

FFIEC 002 Instructions – Non-Material Change Justification

In the December 2008, instructions for the FFIEC 031/041, were updated to move the reporting of balances due from Federal Reserve Banks from Schedule RC, item 1.a (noninterest-bearing balances and currency and coin) to item 1.b (interest-bearing balances) in conjunction with the Fed's payment of interest on reserves (IOR) that began October 1, 2008. Since the FFIEC 002 did not collect cash assets broken down by interest-bearing and noninterest-bearing on Schedule RAL during that time, no comparable change was made to the FFIEC 002 instructions.

Currently, the FFIEC 002 instructions for Schedule K item 1, "Interest-bearing balances" corresponds to the total of items 3 and 4, column A, of Schedule A, i.e., "Balances due from depository institutions in the U.S" and "Balances due from banks in foreign countries and foreign central banks," minus all noninterest-bearing balances due from these entities.

However, the FFIEC 031/041/051 instructions for Schedule RC-K item 1, "Interest-bearing balances due from depository institutions" states to report the quarterly average for interest-bearing balances due from depository institutions as defined for Schedule RC, item 1.b, "Interest-bearing balances", which explicitly states to include all interest-bearing balances due from depository institutions whether in the form of demand, savings, or time balances, including certificates of deposit (CDs), even if the CDs are negotiable or have CUSIP numbers, but excluding certificates of deposit held for trading; **balances due from Federal Reserve Banks**; commercial banks in the U.S.; other depository institutions in the U.S.; Federal Home Loan Banks; banks in foreign countries, and foreign central banks.

To correct this discrepancy between the FFIEC 002 and FFIEC 031/041/051 instructions for similar line items, Schedule K item 1 is being revised to correspond to the totals of items 3, 4, and 5, column A, of Schedule A, i.e., "Balances due from depository institutions in the U.S", "Balances due from banks in foreign countries and foreign central banks", and "**Balances due from Federal Reserve Banks**", minus all noninterest-bearing balances due from these entities. This will align Schedule K item 1 on the FFIEC 002 report with Schedule RC-K item 1 on the FFIEC 031/041/051.

Put succinctly, the information collected on the FFIEC 002 will not change, but this change to the instructions will organize it with the way that similar information is collected on the FFIEC 031/041/051.