

Reporting Instructions for the Annual Daylight Overdraft Capital Report for U.S. Branches and Agencies of Foreign Banks (FR 2225)

Public reporting burden for this collection of information is estimated to average 1.0 hour per response, including the time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to: Secretary, Board of Governors of the Federal Reserve System, 20th and Constitution Avenue, N.W., Washington, D.C. 20551; and to the Office of Management and Budget, Paperwork Reduction Project (7100-0216), Washington, D.C. 20503.

General Instructions

Who Should Report - The FR 2225 is required for foreign banking organizations (FBOs) that are ranked SOSA 1¹ or SOSA 2 or hold a financial holding company (FHC)² designation and that wish to establish a non-zero net debit cap for their U.S. branches and agencies.

If an FBO has more than one U.S. branch or agency, the office designated to handle daylight overdrafts for the bank in accordance with the Federal Reserve's payments system risk (PSR) policy would report to its Administrative Reserve Bank³ on behalf of the foreign bank family. For this purpose, the term "foreign bank family" is defined as all U.S. branches and agencies of the same foreign bank.

Use of the Report and Definitions - For the purpose of calculating an FBO's net debit cap for the Federal Reserve's PSR policy, an FBO's administrative Reserve Bank must first determine the FBO's U.S. capital equivalency. U.S. capital equivalency is the amount that the Board of Governors of the Federal Reserve System has determined may be used by an FBO's U.S. branches and agencies as the equivalent capital measure for U.S. chartered depository institutions. For FBOs

that are FHCs or are ranked SOSA 1 or SOSA 2 and wish to establish a non-zero net debit cap for their U.S. branches and agencies, U.S. capital equivalency is a fraction of the capital base reported as Item 3. FBOs that are ranked SOSA 3 and wish to establish a non-zero net debit cap for their U.S. branches and agencies will have their U.S. capital equivalency based on their "Net due to related depository institutions" as reported on the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002), Schedule RAL, Item 5.a, Column A, for the most recent quarter.

When to Report - This report is due 90 days after the bank's fiscal year-end in order to maintain its net debit cap.

In addition to the fiscal year-end filing, banks may complete the report at anytime (whether or not it coincides with the annual reporting period) if their bank's capital figure has changed materially, or if they wish to change their reporting option. Otherwise, the capital figure most recently reported will continue to be used until 90 days after the end of the fiscal year for calculating the net debit cap for the foreign bank family.

Where to Report - The U.S. office designated to handle daylight overdraft matters for the foreign bank family should submit this report to its Administrative Federal Reserve Bank responsible for daylight overdraft monitoring and counseling.

Does the FBO request confidential treatment for any portion of the report? - Once submitted, a reporter's RR Y-2225 report becomes a Federal Reserve Board (Board) record and is available to the public upon request on an individual basis pursuant to the Freedom of Information Act, 5 U.S.C. § 552 (FOIA). FOIA provides that board records generally must be disclosed in response to a FOIA request, though records containing categories of information are exempt from disclosure in whole or in part.

The exempt categories include trade secrets, privileged or confidential commercial or financial information, and information that if disclosed would constitute a clearly unwarranted invasion of personal privacy. A reporting FBO may request confidential treatment for portions of the report if the FBO is of the opinion that disclosure of certain financial information in the report would likely result in substantial harm to its (or its subsidiaries') competitive position.

To request confidential treatment, submit a letter concurrent with submission of the FR 2225. The letter must discuss the legal justification for the request and must describe the specific nature of the harm that would result from disclosure of the information. Unsupported conclusory statements that disclosure will cause competitive harm or is an invasion of privacy are insufficient to justify confidential treatment. In

¹ The Strength of Support Assessment (SOSA) ranking is composed of four factors, including the FBO's financial condition and prospects, the system of supervision in the FBO's home country, the record of the home country's government in support of the banking system or other sources of support for the FBO; and transfer risk concerns. Transfer risk relates to the FBO's ability to access and transmit U.S. dollars, which is an essential factor in determining whether an FBO can support its U.S. operations. The SOSA ranking is based on a scale of 1 through 3, with 1 representing the lowest level of supervisory concern.

² The Gramm-Leach-Bliley Act (Public Law 106-102, 113 Stat. 1338 (1999)) defines a financial holding company as a bank holding company that meets certain eligibility requirements. In order for a bank holding company to become a financial holding company and be eligible to engage in the new activities authorized under the Gramm-Leach-Bliley Act, the Act requires that all depository institutions controlled by the bank holding company be well capitalized and well managed. With regard to a foreign bank that operates a branch or agency or owns or controls a commercial lending company in the United States, the Act requires the Board to apply comparable capital and management standards that give due regard to the principle of national treatment and equality of competitive opportunity.

³ The Administrative Reserve Bank is responsible for daylight overdraft monitoring and counseling.

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addition, label as “Confidential” each item for which confidential treatment is sought and submit under a separate cover page marked “Confidential.”

If a determination is made to release any of the confidential information pursuant to a judicial order or other determination, the Federal Reserve Bank will inform the FBO prior to release of the information. For further information, consult the Board’s Rules Regarding Availability of Information, 12 CFR part 261, including 12 CFR § 261.15, which governs requests for confidential treatment.

Foreign exchange conversion rate used in calculating Item 1.a. and Item 4. – The exchange rate to be used for this conversion are either the 10:00 a.m. rates quoted for major currencies by the Federal Reserve Bank of New York, or the noon buying rates certified by the Federal Reserve Bank of New York for customs purposes, or some other consistent series of exchange rate quotations. (If deposits are issued in European Currency Unit (ECU) or some other currency basket, consistent series of exchange rate quotations either from the basket unit of for the corresponding individual exchange rates may be used.)

ITEM INSTRUCTIONS

Item 1.a. Amount of worldwide capital of the reporting bank (in U.S. dollars—based on the exchange rate as of the date of the financial statement) - Enter the U.S. dollar equivalent of the worldwide capital of the reporter’s foreign bank. (If the reporter’s foreign bank, in turn, is owned by another bank or nonbank, use only the reporting bank’s capital.) A foreign bank that meets the criteria indicated in the “Use of the Report and Definitions” section may choose EITHER of the options listed below. (The first is smaller but may be easier to report.) A foreign bank that does not meet the criteria *must* choose the “Equity Only” option.

Item 1.b. Reporting option (One of the following two options *must* be chosen):

Equity Only - The amount of foreign bank tangible equity capital (or comparable figure for government-owned banks) as published in the bank’s most recent annual, semi-annual, or quarterly reports (as appropriate) or, if the bank does not release such figures to the public, as submitted to the home-country supervisory authorities.

For this purpose, the term “tangible equity capital” includes common stock, preferred stock, surplus, undivided profits, contingency and other capital reserves (or the home-country version of these balances). However, it does NOT include any valuation reserves. All goodwill, other intangibles, and any deferred losses that are included in its total assets must be

deducted. This item is equivalent to core capital under the Basle Capital Accord.

OR

Total Qualifying Capital - The amount qualifying for total capital (Tier I plus Tier II) under the Basle Capital Accord in the foreign bank’s home country (or its equivalent as described in the section “Use of the Report and Definitions”). For either option the foreign bank family should be willing and able to document the value reported in Item 1.a. to U.S. bank examiners.

Item 2. Less: Adjustments to avoid double counting - Enter the total amount of capital included in Item 1.a. of this report that was used by any direct or indirect subsidiary of this bank to calculate its own net debit cap. The value should equal the foreign bank’s carrying value of its investments in such subsidiaries. The amount entered in Item 2 relates to only majority-owned subsidiaries of this reporting bank that have their own U.S. offices that incur overdrafts. Types of subsidiaries covered by this adjustment include:

1. U.S. commercial or savings bank or savings association, including any Edge or Agreement Corporation majority owned by that U.S. subsidiary and consolidated in its financial statements;
2. Edge or Agreement Corporation owned directly by this reporting foreign bank (i.e. not owned through a subsidiary U.S. bank); and
3. Non-U.S. bank that has a U.S. branch or agency office or an Edge or Agreement Corporation subsidiary of its own.

The purpose of this adjustment is to avoid double counting of capital figures for banking organizations with more than one entity participating directly on Fedwire. Accordingly, the intent of this adjustment is to subtract *only* the amount of capital of such other participating entities that is included in Item 1.

Item 3. Equals: Daylight overdraft capital base for the U.S. branch and agency family - Subtract Item 2 from Item 1.a. and enter the amount on Item 3. This amount is the worldwide capital base of the foreign bank that is used to calculate the net debit cap for the foreign bank family.

Item 4. Amount of worldwide total assets of the reporting bank (in U.S. dollars—based on the exchange rate as of the date of the financial statement) - Enter the worldwide total assets of the reporter’s foreign bank, on either a consolidated or combined basis, as of the date of the financial statement from which the capital figure reported in Item 1 was derived. This figure should be consistent with the definition of worldwide assets used in the **instructions** for the Annual

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Report of Foreign Banking Organizations (FR Y-7) Item 4,
Section C. This figure must:

1. use either a consolidated or a combined basis;
2. include the total assets of all companies in which the foreign bank owns 50 percent or more of the voting shares; and
3. include the total assets of companies in which the foreign bank owns 25 percent or more of the voting shares if all such companies are included.