

Draft Revisions to the Instructions to the Report of Assets and Liabilities of a Non-U.S. Branch That is Managed or Controlled by a U.S. Branch or Agency of a Foreign (Non-U.S.) Bank (FFIEC 002S) for the Proposed Credit Loss Accounting Revisions Proposed to Take Effect March 31, 2019

These draft instructions, which are subject to change, reflect the proposed revisions to the FFIEC 002S instructions that would take effect March 31, 2019, as described in the federal banking agencies' final Paperwork Reduction Act Federal Register notice for this proposal that was published on February 14, 2019.

Draft as of February 15, 2019

**Draft Revisions to the Instructions to the FFIEC 002S
Proposed to Take Effect March 31, 2019**

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General Instructions

or, for institutions that have adopted ASU 2016-13, allowances for credit losses.

- (3) Overdrafts, federal funds and repurchase and resale agreements.
- (4) Claims resulting from clearing activities, foreign exchange transactions, bankers acceptance transactions, and other activities.
- (5) Capital flows and contributions.
- (6) Gross unremitted profits and any accounting or regulatory allocation entered on the books of the reporting foreign branch that ultimately affect unremitted profits such as statutory or regulatory capital requirements, reserve accounts, and allowance for possible loan losses.
- (7) Any other transactions or entries resulting in claims between the reporting foreign branch and its head office and other related institutions.

Report Date

Reports are to be prepared as of the close of business on the last calendar day of the quarter (March, June, September, and December).

How To Report

Accounting Basis

The report may be prepared on either an accrual or a cash basis of accounting. The accounting basis used for an individual foreign branch should be consistent from quarter to quarter.

Currency Translation

For some line items, the report distinguishes between transactions denominated in U.S. dollars and transactions denominated in other currencies. However, all items shall be reported in U.S. dollars. Transactions or balances denominated in currencies other than the U.S. dollar shall be converted to U.S. dollar equivalents prior to their incorporation in the report.

If an asset or liability may be paid optionally in either U.S. dollars or in another currency, report that transaction as denominated in U.S. dollars.

Rounding

See the entry for “Rounding” in the General Instructions for preparation of the FFIEC 002.

Negative Entries

Negative entries are not permitted for any item.

Total Assets Must Equal Total Liabilities

In order to report on this form, exchange rates are used to convert non-U.S. currency values into equivalent U.S. dollar values. Changes in those exchange rates may create unrealized gains or unrealized losses. If such a gain or loss is not reflected in, for example, an equity or unremitted profit account on the foreign branch’s own books, there will be a discrepancy between total assets and total liabilities on this report unless an adjustment is made. In such cases, the foreign branch’s liabilities to its parent bank, which would be included in item 11(a), should be increased to reflect unrealized gains and should be reduced to reflect unrealized losses.

General Definitions

Related and Nonrelated Institutions

In certain line items, the Supplement distinguishes between transactions of the reporting foreign branch with *related* and *nonrelated* depository institutions. For purposes of the Supplement, the definition of related depository institution corresponds to that used for the FFIEC 002 itself. Please refer to the entry for “Related Institutions” in the Glossary section of the FFIEC 002 instructions and to the reporting instructions for Schedule M of that report.

U.S. and Non-U.S. Addressees (Domicile)

The Supplement also distinguishes between transactions of the reporting foreign branch with U.S. addressees and non-U.S. addressees.

For related institutions (whether depository or non-depository), the definitions of U.S. and non-U.S. addressees (domicile) correspond to those used for Schedule M of the FFIEC 002. That is, *U.S. addressees* encompasses offices domiciled in the 50 states of the United States and the District of Columbia. *Non-U.S. addressees* encompasses offices domiciled in a foreign country, in Puerto Rico, or in a U.S. territory or possession. For additional information, see the detailed instructions for preparation of Schedule M.

For nonrelated parties, the definitions of U.S. and non-U.S. addressees correspond to those used in the FFIEC 002

General Instructions

For institutions that have adopted ASU 2016-13, the allowance for loan losses is the allowance for credit losses on loans and leases.

For purposes of this Supplement, such transactions shall be included in item 2(d) below.

Item 2(b)(1) U.S. Treasury securities and U.S. Government agency and corporation obligations.

Report those securities as defined for Schedule RAL, items 1(b)(1) and 1(b)(2), that are denominated in U.S. dollars.

Item 2(b)(2) All other securities.

Report all other bonds, notes, debentures, and corporate stock (including securities of state and local governments in the U.S.), as defined for Schedule RAL, items 1(c)(1) and 1(c)(2), that are issued by U.S. addressees and denominated in U.S. dollars.

Item 2(c) Loans.

Report in the appropriate subitem below the aggregate book value of all U.S. dollar-denominated loans (and leases) to U.S. addressees (other than related depository institutions), before deduction of any allowance for loan losses (which is to be reported in item 4(a) or 11(a)) but net of any specific reserves. Each subitem should be reported net of (1) unearned income (to the extent possible) and (2) deposits accumulated for the payment of personal loans (hypothecated deposits). For additional general information on loans, please refer to the general instructions for FFIEC 002 Schedule C, Loans. References to specific line items in Schedule C are provided for each subitem below.

Item 2(c)(1) Loans secured by real estate.

Report all loans secured by real estate, as defined for Schedule C, item 1, that are made to U.S. addressees (other than related depository institutions) and denominated in U.S. dollars. (Also see the Glossary entry in the FFIEC 002 instructions for “Loans Secured by Real Estate.”)

Item 2(c)(2) Loans to nonrelated depository institutions in the U.S.

Report all loans to nonrelated depository institutions in the U.S., as defined for Schedule C, items 2(a)(1), 2(a)(2), and 2(b), that are denominated in U.S. dollars.

Item 2(c)(3) Commercial and industrial loans.

Report all commercial and industrial loans to U.S. addressees, as defined for Schedule C, item 4(a), that are denominated in U.S. dollars.

Item 2(c)(4) All other loans.

Report all other loans to U.S. addressees (other than related depository institutions) denominated in U.S. dollars that cannot properly be reported in one of the preceding loan items, including such loans that are called for in the following items on Schedule C of the FFIEC 002:

- Item 3, Loans to other financial institutions.
- Item 5(a), Acceptances of other U.S. banks.
- Item 7, Loans for purchasing or carrying securities (secured and unsecured).
- Item 8, All other loans (including obligations other than securities of state and local governments in the U.S.; loans to individuals; and lease financing receivables (net of unearned income)).

Item 2(c)(5) Less: Any unearned income on loans reflected in Items 2(c)(1)–2(c)(4) above.

As noted earlier, to the extent possible, the preferred treatment is to report the specific loan categories net of unearned income. A reporting institution should enter here unearned income only to the extent that it is included in (i.e., *not* deducted from) the various loan items (items 2(c)(1) through 2(c)(4)) above. If a respondent reports each loan item above net of unearned income, enter a zero or the word “none” for item 2(c)(5).

Item 2(c)(6) Total loans, net of unearned income.

Report the sum of items 2(c)(1) through 2(c)(4) minus item 2(c)(5).

Item 2(d) Other claims.

Report any remaining U.S. dollar-denominated claims on U.S. addressees (other than related depository institutions) that cannot properly be reported in items 2(a) through 2(c) above, such as:

- Federal funds sold and securities purchased under agreements to resell, as defined for Schedule RAL, item 1(d), that are transacted with U.S. addressees and denominated in U.S. dollars.