangements treated the same as repurchase agreements?**
- A. Security lending arrangements in which securities are lent for cash are treated in the same way as repurchase agreements. Securities lending arrangements in which securities are loaned against securities are excluded from the TIC Forms.

F. Custody Reporting

1. **Q. When two U.S. institutions are involved in the custody of assets, which institution is required to report?**

A. U.S. assets of a foreign resident that a custodian entrusts to another U.S. custodian on a fully disclosed basis are reported by the latter custodian on its own Form BL-2.

When two or more U.S. custodians are involved in managing the custody of U.S. customers' claims on foreigners, the custodian required to report is the one closest to the custodian or debtor located in the foreign market.

U.S. custodians that entrust foreign custodians with the custody of U.S. residents' claims on foreigners should report U.S. claims held in custody on Form BQ-1 or BQ-2. A U.S. global custodian with direct fiduciary responsibility to manage the custody of U.S. residents' claims on foreigners should report these claims on Form BQ-1 or BQ-2. However, a U.S. global custodian should exclude U.S. residents' claims on foreigners that are held in custody by its foreign affiliates when the latter are serving as local sub-custodians for unaffiliated U.S. global custodians, or as foreign custodians for unaffiliated U.S. customers.

2. **Q. Does the Depository Trust Company (DTC) report assets it has in custody?**

A. DTC does not report the assets it holds for its U.S. participants. (DTC's U.S. participants are required to report the assets of their customers.)

3. **Q. What is meant by "fully disclosed" for reporting foreign customers' U.S. assets on Form BL-2?**

A. "Fully disclosed" means that the custodian at least knows the foreigner's name, address, and country of residence, so that it can report the liability or asset opposite the appropriate sector classification and country of residence.