

Call Report & FFIEC Revisions
Agency Name OCC / 1557-0081

From: Jim Bishop

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Call Report and FFIEC 002 Revisions - AGENCY NAME: OCC / 1557-0081

To whom it may concern,

I could not find any instructions on the website for DEC'23 but the Sept'23 Instructions were available. I have attached the instructions for SECTION RC-B.

instructions for the Structured Financial Products (5.b) are confusing in that there is a section 4.c.(1)(a) for Commercial Mortgage-Backed Securities that clearly states commercial mortgage-backed securities ISSUED by Federal Home Loan Mortgage Corp (FHLMC) should be reported here. However, the instructions also state in section 5.b to report Structured Financial Products that are guaranteed by U.S. government agencies such as FHLMC K-Deals and Q-Deals. This statement conflicts with the 4.c.(1)(a) Instructions as FHLMC K-Deals are one of the most popular forms of CMBS securities. I believe the Intent was to report SFP in section 5.b and such as CDO and CLO securities and not double count the FHLMC K & Q deals as they are deemed Commercial Mortgage-Backed Securities. Please remove the highlighted description below from the instructions as this is very confusing to the banking community. Thanks in advance for your attention to this matter.

Sincerely,

Jim Bishop

<https://www.ffiec.gov/forms041.htm>

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5 **Asset-backed securities and structured financial products:**

5.a **Asset-backed securities.** Report in the appropriate columns the amortized cost and fair value of all asset-backed securities (other than mortgage-backed securities), including asset-backed commercial paper, not held for trading. Include asset-backed securities issued by non-U.S. issuers. For banks with \$10 billion or more in total assets, this item must equal Schedule RC-B, sum of Memorandum items 5.a through 5.f.

5.b **Structured financial products.** Report in the appropriate columns the amortized cost and fair value of all structured financial products not held for trading. Include cash, synthetic, and hybrid instruments, including those issued by non-U.S. issuers. For banks with \$10 billion or more in total assets, this item must equal Schedule RC-B, sum of Memorandum items 6.a through 6.g.

Structured financial products generally convert a pool of assets (such as whole loans, securitized assets, bonds, and similar instruments) and other exposures (such as derivatives) into products that are tradable capital market debt instruments. Some of the more complex financial product structures mix asset classes in order to create investment products that diversify risk.

- (1) A **cash instrument** means that the instrument represents a claim against a reference pool of assets.
- (2) A **synthetic instrument** means that the investors do not have a claim against a reference pool of assets; rather, the originating bank merely transfers the inherent credit risk of the reference pool of assets by such means as a credit default swap, a total return swap, or another arrangement in which the counterparty agrees upon specific contractual covenants to cover a predetermined amount of losses in the loan pool.
- (3) A **hybrid instrument** means that the instrument is a mix of both cash and synthetic instruments.

One of the more common cash instrument structured financial products is referred to as a collateralized debt obligation (CDO). For example, include in this item investments in CDOs for which the underlying collateral is a pool of trust preferred securities issued by U.S. business trusts organized by financial institutions or real estate investment trusts. However, exclude from this item investments in trust preferred securities issued by a single U.S. business trust (report in Schedule RC-B, item 6.a, "Other domestic debt securities").

5.b (cont.) Examples of other products to be reported in this item include synthetic structured financial products (such as synthetic CDOs) that use credit derivatives and a reference pool of assets hybrid structured products that mix cash and synthetic instruments, collateralized loan obligations (CLOs), collateralized bond obligations (CBOs), resecuritizations such as CDOs squared or cubed (which are CDOs backed primarily by the tranches of other CDOs), and other similar structured financial products. Also include in this item structured financial products that are guaranteed by U.S. government agencies such as FHLB/C/F-Deals and Q-Deals (report, if applicable, in Schedule RC-B, Memorandum item 6.g, "Other collateral or reference assets," below).

Exclude from structured financial products:

- (1) Mortgage-backed pass-through securities (report in Schedule RC-B, item 4, above).
- (2) Collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, stripped mortgage-backed securities, and mortgage-backed commercial paper (report in Schedule RC-B, item 4, above).
- (3) Asset-backed commercial paper not held for trading (report in Schedule RC-B, item 5.a, above).
- (4) Asset-backed securities that are primarily secured by one type of asset (report in Schedule RC-B, item 5.a, above).
- (5) Securities backed by loans that are commonly regarded as asset-backed securities rather than collateralized loan obligations in the marketplace (report in Schedule RC-B, item 5.a, above).