Summary of Legitimate Interseries Differences

between the

Report of Transaction Accounts, Other Deposits and Vault Cash
(FR 2900)

and the

Consolidated Report of Condition and Income for Edge and Agreement Corporations
(FR 2886b)

Edge and Agreement Corporations

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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 Transaction Accounts, Other Deposits and Vault Cash (FR 2900)** and the **Consolidated Report of Condition and Income for Edge and Agreement Corporations (FR 2886b)**, hereafter referred to in this document as the Call Report.

Interseries edits are performed each quarter for each Edge and agreement corporation 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 Edge and agreement corporations

The following table shows the interseries item comparisons calculated each quarter for all Edge and Agreement Corporations that file the FR 2900 report, either weekly or quarterly.

Detailed Interseries Item Comparisons for Edge and agreement corporations			
FR 2900		**FR 2886b**	
Line	Description	Code	Description
A.3.	Total transaction accounts	RCON2215	RC-E, column A, line 7 (Transaction accounts)
B.1.	Demand balances due from DIs	RCFD0081 - RCFD0022	RC, line 1.a (Noninterest bearing balances, currency) - RC-A, line 1 (CIPC, unposted debits, currency)
B.2. + E.1.	Cash items in process of collection + Vault cash	RCFD0022	RC-A, column A, line 1 (CIPC, unposted debits, currency)
C.1. + D.1.	Total savings deposits + Total time deposits	RCON2385	RC-E, column B, line 7 (Nontransaction accounts)
A.3. + C.1. + D.1.	Total deposits: Total transaction accounts + Total savings deposits + Total time deposits	RCON2215 + RCON2385	RC-E, column A, line 7 (Transaction accounts) + RC-E, column B, line 7 (Nontransaction accounts)

<table>
<tr><th colspan="2">Summary of Legitimate Differences
for Edge and agreement corporations</th></tr>
<tr><th>FR 2900 less than Call Report</th><th>FR 2900 greater than Call Report</th></tr>
<tr><td colspan="2">Total Transaction Accounts</td></tr>
<tr><td>• FR 2900 item excludes the difference between the full face amount of installment notes acquired and the amount actually credited to the dealer (dealer reserves), while the Call Report item includes this difference.
• FR 2900 item excludes correspondent pass-through reserve balances, while the Call Report item includes them.</td><td>• FR 2900 item includes primary obligations with original maturities of less than seven days, while the Call Report item does not include primary obligations.
• FR 2900 reciprocal balances are reported gross for certain counterparties, while Call Report reciprocal balances may be reported net regardless of counterparty.
• FR 2900 item includes teller's checks for more days than the Call Report (FR 2900 includes balances from the time of issuance until the teller's check is paid, while the Call Report removes the deposit when it is remitted to the service provider).</td></tr>
<tr><td colspan="2">Demand Balances Due from DIs</td></tr>
<tr><td>• FR 2900 item excludes balances on the books of the Edge or agreement corporation's international banking facility (IBF) while the Call Report item may include these balances.
• FR 2900 item only includes balances due from depository institutions in the U.S. while the Call Report item may include balances due from depository institutions outside the U.S..
• FR 2900 item excludes respondent pass-through reserve balances while the Call Report item includes them.
• FR 2900 item excludes reserve balances due from Federal Reserve Banks while the Call Report item includes them.</td><td>• FR 2900 reciprocal balances are reported gross for certain counterparties, while Call Report reciprocal balances may be reported net regardless of the counterparty.</td></tr>
<tr><td colspan="2">Cash Items in Process of Collection + Vault Cash</td></tr>
<tr><td>• FR 2900 item excludes cash items in process of collection and vault cash on the books of the Edge or agreement corporation's IBF while the Call Report item may include these balances.
• 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.
• FR 2900 excludes vault cash in the form of foreign currency, while the Call Report item does not.</td><td>• None.</td></tr>
</table>

Summary of Legitimate Differences for Edge and agreement corporations, *continued*	
Total Savings Deposits + Total Time Deposits	
FR 2900 *less than* Call Report	**FR 2900 *greater than* Call Report**
• None.	• FR 2900 item includes primary obligations in the form of time or savings deposits, while the Call Report items *do not* include primary obligations.
Total Deposits	
• FR 2900 item excludes the difference between the full face amount of installment notes acquired and the amount actually credited to the dealer (dealer reserves), while the Call Report item includes this difference. • FR 2900 item excludes correspondent pass-through reserve balances, while the Call Report item includes them.	• FR 2900 item includes primary obligations, while the Call Report item *does not* include primary obligations. • FR 2900 reciprocal balances are reported *gross* for certain counterparties, while Call Report reciprocal balances may be reported *net* regardless of counterparty. • FR 2900 item includes teller's checks for *more days* than the Call Report item (FR 2900 includes balances from the time of issuance until the teller's check is paid, while the Call Report removes the deposit when it is remitted to the service provider).

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

All offices of a banking Edge or agreement corporation located within the same state and within the same Federal Reserve District are consolidated on a single FR 2900 report, as though the group of offices were one office. Banking Edge or agreement offices located in the same state but in different Federal Reserve Districts file separate FR 2900 reports. (See FR 2900 General Instructions, "Consolidation for banking Edge or agreement corporations and their branches.") On the Call Report, *all offices* of a banking Edge or agreement corporation are consolidated on a single FR 2886b report. (See Call Report General Instructions, "Reporting Basis.")

Definition of United States

A legitimate difference may arise between the FR 2900 and the Call Report 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 Call Report entry "Banks, U.S. and Foreign" 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 other demand deposits, 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 cutoff 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. Except for a special class of due bills, similar liabilities issued to exempt entities (e.g., depository institutions) are not considered primary obligations. Primary obligations are reported as deposits on the FR 2900 because they are subject to reserve requirements and are considered part of the monetary aggregates. On the Call Report, however, primary obligations are not reported as deposits. Examples of primary obligations include: medium term notes, commercial paper issued by a depository institutions, bank notes, and repurchase agreements not backed by U.S. government (or agency) securities.

Primary obligations related to FIN 46: Some liabilities related to the Financial Accounting Standards Board Interpretation Number 46 (FIN 46) are considered primary obligations and are therefore reported on the FR 2900.

> 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 (http://www.fasb.org/fin46r.pdf).
>
> 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 (http://www.federalreserve.gov/boarddocs/legalint/FederalReserveAct/2004/20040126/).
>
> On the Call Report, the sponsoring depository institution reports the 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 (that is, in this case the liabilities are considered primary obligations and must be reported as demand deposits (A.1.c) or time deposits (D.1, F.1, and BB.1), depending on their original maturity). Therefore, for those institutions with 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 interseries 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.

<u>Specific Legitimate Differences for Edge and agreement corporations</u>

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

1. <u>Total Transaction Accounts</u>

FR 2900		FR 2886b	
Line	Description	Code	Description
A.3.	Total transaction accounts	RCON2215	RC-E, column A, line 7 (Transaction accounts)

Legitimate Differences:

<u>Dealer Reserves</u>: FR 2900 balance may be less than Call Report balance as a result of dealer reserves that arise in connection with Edge and agreement corporation financing of installment notes receivable. The account reflects the difference between the full face amount of installment notes acquired by the Edge and agreement corporation and the amount actually credited by the Edge and agreement corporation to the dealer. This difference is not reported on the FR 2900 while it is reported on the Call Report. (By definition, the dealer generally does not have access to the account; therefore, amounts are not reported on the FR 2900 until the reporting institution becomes liable to the dealer.)

<u>Correspondent Pass-through Reserve Balances</u>: FR 2900 balance may be less than Call Report balance. If the reporting Edge and agreement corporation serves as a reserve pass-through correspondent for other institutions, the amounts it receives and passes through to the Federal Reserve are reported differently on the FR 2900 and the Call Report. The FR 2900 item excludes all balances that have been received and are being passed through to the Federal Reserve. The Call Report item requires that the correspondent show both a "due to" depository institutions (included on Schedule RC-E, line 7) and a "due from" the Federal Reserve (Schedule RC-A, line 4), i.e., the deposits are reported on a gross basis. (Note: Technically, the "due to" balance on the Call Report could exceed the "due from" balance by the amount received by the correspondent but not yet passed through to the Federal Reserve.)

<u>Primary Obligations</u>: FR 2900 balance may be greater than Call Report balance because primary obligations with original maturities of less than seven days must be included in the FR 2900 item, while the Call Report items *do not* include primary obligations.

<u>Reciprocal Balances</u>: FR 2900 reciprocal balances are reported *gross* for certain counterparties, while Call Report reciprocal balances may be reported *net* regardless of the counterparty.

Reciprocal balances arise when a reporting institution has both a deposit due to and a balance due from the same depository institution. The FR 2900 reporting rules allow due to balances (except for due bills) to be reported *net* of due from balances, if the counterparty is a U.S. office of one of the following:

- U.S. commercial bank
- trust company conducting a commercial banking business
- industrial bank
- banker's bank that is organized as a commercial bank
- branch or agency of a foreign bank
- banking Edge and agreement corporation.

Otherwise, due to balances must be reported on a *gross* basis. For an example, see FR 2900 instructions for item A.1.a, "Demand deposits due to depository institutions." On the Call Report, due to balances may be reported on a *net* basis, regardless of the counterparty, when a right of setoff exists (see Call Report glossary definition of "Offsetting").

Teller's Checks: FR 2900 balance may be greater than Call Report balance because teller's checks are reported on the FR 2900 (in line A.1.c, "Other demand deposits") for *more days* than on the Call Report. On the FR 2900, the issuing depository institution reports the teller's check in transaction accounts from the time of issuance until the teller's check is paid. On the Call Report, the teller's check itself is not reported but the funds received in connection with the sale of the teller's check are reported as a deposit until remitted to the teller's check service provider.

Example: Day 1: Edge corporation issues $1,000 teller's check.
Day 2: Edge corporation remits $1,000 to teller's check service provider.
Day 6: Service provider notifies Edge corporation that check has been paid.

Edge corporation's reporting of this transaction:
Day 1: FR 2900 (item A.1.c) and Call Report show $1,000 deposit.
Day 2: Deposit is removed from Call Report.
Day 6: Deposit is removed from FR 2900.

Result: Legitimate difference occurs on days 2 through 6.

2. Demand Balances Due from DIs

FR 2900		**FR 2886b**	
Line	Description	Code	Description
B.1.	Demand balances due from DIs	RCFD0081 - RCFD0022	RC, line 1.a (Noninterest bearing balances, currency) - RC-A, line 1 (CIPC, unposted debits, currency)

Legitimate Differences:

International Banking Facility: FR 2900 balance may be less than the Call Report balance because the Call Report items include balances due from depository institutions in the U.S. that are on the books of the IBF. FR 2900 line B.1 only includes those balances that are on the books of the Edge or agreement corporation.

Depository Institutions Outside the U.S.: FR 2900 balance may be less than Call Report balance. FR 2900 line B.1 only includes those balances that are due from depository institutions *in the U.S.* The Call Report item may include balances that are due from depository institutions *outside the U.S.*

Respondent Pass-through Reserve Balances: FR 2900 balance may be less than Call Report balance. If the reporting Edge and agreement corporation is a respondent that passes reserves to the Federal Reserve through a correspondent, the Call Report item will include the amounts due from the correspondent to the reporting institution, while the FR 2900 item excludes these amounts.

Reserve Balances Due from Federal Reserve Banks: FR 2900 balance may be less than Call Report balance because the Call Report item includes balances due from Federal Reserve Banks, while the FR 2900 excludes these amounts. If the reporting Edge and agreement corporation serves as a pass-through correspondent for other institutions, the amount of its balances due from Federal Reserve Banks could also include pass-through reserves (see “Correspondent Pass-through Reserve Balances” under “Total Transaction Accounts”).

Reciprocal Balances: FR 2900 reciprocal balances are reported *gross* for certain counterparties, while Call Report reciprocal balances may be reported *net* regardless of the counterparty. See explanation of “Reciprocal Balances” under “Total Transaction Accounts” section.

3. Cash in Process of Collection (CIPC) + Vault Cash (VC)

FR 2900		FR 2886b	
Line	Description	Code	Description
B.2. + E.1.	Cash items in process of collection + Vault cash	RCFD0022	RC-A, column A, line 1 (CIPC, unposted debits, currency)

Legitimate Differences:

International Banking Facility: FR 2900 balance may be less than the Call Report balance because the Call Report items include CIPC and vault cash that are on the books of the IBF. FR 2900 items only includes those balances that are on the books of the Edge or agreement corporation.

Definition of United States: FR 2900 balance may be less than Call Report balance. For both reports, cash items in the 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.

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.

4. Total Savings Deposits plus Total Time Deposits

FR 2900		FR 2886b	
Line	Description	Code	Description
C.1. + D.1.	Total savings deposits + Total time deposits	RCON2385	RC-E, column B, line 7 (Nontransaction accounts)

Legitimate Differences:

Primary Obligations: FR 2900 balance may be greater than Call Report balance because primary obligations in the form of savings or time deposits must be included in the FR 2900 items, while the Call Report item *does not* include primary obligations.

5. Total Deposits

FR 2900		FR 2886b	
Line	**Description**	**Code**	**Description**
A.3. + C.1. + D.1.	Total deposits: Total transaction accounts + Total savings deposits + Total time deposits	RCON2215 + RCON2385	RC-E, column A, line 7 (Transaction accounts) + RC-E, column B, line 7 (Nontransaction accounts)

Legitimate Differences:

Dealer Reserves: FR 2900 balance may be less than Call Report balance as a result of dealer reserves that arise in connection with Edge and agreement corporation financing of installment notes receivable. The account reflects the difference between the full face amount of installment notes acquired by the Edge and agreement corporation and the amount actually credited by the Edge and agreement corporation to the dealer. This difference is not reported on the FR 2900 while it is reported on the Call Report. (By definition, the dealer generally does not have access to the account; therefore, amounts are not reported on the FR 2900 until the reporting institution becomes liable to the dealer.)

Correspondent Pass-through Reserve Balances: FR 2900 balance may be less than Call Report balance. If the reporting Edge and agreement corporation serves as a reserve pass-through correspondent for other institutions, the amounts it receives and passes through to the Federal Reserve are reported differently on the FR 2900 and the Call Report. The FR 2900 item excludes all balances that have been received and are being passed through to the Federal Reserve. The Call Report requires that the correspondent show both a “due to” depository institutions (included on Schedule RC-E, line 7) and a “due from” the Federal Reserve (Schedule RC-A, line 4), i.e., the deposits are reported on a gross basis. (Note: Technically, the “due to” balance on the Call Report could exceed the “due from” balance by the amount received by the correspondent but not yet passed through to the Federal Reserve.)

Primary Obligations: FR 2900 balance may be greater than Call Report balance because primary obligations must be included in the FR 2900 items, while the Call Report items *do not* include primary obligations.

Reciprocal Balances: FR 2900 reciprocal balances are reported *gross* for certain counterparties, while Call Report reciprocal balances may be reported *net* regardless of counterparty. See explanation of “Reciprocal Balances” under “Total Transaction Accounts” section.

Teller’s Checks: FR 2900 balance may be greater than Call Report balance because teller’s checks are reported on the FR 2900 (in line A.1.c, “Other demand deposits”) for *more days* than on the Call Report. On the FR 2900, the issuing Edge and agreement corporation reports the teller’s check in transaction accounts from the time of issuance until the teller’s check is paid. On the Call Report, the teller’s check itself is not reported but the funds received in connection with the sale of the teller’s check are reported as a deposit until remitted to the teller’s check service provider (see example under “Total Transaction Accounts” section).