Federal Reserve Bank of Chicago Borrower-in-Custody (BIC) of Collateral Recertification

*To be completed by those Depository Institutions that are currently enrolled in the BIC Program.*

**Updated February 2020**

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| **ABA** |  |
| **Date** |  |
| **Institution Name** |  |
| **Address** |  |
| **City/State/Zip** |  |
| **Contact (Primary)** |  |
| **Title** |  |
| **Phone** |  |
| **Email** |  |
| **Contact (Secondary)** |  |
| **Title** |  |
| **Phone** |  |
| **Email** |  |

1. Please identify where the legal documentation for pledged loans is located.

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| **Document** | **Location(s), including address, city, state, and zip code** |
| **Promissory Note** |  |
| **Other Legal Documentation** |  |

*If loans are stored at multiple locations, the location of each loan must be indicated on the monthly collateral listing. If a branch/ location code is utilized in the monthly collateral listing, please provide a list of the codes with the corresponding addresses below:*

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1. Does your institution utilize a servicer for the maintenance or storage of the loans you are pledging to the Federal Reserve Bank of Chicago?  
     
    Yes  No  
     
   *If yes, please contact the Federal Reserve Bank of Chicago for more information on these arrangements. You may be required to complete an additional Loan Servicer Certification if you have not already done so.*
2. Pledging institutions must take steps to notify other parties that the Federal Reserve has a security interest in certain loans. **There must be visible notice in the custody area OR a label on each pledged file.** Please indicate how the loans are identified as being pledged to the Federal Reserve Bank of Chicago:  
     
    Visible notice in custody area

Label on individual files

Physical segregation of pledged loans from other loans

Other: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. The Federal Reserve Bank of Chicago also prefers the use of electronic notation to indicate which loans are pledged through the BIC Program. Does your institution use a code or field to identify loans in your loan system?

Yes  No

If yes, what is the code that is used? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Pledging institutions must take steps to protect pledged loans from physical damage, loss, and theft. Please indicate how pledged loans are protected physically (select all that apply):  
     
    Stored in fireproof cabinets/vault  
    Access to storage is limited and secure, and tracked/monitored  
    Other: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. If loans are stored in multiple locations, are there differences in the controls referenced in Questions 3, 4, and 5?

Yes  No

If Yes, explain the differences below (i.e. visible notice in location 1, labels used in location 2).

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1. Is your institution a member of a Federal Home Loan Bank and/or a corporate credit union?  
     
    Yes  No

If so, which loan types are being pledged to the FHLB/CCU?

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1. Do you pledge or sell loans to other institutions (other than the FHLB or a CCU)? If so, which institutions and what loan types are pledged and/or sold?

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1. Does your institution image and destroy original legal documentation for pledged loans?

*Loans whose legal documentation has been destroyed can only be pledged under an arrangement approved by the Federal Reserve Bank of Chicago.*  
  
 Yes  No

1. Does your institution utilize e-signatures for legal documentation?

*Loans with e-signatures are not acceptable for pledge. Please contact the FRBC for more information.*

Yes  No

*If yes, how are they excluded from the pledge listing?*

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1. What software do you use to board and house loan information? Please name the vendor(s) and product(s).

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1. Is your institution pledging loan participations or syndications?

Yes  No  
  
*If yes, complete questions a, b, and c below.*

* 1. What pledged loan types are participations/syndications?

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* 1. Only the portion of the participation retained or purchased by your institution is eligible for pledge. Please explain how this is accurately reported on the monthly listing.

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* 1. How does your institution ensure that there are no assignability restrictions or restrictions requiring consent from another party to pledge your portion of the loan?

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1. How are loans with legal documentation exceptions identified? For example, is there a secondary review of the documents in the loan file?

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1. Please explain how you ensure that loans with legal documentation exceptions are excluded from the collateral pledge.

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1. Does your institution utilize internal loan risk ratings to monitor credit quality on individual loans?
   1. If **yes**, to which loan types do the risk ratings apply?

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* 1. If **no**, please describe the methodology used to monitor the credit quality of individual loans.

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1. Have any changes been made to your internal risk rating matrix in the past twelve months?

Yes  No  N/A

If yes, describe the change(s) and reason for change(s). \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Does your institution engage in lending to foreign obligors?  
     
    Yes  No  
     
   *In general, loans made to foreign obligors cannot be pledged to the Federal Reserve Bank of Chicago unless specifically authorized. If your institution makes loans to foreign obligors, but is not permitted to pledge them, indicate below how these loans are excluded from pledge.*

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1. Do the loans pledged to the FRBC designate your institution as lender or payee?

Yes  No

If no, what entity are the loans originated by and which loan types does this apply to?

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1. Do the loans contain restrictions that would limit or restrict the assignability, transfer, sale or pledge of the collateral to the Federal Reserve Bank of Chicago or assignability, transfer or sale of the collateral by the Federal Reserve Bank of Chicago to a third party?

Yes  No

*Loans with assignability or transferability restrictions cannot be pledged unless the restrictions have been waived. Please contact the Federal Reserve Bank of Chicago for more information.*

1. Please explain how your institution monitors the 10% rule on a weekly basis.  
     
   *It is a requirement of the BIC program that if the aggregate outstanding principal balance of the loans on the most recently submitted pledge listing decreases by 10% or more between reporting periods, a new/updated pledge listing and cover letter must be submitted immediately. The balances should be reviewed on a weekly basis at a minimum.*

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1. The Federal Reserve Bank of Chicago is considering alternative methods for collateral inspections in order to increase operational efficiency. Would your institution be interested in off-site (i.e. sending in sending electronic copies of loan files and supporting documentation) BIC inspections in lieu of an on-site routine BIC inspection if offered?

Yes  No

# Attestation

*This form must be signed by one or two authorized individuals as designated in your institution’s Official OC-10 Authorization List.*I attest that the information contained in this form is accurate and complete.

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| **Signature** | **Name** | **Title** | **Date** |
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# Submission Instructions

* You are required to submit the following supporting documentation with this recertification form:
  + The portion of your loan policy that defines your internal loan rating system(s) for the type(s) of loans you are pledging
  + The most recent internal audit report(s) pertaining to the types of loan(s) you are pledging, including management response to any findings. The audit should include information about lending operations and any loan reviews conducted.
* Email this recertification form and the supporting documentation to [collateral@chi.frb.org](mailto:collateral@chi.frb.org).
* The subject line of your email should be: **ABA-DI Name-BIC Collateral Recertification**. For example: 071234567-Community Bank—BIC Collateral Recertification.