

Borrower-in-Custody (BIC) Program

Frequently Asked Questions

What is the BIC program?

The Borrower-In-Custody of Collateral (BIC) Program is an arrangement that permits depository institutions (DIs) in sound financial condition to pledge loan collateral for Discount Window purposes and retain possession or control of said collateral. For more information on the program, please refer to the [BIC Guidelines](#).

What institutions are qualified to participate in the BIC program?

To participate in a BIC arrangement, your institution must meet the following qualifications:

- CAMELS composite rating of "1" or "2" (Composite ratings of "3" may be eligible)
- "Adequately" or "Well" capitalized as evidenced by most recent capital ratios
- Foreign Banking Organizations and corresponding branches are in satisfactory condition
- Asset quality is satisfactory
- Acceptable management oversight of credit and controls, including loan review and rating system

How does an institution apply to the BIC program?

Please contact FRB Chicago's Discount Window at 800-380-3762 option 3 or by email at collateral@chi.frb.org.

What are the documents required for the application?

Prior to applying for the BIC program, a DI must have the necessary [Operating Circular No. 10](#) documentation on file with the FRB Chicago. The following documents are required specifically for the BIC Program:

- BIC Application form, [Borrower-in-Custody \(BIC\) of Collateral Application](#)
- Internal loan risk rating system
- Most recent delinquency report pertaining to loan types desired to pledge
- Most recent audit report pertaining to the loan types desired to pledge and/or operational controls

For more information on applying to the BIC program, please contact FRB Chicago's BIC Coordinators Oni Stanley at 312-322-5750, Cindy Y. Garcia 312-322-5835 or the Discount Window at 800-380-3762 option 3. You can also visit the [Borrower-In-Custody Program](#) page on the Discount Window website.

What collateral is accepted for pledge?

A variety of loan types are eligible for pledge through the BIC program. Please refer to the [Federal Reserve Discount Window & Payment System Risk Collateral Guidelines](#) for a complete list.

What collateral is not accepted for pledge?

A variety of loan characteristics render loans unacceptable for pledge. Please refer to the [BIC Guidelines](#) for a detailed list.

What are the ongoing requirements for the BIC program?

On a monthly basis, a collateral schedule of all pledged loans to the FRB Chicago must be submitted with a completed cover letter or emailed by an authorized borrower by the given deadline. Additional requirements include: completion of BIC recertification process and on-site inspections, at the discretion of the FRB Chicago.

How are loan types classified on the cover letter and collateral schedule?

Loans should be classified and coded according to Schedule RC-C of the FFIEC's Report of Condition and Income ("call report") or the NCUA's 5300 Call Report definitions. For reference, please see the Federal Reserve Collateral Guidelines

What loan information should the monthly collateral schedule include?

For reference, please see the In-Scope File Format Specifications and Definitions or Out-of-Scope Collateral Schedule.

How is the monthly pledge submitted to the FRB Chicago?

The FRB Chicago requires institutions to register for [FRSecure](https://secureemail.federalreserve.com), a secure email site, to send sensitive information or documentation pertaining to the BIC program. To register for FRSecure, please visit the following link: <https://secureemail.federalreserve.com>. The registration is similar to a personal email account.

All pledge submissions must be sent to collateral@chi.frb.org with the following included in the subject line:

- ABA
- DI Name
- Pledge as-of Date

Pledge submissions will only be accepted from authorized individuals on the [OC-10 Authorization List](#). Please contact FRB Chicago's Discount Window at 800-380-3762 option 3 with any questions concerning this requirement.

What are the Pledge as-of Dates and submission deadlines?

Institutions are designated as either end-of-month reporters or 15th reporters by the FRB Chicago. If an institution does not submit an updated cover letter and collateral schedule by the given deadline, the collateral value of the pledge may be dropped to \$0.

- **End-of-Month Reporters**

End-of-Month reporters are institutions that are required to submit an updated collateral schedule that reflects pledge data as of the last business day of the month. The updated collateral schedule is due by the 10th of the following month (e.g. Pledge data as of December 31, 2019 is due by January 10, 2020).

- **15th Reporters**

15th reporters are institutions that are required to submit an updated collateral schedule that reflects pledge data as of the 15th of the month. If the 15th falls on the weekend/holiday, the data will be as of the following business day. Submissions with an as-of date before the 15th will not be accepted. The updated collateral schedule is due by the 25th of the same month (e.g. Pledge data as of January 15, 2020 is due by January 25, 2020).

How are new individual loans added or removed from the pledge?

Loans can be added or removed from the pledge at the time of reporting. Institutions can make changes to their collateral schedule by including or excluding loans from the collateral schedule. If you would like to add new loans to the pledge between the reporting periods, a new collateral schedule and cover letter must be submitted to collateral@chi.frb.org. Loans cannot be added to the pledge unless the FRB is notified.

How are new loan types deposited or released from the pledge?

In majority of instances, new loan types cannot be added to the pledge until an intercreditor agreement has been established with all secured parties. To initiate this process or release loan types from the pledge, please contact a BIC Coordinator, Oni Stanley by phone at 312-322-5750 or email at oni.stanley@chi.frb.org or Cindy Y. Garcia at 312-322-5835 or Cindy.Y.Garcia@chi.frb.org.

Can I make changes to the format of the collateral schedule?

No, depository institutions are NOT allowed to change the format unless otherwise instructed. Any modifications to the collateral schedule must be discussed with the Discount Window staff prior to making any changes.

How is the 10% rule monitored?

- The total outstanding pledge balance is compared to the most recently submitted collateral schedule on a weekly basis to determine if the value dropped by 10% or more.
- If a 10% decrease occurs, a new collateral schedule must be submitted and include a brief explanation for the decrease.
- Monitoring is completed regardless of borrowings and all ineligible loans, including those that matured, were paid-off, or were downgraded to an unacceptable risk rating, will be excluded.
- New loans are not added to the pledge between reporting periods unless a new cover letter and collateral schedule are submitted.

Who can be contacted with additional questions?

Please contact FRB Chicago's Discount Window at 800-380-3762 option 3 with any additional questions.