

The Facts Behind Your Figures*



*The Federal Reserve Bank of Philadelphia provides this information to depository institutions that submit the FR 2900 and related reports to this Reserve Bank. Its purpose is to provide institutions with some insight into the procedures and techniques we use to analyze the data that they submit, thus facilitating the deposits reporting process. This document is only an informal guide and source of background information; it is not an official policy of the Federal Reserve Bank of Philadelphia or of the Board of Governors of the Federal Reserve System. Information and procedures described herein may be changed at any time, without notice. Federal Reserve Regulation D, "Reserve Requirements of Depository Institutions," (12 CFR 204) shall govern in all cases regarding deposit reporting by depository institutions.

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Introduction to the FR 2900 Report

This booklet was compiled by staff members of the Deposits Unit at the Federal Reserve Bank of Philadelphia. It is intended to provide our district's depository institutions with a broad overview of reporting concepts for the "Report of Transaction Accounts, Other Deposits and Vault Cash" (FR 2900). The analytical portion of the manual is designed to bring attention to the individual deposit activity specific to your institution. For broader interpretation issues, we advise you to reference Regulation D, consult the detailed FR 2900 instruction booklet, or seek assistance from your contact at the Reserve Bank.

FR 2900 Background

The Federal Reserve has collected data on deposits, currency, and reserves since 1929. Several variations of reports have been collected throughout the years. In 1980, in conjunction with the "Depository Institutions Deregulation and Monetary Control Act", a new consolidated report entitled the "Report of Transaction Accounts, Other Deposits and Vault Cash" (FR 2900) was established.

Depository Institutions are required by law to file the FR 2900 report. Regulation D, which is directly applicable to the FR 2900, defines deposits, specifies reserves that must be maintained, and establishes reserve requirement computation methods.

Purpose of the FR 2900 Report

The collection of FR 2900 data serves two important functions:

- ***Reserve Requirement***

Based on the deposit levels that your depository institution reports each reporting period, the Federal Reserve calculates the level of reserves that must be maintained at or passed through to a Federal Reserve Bank on these deposits under the reserve maintenance schedule stipulated by Regulation D. The reserve requirement calculation procedures are detailed thoroughly in the "Reserve Maintenance Manual," which is available upon request from the Federal Reserve or at the following URL:

<http://www.federalreserve.gov/monetarypolicy/reservereq-reserve-maintenance-manual.htm>

- ***Monetary Aggregates***

Data from the FR 2900 report are used by the Federal Reserve System in monetary policy decisions and in construction of the monetary aggregates. These figures are published in various statistical releases including the H.3, "Aggregate Reserves of Depository Institutions in the Monetary Base", and the H.6, "Money Stock Measures".

Regulation D

Reserve Requirements for Depository Institutions (Reg D) is the Federal Reserve regulation that imposes uniform reserve requirements on all depository institutions with transaction accounts or nonpersonal time deposits, defines such deposits, and requires the collection of FR 2900 report by the Federal Reserve. For FR 2900 purposes there are two broad categories of liabilities, deposits and primary obligations.

Deposits include:

- Transaction accounts, savings deposit accounts, time deposit accounts and interest to be credited to these accounts
- Funds received or held by departments other than the Trust Department. (*Note: Trust funds that are available for general lending and investing purposes may be reportable on the FR 2900*)
- All outstanding certified, cashier's, teller's and officer's checks, and any instrument drawn by the institution
- Traveler's checks and money orders sold by the institution
- Letters of credit
- Checks or drafts drawn by, or on behalf of, any NON-U.S. branches of the institution
- Deposits at NON-U.S. branches which are payable to a U.S. office
- Collection of third party obligations when depositor's account has been charged and settlement of the check has not been made
- Credit balances
- Funds received by an affiliate in the form of a transaction account, savings deposit, or time deposit

Primary Obligations include:

- Promissory notes, acknowledgements of advance, and similar obligations to non-exempt entities
- Repurchase agreements
- Liabilities arising from the issuance of due bills
- Funds associated with the issuance or sale of mortgage securities
- Mortgage-backed bonds issued and sold to non-exempt entities
- Proceeds from outstanding sales of loan strips
- Liabilities of the institution's non-depository affiliate on promissory notes, acknowledgements of advance, due bill and similar obligations
- Banker's acceptances created by the institutions and ineligible for discount at the Federal Reserve Banks

Deposits DO NOT include:

- Trust Funds segregated from an institution's general assets and not available for general investment or lending purposes
- Obligations representing conditional, contingent, or endorser's liabilities
- Obligations issued for the purpose of raising funds to purchase business assets
- Accounts payable
- Hypothecated deposits
- Dividends declared for period between date of declaration and date paid

- Balances held at the Federal Reserve Bank

Primary Obligations DO NOT include:

- Borrowings from NON-U.S. branches of other depository institutions and from certain designated NON-U.S. entities
- Primary obligations issued to exempt entities

Reporting Instructions

Which Institutions are required to Report?

The FR 2900 is required from:

- All depository institutions in the United States with “net transaction accounts” greater than the exemption amount or with the total of transaction accounts, savings accounts, and small time deposit accounts greater than or equal to the “reduced reporting” limit, as determined annually by procedures described in the Supplementary Information to Regulation D and in the Reserve Maintenance Manual issued by the Federal Reserve.
 - Net Transaction Accounts reflect total transaction accounts (item A3) minus demand balances due from depository institutions in the U.S. (item B1) minus cash items in process of collection (item B2) plus ineligible acceptances and obligations issued by affiliates maturing in less than 7 days (Schedule AA, item 1).
 - **NTA = A3-B1-B2+AA1**
- All Edge and Agreement Corporations and U.S. branches and agencies of foreign institutions, regardless of the level of their “net transaction accounts”.

Frequency of Reports

The frequency of report submission is based on deposit levels established by the Board of Governors. Institutions are screened during the second quarter of each year to determine reporting frequency beginning the following September. For the current year, the applicable levels are available at the following URL:

http://www.federalreserve.gov/monetarypolicy/rmm/Chapter_2_Reporting_Requirements.htm

De novo Depository Institutions

The first report submission for any depository institution that opens during the year is the FR2910A report on June 30th. In rare instances, the Board may require earlier reporting if warranted by exceptional deposit growth.

Deadlines for Report Submission

The FR 2900 report is due at this Reserve Bank by 3:00 P.M. on the Wednesday following the Monday as-of-date. Your institution will be contacted shortly after this time if the report is not received. In the event of a Wednesday holiday, your report is due by 3:00 P.M. on Thursday.

We ask that you notify us by telephone or email if you anticipate any delay in FR 2900 submission due to extenuating circumstances such as a system conversion.

To avoid processing delays in the absence of your primary FR 2900 preparer, we strongly recommend that your institution adequately train at least one additional staff member to serve as a contingency backup. His/her duties should encompass both compiling the report as well as addressing related questions.

Periodically, times of report submission are reviewed to identify chronically late institutions. Further action will be taken for any such institution in order to ensure promptness.

Report Submission Options

Your institution may submit the FR 2900 electronically via the Internet Electronic Submission (IESUB) website.

Proper authorization must be established prior to initially submitting data using the Internet Electronic Submission site. If you are interested in this method, further information can be obtained at the following URL:

<http://www.philadelphiafed.org/bank-resources/financial-regulatory-reporting/electronic-submissions/>

The traditional methods of submitting the report form are also acceptable:

- Fax - (215) 574-6511

- Mail - Federal Reserve Bank of Philadelphia
Financial Statistics Department
Ten Independence Mall
Philadelphia, PA 19106

Retention Policy

Hardcopies of FR 2900 report forms should be retained by your institution for the current year plus four prior years.

Institutions submitting FR 2900 data via the Internet must also retain printed and signed hardcopies for the current year plus four prior years.

Fed Contacts

For contact information visit the Federal Reserve Bank website at <http://www.phil.frb.org/bank-resources/contact/>. Look under the Financial & Regulatory Reporting tab for contact information.

Board of Governor's Web Site

Additional information regarding the FR 2900 report is now publicly accessible through the following web sites:

<http://www.federalreserve.gov/apps/reportforms/default.aspx>

<http://www.phil.frb.org/bank-resources/financial-regulatory-reporting/>

FR 2900 Report Preparation

This section provides basic preparation concepts and is intended only to supplement the detailed instruction booklet. Copies of the entire instruction booklet may be obtained either by contacting your Federal Reserve Representative or through the Board of Governor's Web site referenced above. Please note that the most recent release of the FR 2900 instruction booklet was September 2012.

General Concepts

Close of Business

The amount reported for each day should reflect the amount outstanding on the general ledger at the "close of business" for that day. Both credit and debit entries must be posted by close of business.

Consolidation

Combine all comparable accounts of the individual entities to be consolidated on an account by account basis.

Eliminate all inter-office transactions that reflect the existence of debtor-creditor relationships among the entities and branches of such entities to be consolidated.

For example: The "deposit" obligations of a wholly-owned subsidiary should be included in the parent institution's FR 2900 deposit liabilities.

Overdrafts or Negative Balances

All deposit accounts having a negative balance should be regarded as having a zero balance when computing deposit totals. Overdrawn deposit accounts of customers should be regarded as loans made by the reporting institution and should not be reported as negative deposits. Do not net overdrawn balances against positive account balances.

One Exception:

Overdrawn accounts of a depositor who maintains more than one transaction account at the reporting institution may be offset by accounts with positive balances if a Bona Fide Cash Management arrangement exists.

Authorized Signature

A signature is required to ensure that an "authorized" person at your institution has reviewed the data, and has certified its contents. This provides us with a higher level of confidence that the data have been reviewed for accuracy and completeness.

Account Definitions

Transaction Accounts

Accounts from which the depositor or account holder is permitted transfers or withdrawals by a negotiable or transferable instrument such as checks, ATM's, telephone transfers, and preauthorized transfers. There is no limitation on the number of transactions per calendar month or statement cycle.

Transaction accounts include *demand deposits, NOW accounts, share drafts, and automatic transfer service (ATS) accounts.*

1. *Demand Deposit Accounts*

- a. Deposits and primary obligations that are payable immediately on demand; or
- b. Are issued with an original maturity or required notice period of less than 7 days; or
- c. Represent funds where the reporting depository institution does not reserve the right to require at least 7 days written notice of intended withdrawal.

2. *NOW (Negotiable Order of Withdrawal) Accounts*

- a. Accounts which permit transfers to third parties or withdrawals by a negotiable or transferable instrument
- b. Reporting institution reserves the right to require at least 7 days written notice of intended withdrawal.
- c. May be interest-bearing
- d. Customer Eligibility includes:
 - i. Individuals and sole proprietorships
 - ii. Non-profit organizations
 - iii. Governmental units
- e. Corporations are NOT eligible to maintain NOW accounts

Non-Transaction Accounts

Non-transaction accounts include *savings and time deposit accounts.*

1. *Savings Deposits*

- a. Deposits or primary obligations for which the reporting institution reserves the right to require at least 7 days written notice of intended withdrawal.
- b. Include passbook savings accounts, statement savings accounts and money market deposit accounts (MMDA).
- c. The depositor is permitted or authorized to make no more than six transfers and withdrawals, or a combination of such transfers and withdrawals, per calendar month or statement cycle.
- d. The following items count toward transaction limitations:
 - i. Payments to "third parties"
 - ii. Transfers from a customer's one account to his other account at the same institution if done by:
 1. Pre-authorized transfer

2. Automatic transfer
 3. Telephone, fax, or online banking
 4. Checks
 5. Drafts
 6. Debit Cards
- e. The following items do not count toward transaction limitations:
- i. Transfers to repay a loan at the same institution
 - ii. Transfers from customer's one account to his/her other account at the same institution or withdrawals if done:
 1. In person
 2. By mail
 3. By messenger
 4. By Automated Teller Machine (ATM)
 - iii. Withdrawals for payment directly to the depositor when made by telephone, mail, messenger, ATM, or in person.

2. *Time Deposits*

- a. Deposits or primary obligations on which a depositor is not permitted to make a withdrawal within six days after the date of deposit or partial withdrawal unless subject to early withdrawal penalty.
- b. There is generally a "maturity date" associated with the time deposit. The "maturity date" may not be less than 7 days from the date of deposit.

FR 2900 Line Item Overview

Item A.1.a – Demand Deposits Due to Depository Institutions

Report all *demand accounts* held by other U.S. depository institutions. Also report all due bills with *original maturities* of less than seven days which are not collateralized within three business days by similar securities.

Reciprocal balances with “due from” institutions are preferably reported on net basis for U.S. offices of commercial or edge institutions. However, balances “due from” savings & loans, credit unions, and other institutions must be reported only on a gross basis.

Common reporting errors:

- This item *should not* include deposits that are not a demand deposit or available for immediate withdrawal (i.e., savings accounts, time deposits, repurchase agreements, or Fed Funds purchased from depository institutions).
- This item *should not* include demand balances due to depositors that are not depository institutions (i.e., bank holding companies, securities dealers, trust departments of other institution or any U.S. Government agencies).
- This item *should not* include a demand deposit due to a depository institution that is negative (i.e. overdrawn). The amount of negative balances should be regarded as **zero** when computing the deposit total.

Item A.1.b – Demand Deposits Due to U.S. Government

Report all *demand deposits* that have been designated as federal public funds. This includes

1. U.S. Treasury general accounts and special collection accounts;
2. Postmaster’s demand deposit accounts;
3. Demand accounts of government-owned corporations; and
4. Demand accounts of other public funds that are subject to control/regulation by the U.S. government.

Common reporting errors:

- This item *should not* include demand balances held for state and local governments or state and local taxes withheld, which are reported in A.1.c.
- This item *should not* include demand balances held for U.S. government agencies, including but not limited to: Federal Home Loan Banks; Federal Home Loan Mortgage Corporation; and Federal Deposit Insurance Corporation.

Item A.1.c – Other Demand Deposits

Report all other accounts that meet the description of a *demand deposit*, but are not reported in items A.1.a or A.1.b. This line item includes the demand deposits of

1. Individuals, partnerships, and corporations;
2. State and local governments;
3. U.S. government agencies;
4. Trust departments; and
5. Foreign governments.

This category also includes, with certain exceptions,

1. All outstanding official, certified, cashiers, tellers and officers checks,
2. Escrow accounts,
3. Proceeds from the sale of traveler’s checks and money orders,
4. Unposted credits
5. Non-transaction accounts where the customer is allowed to exceed transfer limitations

Common reporting errors:

- Prior to the repeal of Reg Q, interest could not be paid on demand deposits. Now interest may be paid on checking accounts, and thus interest bearing checking accounts are reported in A.1.c.
- This item *should* include matured time certificate of deposits unless the deposit agreement specifically provides for automatic renewal or funds to be transferred.

Item A.2 – ATS Accounts, NOW Accounts/Share Drafts, and Telephone and Preauthorized Transfers

Report all other transaction accounts that do not meet the definition of a demand deposit (reported in A.1a through A.1c). Typical inclusions in this category are all interest-bearing checking accounts (NOW accounts), and ATS accounts (accounts in which automatic credits/payments are made as the result of a written agreement).

Common reporting errors:

- This item *should not* include corporate accounts, as corporations are not eligible for NOW accounts.

Item A.3 – Total Transactions

The sum of line items A.1.a through A.2.

Item B.1 – Demand Deposits Due from Depository Institutions

Report all balances subject to *immediate withdrawal* by the reporting institution from other U.S. institutions. See item A.1a for reporting of reciprocal balances. Balances must be reported based on the reporting institution's general ledger.

Common reporting errors:

- This item *should not* include funds swept into overnight investment instruments.
- This item *should not* include Federal Reserve or Federal Home Loan Bank (FHLB) balances (not reported on the FR 2900).
- This item *should not* include savings or time deposit balances with depository institutions.
- This item *should not* include federal funds sold to other depository institutions.

Item B.2 – Cash Items in Process of Collection

Report all checks or drafts in process of collection drawn on another depository institution and that are payable immediately on demand in the U.S. (note: if the processing institution offers immediate credit on these items, it is report in item B.1). This item includes all checks processed through Reserve Banks, depository institutions, and clearing houses until credit is granted.

Common reporting errors:

- Reporting zero for item B.2 is often indicative of incorrect reporting. Zero is accurate only if immediately available funds are received for cash items in process of collection, but in most cases, the funds are not available until the next day or after a DI has closed its G/L for the day.
- Reporting identical figures in item B.2 for the entire report week is often indicative of incorrect reporting due to the volatility of CIPC balances.

Item C.1 – Total Savings Deposits

Report all passbook savings, money market deposit accounts, escrow deposits, individual retirement accounts, and club accounts that meet the definition of a savings account. These accounts are limited to no more than six transfers per statement cycle.

Common reporting errors:

- DIs that do not monitor transfers and withdrawals on savings deposits, regardless of whether the depositors have exceeded the limit, as well as savings deposits that allow more than six convenient transactions per statement cycle or calendar month, must reclassify those savings deposits as transaction accounts.

Item D.1 – Total Time Deposits

Report all time deposits in which the depositor does not have the right to withdraw funds within the first six days after deposit or partial withdrawal unless this transaction is subject to an early withdrawal penalty of at least seven days' simple interest.

Common reporting errors:

- Brokered deposits are funds that the reporting DI obtains via a deposit broker for deposit into one or more deposit accounts, which can include those in which the broker pools funds from multiple investors for deposit in a given account or those in which a single investor holds the entire beneficial interest in a given deposit account.
- Matured time deposits with only grace period and no rollover clause are reported in items D.1 and F.1 (if applicable) until the expiration of the grace period. If funds have not been withdrawn by the customer, report in item A.1.C, starting with the grace period expiry date.
- Matured time deposits with a rollover clause (regardless if they have a grace period or not) continue to be reported in items D.1 and F.1 (if applicable) as the time deposit agreement is renewed.

Item E.1 – Vault Cash

Include all currency and coin owned by the reporting institution. This includes all shipments in transit to Federal Reserve Banks and correspondent depository institutions for which credit has not yet been received, and all shipments in transit from Federal Reserve Banks and correspondent depository institutions for which the reporting institution has not yet been charged.

Common reporting errors:

- This item *should not* include foreign currency and coin.
- Vault cash held in proprietary ATM machines *should* be included, but is often omitted.

Item F.1 – Time Deposits Greater than \$100 Thousand

Report all time deposits (also reported in item D.1) whose end of day balances are greater than \$100 thousand.

Common reporting errors:

- This item *should not* include balances which combine deposits represented by separate certificates of less than \$100 thousand, even if they are held by the same customer.
 - Brokered deposits are typically not reported in item F.1, as the underlying denominations issued are not provided to the DI.

Items Reported on an Annual Basis

Schedules BB and CC on the FR 2900 report are only completed *annually* (June 30th for weekly reporters). During all other weeks these fields should remain empty. As the applicable reporting week approaches, supplemental guidance will be provided on the reporting requirements associated with these particular items. Refer to the Board of Governors Reporting Forms website at <http://www.federalreserve.gov/apps/reportforms/default.aspx> for further guidance.

1. Line item BB.1 collects the close of business balance of all savings and time deposits belonging to nonpersonal customers and all transferable savings and time deposits as of the Monday date of the June report. These balances also are included in line items C.1, Total Savings Deposits, D.1, Total Time Deposits, and F.1, Time Deposits Greater than \$100,000 (if applicable).
2. Line item BB.2 collects the amounts of funds obtained through the issuance of obligations by affiliates and of funds obtained through the use of ineligible acceptances (except those sold to and held by exempt entities), both of which mature in seven days or more. Also include all ineligible acceptances of the reporting institution known to be held by a non-U.S. office of another depository institution or of an Edge Act and agreement corporation.
3. Line item CC.1 collects data from reporting institutions that do not maintain branches outside the 50 states of the United States and the District of Columbia or that do not have an international banking facility (IBF) or outstanding borrowings from non-U.S. offices of other depository institutions or from certain other designated non-U.S. and need to check the box that precedes schedule CC on the reporting form.

Common reporting errors:

- BB.1 - Excluding non-personal customers' funds residing in savings subaccounts that are associated with retail sweep arrangements.
- BB.1 - Excluding all personal savings and personal time deposits that are not transferable and that represent funds in which the entire beneficial interest is held by a depositor who is a natural person.
- BB.2- Excluding the amounts of funds obtained through the issuance of obligations by affiliates and of funds obtained through the use of ineligible acceptances (except those sold to and held by exempt entities), both of which mature in seven days or more. Also include all ineligible acceptances of the reporting institution known to be held by a non-U.S. office of another depository institution or of an Edge Act and agreement corporation.
- CC.1 - Excluding all banking Edge Act and agreement corporations with foreign (non-U.S.) branches with an IBF, or with outstanding borrowings from other non-U.S. institutions, and all other depository institutions that have foreign (non-U.S.) branches, an IBF, or outstanding borrowings from other non-U.S. institutions.

Worksheets

Comparison Editing Worksheet

The following worksheets can assist you when investigating questions about activity in the F1 category. It is designed to identify specific concentrations of activity that are influencing each category. The breakout helps pinpoint the contributors behind the overall movement so that questions may be focused accordingly.

All Time Deposits with Balances of \$100,000 or More – (Item F.1)

General Guidelines

1. Item F.1 is a subset of the Item D.1 category
2. Item F.1 should not contain accounts reported in items other than D.1
3. Item F.1 can never be larger than Item D.1
4. Do not combine deposits of the same customer represented by separate certificates

Include:

- Time Deposits issued in denominations of \$100k or more
- Time Deposits originally issued in denominations less than \$100k, but reached \$100k or more.
- Primary Obligations of \$100k or more

Brokered Deposits

Proper reporting of brokered deposits in category F.1 is a frequent source of confusion. In order to be excluded from the category, the broker and depository institution must adhere to specified documentation requirements. Because of the complexity and scope of this issue, we advise you to consult us for specific reporting guidance.

Item F.1 vs Item D.1 Comparison Worksheet

The worksheet below has been provided to assist you by comparing the *daily changes* in items D.1 and F.1 which occurred on the date in question:

Item D.1 (Total Time Deposits)

D.1 (1) Non-personal Time Deposits Activity \geq \$100k	_____
D.1 (2) Non-personal Time Deposits Activity $<$ \$100k	_____
D.1 (3) Personal Time Deposit Activity \geq \$100k	_____
D.1 (4) Personal Time Deposit Activity \leq \$100k	_____
 Total D.1 Change	 _____

Item F.1 (All Time Deposits with Balances of \$100,000 or More)

D.1 (1) Non-personal Time Deposits Activity \geq \$100k	_____
D.1 (3) Personal Time Deposit Activity \geq \$100k	_____
 Total F.1 Change	 _____

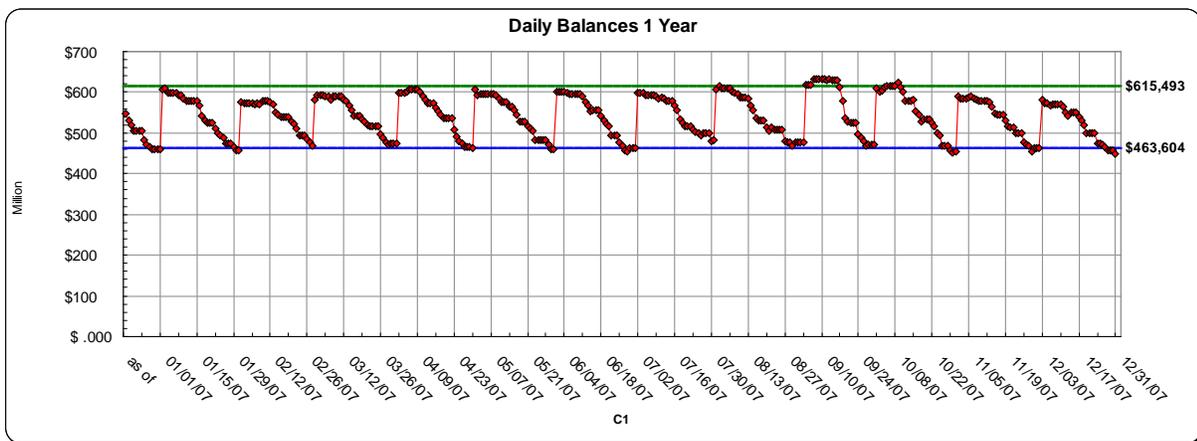
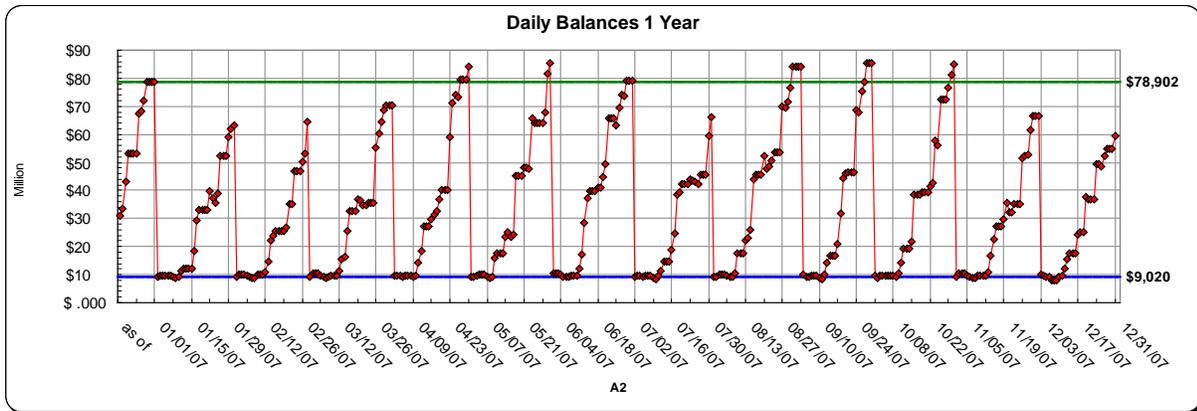
Transaction Sweep Accounts

The basic transaction sweep account involves the establishment of a master account consisting of two legally separate sub-accounts, a transaction sub-account and a savings sub-account, which is usually a money market deposit account (MMDA). The sub-accounts are not transparent to the customer who has access only to his/her transaction account and views the master account balance. For a daily sweep process, the institution establishes a “threshold” level of funding for the transaction sub-account. When the sweep is implemented, all funds above the threshold level in the transaction sub-account are swept into the savings sub-account. All checks are paid from, and all deposits are made to, the transaction sub-account, and the balance in that sub-account fluctuates daily as these transactions occur. When payments from the transaction sub-account would result in a negative balance, sufficient funds are swept from the MMDA sub-account to honor all payments and restore the threshold balance in the transaction sub-account. On (or before) the sixth sweep from the MMDA sub-account, the entire MMDA balance is swept into the transaction account and remains there until the end of the sweep cycle, thus avoiding a violation of the Regulation D transfer limit. At the beginning of the next sweep cycle, balances in excess of the transaction account’s threshold level are swept back into the MMDA sub-account.

FR 2900 Reporting Implications and Analysis of Sweep Accounts

The categories on the FR 2900 report that are directly affected by sweep accounts are items A.1c, A.2, and C.1. Demand deposit accounts swept are reflected in item A.1c while ATS and NOW accounts swept are reflected in item A.2. On the first day of the new sweep cycle, normal fluctuations resulting from sweep activity include decreases in both/either A.1c and A.2 with a corresponding increase in item C.1. In addition, sweep activity may be masked by offsetting activity so that a one-for-one relationship is not reflected on the FR 2900 report between the A.1c/A.2 decreases and the C.1 increase. However, the one-for-one relationship between the funds being swept out of one account and the funds being swept into another account *still does exist*, even if it is not apparent on the FR 2900. In this case, we may need to verify the fluctuations in the sweep-related accounts as well as the offsetting fluctuations in accounts unrelated to sweep activity.

Once an account reaches its transaction limit, the entire amount is swept back into the transaction sub-account, and remains there for the duration of the sweep cycle. In general, as the latter part of the sweep cycle approaches, the likelihood of an account reaching its transaction limit increases. Therefore, we commonly witness a gradual decline in C.1 balances toward the end of the sweep cycle. Conversely, A.1c and A.2 balances build up. The following graphs illustrate the patterns of day to day balance fluctuations for items A.2 and C.1 for the classic sweeping institution.



On the following page, you will also find a worksheet that may assist you when responding to questions about sweep activity for items A.1C, A.2, and C.1. This worksheet is designed to identify specific activity influencing the fluctuations in each category. The breakout assists you in pinpointing the primary contributors to the overall activity in each category and thus focusing attention accordingly.

Sweep Activity Worksheet

Completing the applicable blanks with detail of the *daily changes* which occurred on the date in question may help to better understand the effects of transaction sweep accounts on any given day:

A.1c (Other Demand)

A.1c (1) Non-personal Sweep Activity	_____
A.1c (2) Non-personal Activity Not Sweep-Related	_____
A.1c (3) Personal Sweep Activity	_____
A.1c (4) Personal Activity Not Sweep-Related	_____
Total A.1c Change	_____

A.2 (NOW)

A.2 (1) Non-personal Sweep Activity	_____
A.2 (2) Non-personal Activity Not Sweep-Related	_____
A.2 (3) Personal Sweep Activity	_____
A.2 (4) Personal Activity Not Sweep-Related	_____
Total A.2 Change	_____

C.1 (Savings)

C.1 (1) Non-personal Sweep Activity	_____
C.1 (2) Non-personal Activity Not Sweep-Related	_____
C.1 (3) Personal Sweep Activity	_____
C.1 (4) Personal Activity Not Sweep-Related	_____
Total C.1 Change	_____

Data Analysis by the Federal Reserve

Explanations for Unusual Data Fluctuations

The Federal Reserve relies on the information collected on the FR 2900 to conduct national monetary policy. Therefore, it is crucial that the FR 2900 data be as accurate as possible.

We are very much aware of the burden placed on financial institutions by all reporting requirements, and we try not to require more extensive explanations than is necessary for the Federal Reserve to meet its obligations. In an attempt to avoid excessive questions to institutions, we utilize internal analysis techniques to identify consistent patterns in the data. These methods include statistical and graphical analysis of weekly, monthly, seasonal, and business day fluctuations. If a trend of consistent behavior is apparent for a sufficient period of time, the need to contact the respondent is greatly reduced. However, when unusual fluctuations occur that are inconsistent in either magnitude or direction of movement, we will contact you to verify the figures. Questions may be more frequent immediately following a dramatic reporting shift until a clear pattern emerges.

If the accuracy of the figure has been confirmed and no revision is necessary, we still need to identify the legitimate underlying cause of the unusual fluctuation. Simply providing broad account listings is helpful, but not sufficiently comprehensive. The ideal explanation includes details of why the transaction occurred.

If you wish, you can send explanations for any obvious unusual changes discovered during report preparation along with your report. Electronic reporters have the option of typing explanations on the last page of the FR 2900 report form and submitting the figures and text electronically.

What makes a good explanation?

An explanation for the majority of the fluctuation in question and insight into “why” the activity occurred is also very helpful. In general, analysts want to know the account type or types involved, as well as any large contributors at either the GL or account level, and the dollar amount of the contributors. You do not need to provide specific account holders’ names. Below is an example of a poor and a good explanation for a \$3.4 million increase in item A1C

Poor:

Increase of \$3.4 million in item A1C on 7/12.

Good:

A1C increase \$3.4 million on 7/12 due to a \$2.5 million increase in personal demand (1 deposit of \$2.1 million) and an \$895K increase in business demand (3 deposits totaling \$1.5 million).

Advanced Notification of Events Impacting the FR 2900 Report

When possible, we ask that you notify us in advance of any activity that may significantly impact your deposits reporting. Such activity includes new products, acquisitions, and changes in the personnel preparing the report, and computer system conversions that may cause reporting delays. Your

Reserve Bank contact will work with you to ensure that accurate and timely data are received as soon as possible.

Related Item Comparisons

When our analysts review FR 2900 data they routinely look for corresponding changes in related categories. This is most apparent in the comparison of items D.1 versus F.1.

While an exact one-to-one relationship is not necessarily expected, our analysts do routinely look for evidence of some corresponding activity among related items. For example, if item D.1 reflects a significant percentage decline, yet item F.1 appears virtually unchanged, we will contact you to confirm that the activity which impacted the D1 figures are comprised primarily of time deposits issued or participated in denominations less than \$100k. We have found from our experience, that larger dollar account activity is more likely to be associated with corporate customers than individuals. Occasionally, offsetting activity will occur on the same day. This is an acceptable response only when substantiated by additional details. Please consult our D.1 vs. F.1 reporting worksheet to assist you when addressing these types of questions.

Related Report Comparisons

This Reserve Bank is charged with the responsibility of comparing certain balances as reported on your FR 2900 with those shown on your "Statement of Condition" for the corresponding date. The amounts shown in these reports should be in agreement, except where definitional and timing differences exist. These exceptions are defined in the following link:

<http://www.federalreserve.gov/apps/reportforms/auxiliary.aspx?sOoYJ+5BzDbII7g2+r203S0gg6NcUlJ6>

If your institution reflects a discrepancy, a detailed report is sent directly to the contact, and an explanation is requested. We conduct this comparison quarterly in an attempt to identify systematic reporting errors that may otherwise remain undetected.

Revision Policy

The importance of maintaining accuracy in all deposit categories extends to revisions when required. In order to maintain an accurate and consistent data series, errors in reporting must be corrected when they are discovered. Corrections are often needed for previous periods as well as for the current period.

Note: Prior to submitting any revisions, contact your FRB analyst outlining the reason for the revisions and the item(s) affected by the revisions.

Time Period of Revisions

The time period over which revisions are required may depend on the nature of the reporting error as well as its size. Long revision periods may be necessary to ensure the integrity of the monetary aggregates. The following general rule applies.

- Revisions may be required from the time an error is discovered back to a date determined by the Reserve Bank.

Submission of Revisions

Hardcopy Filers

If you submit your report via mail or fax, then you should submit revisions using one of these options. As with initial filings, revisions that are submitted in hardcopy form must be signed by the person ultimately responsible for certifying the accuracy of the data.

Electronic Filers

If you use the electronic submission options (IESUB) to submit your report, then you should also submit any revised reports electronically as well.

Written Explanation

If revisions affect your reserve position, the Credit and Risk Management Division of this Reserve Bank may require a letter with specific details concerning the revisions. In such cases, a member of the Credit and Risk Management staff will contact you directly.

Current Issues Regarding Deposit Reporting – Board Legal

Retail Sweep Programs – Compliance with recordkeeping requirements

Board staff was recently made aware of retail sweep software currently used by depository institutions that records a sweep transaction the day after the sweep occurs, backdating the transaction on the official books and records of the depository institution to the day prior. Backdating sweeps transactions in this manner does not satisfy the requirements of a valid retail sweeps programs set forth in Board staff guidance of May 2007¹. As stated in that guidance, funds swept must actually be moved from the customer’s transaction account to the customer’s savings deposit account on the official books and records of the depository institution as of the close of the business on the day on which the depository institution intends to report the swept funds as savings deposits.

Depository institution not in compliance with this requirement should immediately suspend sweeps activity and must revise their FR 2900 reports for all time periods during which the non-compliance sweeps program was in place. Sweeping activity can resume once compliance with a valid sweeps program is achieved.

Guidance concerning Variable Interest Entity liabilities

Board staff provided the following guidance regarding the appropriate characterization, for the purpose of Regulation D, of the liabilities issued by certain variable interest entities (VIEs) sponsored by depository institutions.

According to Board staff, if a depository institution sponsors a VIE and the holder of a VIE liability has sufficient recourse against the depository institution in the event of insufficiency of the underlying asset, a deposit is created. Therefore, the liability issued by a VIE may constitute as a “deposit” for Regulation D and FR 2900 deposit reporting purposes. This is due to the fact that the bank who issued the VIE has an absolute obligation to repurchase the liability issued by the VIE under the specified circumstance.

Where a deposit liability is created, it must next be determined whether the deposit is to be reported as a “transaction account”, a “time deposit” or as some other type of deposit. The holders of the liabilities have the right to ask for their money at any time upon a certain number of days’ notice, which is typically within 5-7 days. Thus, an obligation payable upon 7-days’ notice (or longer) would be reportable under “time deposits” while an obligation payable upon 6 days’ notice (or less) would be reportable under “demand deposits.”

Board staff evaluated a similar issue in 2004, dealing with the “deposit” status of liabilities issued by asset-backed commercial paper (ABCP) special purpose vehicle (SPV) conduits sponsored by depository institutions.² In considering whether the liability issued by the SPV constituted a “deposit” of the sponsoring DI, staff stated, “Prior Board interpretations and staff opinions about whether a particular DI obligation constitutes a ‘deposit’ under Regulation D focused on the extent to which the

¹ <http://www.federalreserve.gov/boarddocs/legalint/FederalReserveAct/2007/20070501/20070501.pdf>

² [http://www.federalreserve.gov/boarddocs/legalint/FederalReserveAct/2004/20040126/.](http://www.federalreserve.gov/boarddocs/legalint/FederalReserveAct/2004/20040126/)

DI, having received the proceeds of the obligation, could be required to guarantee or repurchase the obligation out of the DI's own funds. If the holder of the obligation [issued by the SPV] had sufficient recourse against the DI in the event of the insufficiency of the underlying assets, a deposit was created.”

United Kingdom’s Financial Services Authority proposed National Depositor Preference Rule

In the fall of 2012, the United Kingdom’s Financial Services Authority (FSA) issued a consultation paper on a proposed rule that would impose new requirements on foreign bank branches from non-European Economic Area (non-EEA) countries with national depositor preference regimes. The largest subset of financial institutions that would be affected by this proposal is U.S. institutions with bank branches in the United Kingdom. It is possible U.S. institutions may respond to this rule by making deposits in their U.K. branches dually payable in the United States and the United Kingdom. Board staff provided the following guidance regarding how such deposits should be treated for the purposes of compliance with Regulation D.