



Summary of Legitimate Interseries Differences

between the

Report of Deposits and Vault Cash (FR 2900)

and the

Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002)

U.S. Branches and Agencies of Foreign Banks

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Background

“Interseries editing” compares data reported as of similar dates for analogous items from two different reports. Interseries editing enhances data quality by reconciling reporting discrepancies. Such discrepancies may be the result of a reporting error or may instead reflect legitimate differences between item definitions associated with the two reports. This document describes legitimate differences between the **Report of Deposits and Vault Cash (FR 2900)** and the **Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002)**, hereafter referred to in this document as the Call Report.

Interseries edits are performed each quarter for each FFIEC 002 reporter that files the FR 2900. The edits are based on a single day’s data from the FR 2900 and the Call Report, on the Call Report date.

A table showing all of the interseries item comparisons that are calculated each quarter is shown in the next section, followed by a table summarizing most of the legitimate differences that might arise in reconciling those comparisons. Next, two types of legitimate differences are discussed in detail: *general legitimate differences* that are valid for any item comparison, and *specific legitimate differences* that are valid only for the particular items being compared.

Interseries Edits for FFIEC 002 Reporters

The following table shows the interseries item comparisons calculated each quarter for all FFIEC 002 reporters that file the FR 2900 report.

Detailed Interseries Item Comparisons for FFIEC 002 Reporters

FR 2900		FFIEC 002	
Line	Description	Code	Description
A.2 + C.1	Other liquid deposits + Small time deposits	RCON1653 – RCON2210 + RCON2385 – RCON2604	Schedule E, column A, line 7 (Total trans accts & credit balances) – Schedule E, column B, line 7 (Memo: Total Demand Deposits), + Schedule E, column C, line 7 (Total Nontransaction Accounts) – Schedule E, memo 1.a (Time deposits of \$100,000 or more)
B.1	Cash items in process of collection	RCFD0020 – RCFN0020	Schedule A, column A, line 1 (Total CIPC) – Schedule A, column B, line 1 (CIPC at IBF)
D.1	Vault cash	RCFD0080	Schedule A, line 2 (Currency and coin)

Summary of Legitimate Differences for FFIEC 002 reporters

FR 2900 <i>less than</i> Call Report	FR 2900 <i>greater than</i> Call Report
Other liquid deposits + Small time deposits	
<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • FR 2900 item includes primary obligations, including ASC Topic 810 (formerly FIN 46)-related balances that are considered deposits. The Call Report item <i>does not</i> include primary obligations. • FR 2900 item includes other liquid deposits (those deposits not payable on demand) and small time deposits (time deposits denominated in amounts less than \$100,000) due to related Edge and agreement corporations, while the Call Report item does not. • FR 2900 includes the amount of assets sold with recourse where control is retained by the reporting branch or agency, while the Call Report defines this amount as borrowings.
Cash Items in Process of Collection (CIPC)	
<ul style="list-style-type: none"> • FR 2900 item excludes items payable immediately upon presentation to a depository institution in Puerto Rico or U.S. territories and possessions, while the Call Report item does not. 	<ul style="list-style-type: none"> • None.
Vault Cash	
<ul style="list-style-type: none"> • FR 2900 item excludes vault cash in the form of <i>foreign</i> currency, while the Call Report item does not. 	<ul style="list-style-type: none"> • None.

Note: This table excludes late adjustments and interpretive differences because these legitimate differences are circumstance specific.

General Legitimate Differences

The following legitimate differences may apply to any interseries item comparison.

Consolidation

Reporting rules regarding consolidation differ between the FR 2900 and FFIEC 002. Therefore, legitimate differences between the two reports arise because interoffice transactions between the reporting institution and related offices—other U.S. branches of the same foreign parent or related banking Edge or agreement corporations—are reported differently.

Other U.S. branches and agencies of the same foreign parent: A foreign bank’s U.S. branches and agencies located within the same state and within the same Federal Reserve District submit a single FR 2900 report, as though the group of offices were one office. On the FR 2900 report, therefore, all interoffice transactions between such offices are eliminated. (See FR 2900 General Instructions, “Consolidation for U.S. branches and agencies of non-U.S. banks”.) In contrast, a foreign bank’s U.S. branches and agencies are generally required to file separate FFIEC 002 reports, so that interoffice transactions are not eliminated. Note that separate filing of the FFIEC 002 is not uniform, however, as branches and agencies may, upon request to the Federal Reserve Bank, file consolidated Call Reports. (See Call Report General Instructions, “Scope of the Report.”)

Related Edge and agreement subsidiaries: Related banking Edge and agreement subsidiaries of the reporting branch or agency are required to file separate FR 2900 reports and therefore *are not* consolidated on the FR 2900. As a result, deposits by the reporting branch or agency at a related Edge subsidiary, or those of related Edge subsidiary at the reporting branch are reported on the FR 2900, as appropriate. In contrast, Edge and agreement subsidiaries *are* consolidated on the reporting bank’s Call Report, and therefore deposits by the reporting branch or agency at a related Edge subsidiary or those by the Edge subsidiary at a related branch are *eliminated* by consolidation.)

Related Institutions: Deposits due to or due from U.S. branches and agencies of the same foreign (direct) parent bank should be *excluded* from the FR 2900. In addition, deposits due to or due from the foreign (direct) parent bank and its non-U.S. branches and agencies should also be *excluded* from the FR 2900. In contrast, related depository institutions on the Call Report *include* the foreign head office and its U.S. and non-U.S. branches and agencies of the bank’s parent holding company, and majority-owned banking subsidiaries of the bank and of its parent holding company (including subsidiaries owned both directly and indirectly).

Definition of United States

A legitimate difference may arise between the Call Report and the FR 2900 relating to the definition of United States. The FR 2900 defines United States to include the fifty states and the District of Columbia; by comparison, the Call Report definition is much broader and covers offices in Puerto Rico and U.S. territories and possessions. (See the Glossary entry “Banks, U.S. and Foreign” in the Call Report for additional details.)

Late Adjustments

Differences between FR 2900 and Call Report items frequently result from timing differences in the preparation of the two reports.

The FR 2900 is usually prepared a day or two after the report as-of date, while the Call Report is typically prepared weeks after its as-of date. As a result, Call Report items correctly include “late adjustment” amounts. The inclusion of late adjustments in Call Report values may make the FR 2900 item larger or smaller than corresponding Call Report item, depending on the type of late adjustments that were made and the items being compared.

The FR 2900 report should be revised to reflect late adjustments that are material. Single-day FR 2900 data for the Call Report date should not automatically be revised merely to match the Call Report.

Suspense Accounts

Differences between FR 2900 and Call Report items result from the reporting of suspense accounts. Suspense accounts are temporary holding accounts in which items are carried until their final disposition is determined. The FR 2900 requires all suspense account items to be reported in demand deposits due to the public, unless past experience supports a more accurate classification. The Call Report requires these items to be reported in their final disposition account type. For example, suspense account items are reported on the Call Report as if they had actually been posted to the general ledger at or before the cut-off time. The inclusion of suspense account items to the general ledger on the Call Report may make the FR 2900 item larger than the corresponding Call Report item, depending on the classification of the suspense account item.

Primary Obligations

Deposit balances on the FR 2900 may include primary obligations while deposit balances on the Call Report do not.

Certain liabilities of the reporting institution issued to nonexempt entities (e.g., nondepositories, such as individuals or businesses) are considered primary obligations. Primary obligations are reported as deposits on the FR 2900 because they are considered part of the monetary aggregates. On the Call Report, however, primary obligations are not reported as deposits. For more information on primary obligations, see the FR 2900 General Instructions, “Deposits as Defined Under Regulation D.”

Primary obligations related to ASC Topic 810 (formerly FIN 46)

Some liabilities related to the Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 810 (formerly Financial Accounting Standards Board Interpretation Number 46 (FIN 46)) are considered primary obligations and are therefore reported on the FR 2900.

ASC Topic 810 (formerly FIN 46), “Consolidation of Variable Interest Entities,” requires depository institutions that sponsor variable-interest entities to consolidate the assets and liabilities of some of these entities onto their balance sheets.

Board Legal staff issued an opinion in January 2004 that certain liabilities of asset-backed commercial paper conduits are not “deposits” for the purposes of Regulation D and, therefore, should not be included in the sponsoring depository institution’s FR 2900 report (www.federalreserve.gov/boarddocs/legalint/FederalReserveAct/2004/20040126/).

On the Call Report, the sponsoring depository institution reports the ASC Topic 810 (formerly FIN 46)-related liabilities in “other borrowed money” (Schedule RC, line 16). On the FR 2900 report, if the liabilities do not fall within the scope of the staff opinion, they are reported as deposits. Therefore, for those institutions with ASC Topic 810 (formerly FIN 46)-

related liabilities, differences may arise between deposit items reported on the Call Report and the FR 2900 report.

For more information on primary obligations and a complete listing of exempt and nonexempt entities, see the FR 2900 instructions “Glossary of Terms,” and General Instructions, “Deposits as Defined Under Regulation D.”

Interpretive Differences

Some items may be classified on the Call Report as either deposits or accounts payable and other liabilities. On the FR 2900, these items are generally reported as deposits. When reported as accounts payable and other liabilities on the Call Report, these items are omitted from the Call Report items used in inter-series edit comparisons, making FR 2900 balances higher than Call Report balances when these items are present.

Examples of items that may be classified in this manner are: undistributed payments, advance payments of taxes and insurance, undistributed payroll deductions (withheld payroll taxes), and funds received in the course of servicing loans for others.

Fair Value

Deposit liabilities reported on the FR 2900 must be based on the reporting institution's contractual liability to its counterparty, which includes any accrued interest. Institutions may elect to report their deposit liabilities at fair value on the Call Report. The balance reported at fair value on the Call Report may be greater than or less than the original value of the contractual liability reported on the FR 2900.

Specific Legitimate Differences

The most common explanations given for valid legitimate differences are discussed in turn below.

1. Other liquid deposits + Small time deposits

FR 2900		FFIEC 002	
Line	Description	Code	Description
A.2 + C.1	Other liquid deposits + Small time deposits	RCON1653 – RCON2210 + RCON2385 – RCON2604	Schedule E, column A, line 7 (Total trans accts & credit balances) – Schedule E, column B, line 7 (Memo: Total Demand Deposits), + Schedule E, column C, line 7 (Total Nontransaction Accounts) – Schedule E, memo 1.a (Time deposits of \$100,000 or more)

Legitimate Difference

Primary Obligations

FR 2900 balances may be greater than Call Report balances because the FR 2900 item includes primary obligations, while the Call Report item *does not* include primary obligations. Some ASC Topic 810 (formerly FIN46)-related liabilities are considered primary obligations and are therefore reported on the FR 2900 (see “ASC Topic 810 (formerly FIN46)” under “Primary Obligations” in the “General Legitimate Differences” section).

Edge and Agreement Corporations

FR 2900 balance may be greater than Call Report balance because balances due to related Edge or agreement corporations are excluded from Call Report Schedule E (they are included on Schedule M), while they may be included in lines A.2, “Other liquid deposits” and C.1, “Small time deposits” on the FR 2900 report.

Assets Sold with Recourse

FR 2900 balance may be greater than the Call Report balance by the amount of financial assets sold with recourse where control of the original asset is retained by the reporting branch or agency. The sale of assets with the reporting branch or agency’s guarantee of payment may be considered a “financing transaction” for the Call Report if the reporting institution retains control of the financial asset; that is, a borrowing secured by assets rather than an outright sale of assets. When the reporting institution retains control of the original financial asset, the Call Report requires the reporting institution to show an asset and a “borrowing” on its books (Schedule RAL, item 4.c.). This reasoning can also be applied to the sale of any asset where the purchaser has recourse to the selling institution. For FR 2900 reporting purposes, the liability created is usually considered a time deposit and is reportable on the FR 2900 if the time deposit balances is less than \$100,000.

2. Cash Items in Process of Collection (CIPC)

FR 2900		FFIEC 002	
Line	Description	Code	Description
B.1	Cash items in process of collection	RCFD0020 – RCFN0020	Schedule A, column A, line 1 (Total CIPC) – Schedule A, column B, line 1 (CIPC at IBF)

Legitimate Differences

Definition of United States

FR 2900 balance may be less than Call Report balance. For both reports, cash items in process of collection are defined to be checks in the process of collection drawn upon another depository institution payable immediately upon presentation in the United States. However, the Call Report item includes Puerto Rico and U.S. territories and possessions in its definition of United States; while the FR 2900 item does not.

3. Vault Cash

FR 2900		FFIEC 002	
Line	Description	Code	Description
D.1	Vault cash	RCFD0080	Schedule A, line 2 (Currency and coin)

Legitimate Difference

Foreign Currency

FR 2900 balance will be less than Call Report balance by the amount of foreign currency held as vault cash. The FR 2900 item excludes foreign currency in the vault of the reporting institution, while the Call Report item includes it.