

Borrower-In-Custody of Collateral (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 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 “1” or “2” (Composite ratings of “3” are generally acceptable)
- Be at least adequately capitalized
- Have no significant financial concerns
- Have adequate internal controls in place, particularly in the area of loan administration and processing as determined by the FRB Chicago

How does an institution apply to the BIC program?

Please contact the BIC Coordinator, Caroline Fuir by phone at 312-322-2360 or email at caroline.fuir@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](#) [MS Word; 322K]
- 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
- Completed [Electronic Pledge Authorization Letter](#)

For more information on applying to the BIC program, please contact Caroline Fuir, BIC Coordinator at 312-322-2360 or 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 Margins Table](#) for a complete list.

What collateral is NOT accepted for pledge?

- Consumer loans or Residential Real Estate Mortgage loans more than 60 days past due
- Commercial, Commercial Real Estate, Construction, and Vacant Land loans more than 30 days past due

- Construction loans with a construction term greater than two years; one renewal period, for up to two additional years, is permitted
- Loans to affiliates of the pledging institution, including direct/indirect subsidiaries and consumer finance companies
- Insider loans (i.e. loans to a director, officer or bank employee)
- Loans already pledged or secured under a specific or blanket lien unless expressly subordinated to the Federal Reserve Bank
- Loans that have assignability or transferability restrictions. Government Guaranteed Loans, including S.B.A. loans, will need to be warranted against such restrictions.
- All Off-Balance Sheet Commitments (i.e. Commercial Letters of Credit, Standby Letters of Credit, Loan Commitments, Futures/Forwards/Standby Contracts for Securities, Foreign Exchange Commitments, Swaps, etc.)
- Loans that fall below the approved acceptable internal/credit risk ratings
- Loans secured by any stock
- Loans secured by CDs or deposit accounts held at the pledging institution

What are the ongoing requirements for the BIC program?

On a monthly basis, a listing of all pledged loans to the FRB Chicago must be submitted with a [completed cover letter](#), signed 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 pledge listing?

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 [Loan Classification Guide](#).

What loan information should the monthly pledge listing include?

The following information should be included (when applicable):

- Bank name
- Name and account number of the obligor or maker
- Original principal balance
- Current outstanding principal balance
- Maturity date
- Paid through or next payment due date (payment frequency also required if reporting paid through date)
- Current interest rate
- Internal loan grade (a credit score is acceptable for consumer loans)
- Branch/location code if loan documentation is maintained at multiple locations
- Pledge code (if applicable)

- Address of collateral (if loan is secured by real estate)
- Total number of loans pledged and the current total outstanding principal balance for each loan type
- Interest Rate Method (words “fixed” or “floating” must be used; currently optional)
- Any additional fields requested by the Reserve Bank

For reference, please see the [Pledge Listing Template](#) [MS Excel; 31K].

How is the monthly pledge submitted to the FRB Chicago?

The FRB Chicago encourages institutions to register for [FRSecure](#), 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](#) and/or [Electronic Pledge Authorization Letter](#). Please contact the FRB Chicago at 800-380-3762 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 listing 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 listing that reflects pledge data as of the last business day of the month.

The updated collateral listing is due by the 10th of the following month (e.g. If the deadline is January 10, 2014, the pledge data is as of December 31, 2013).

15th Reporters

15th reporters are institutions that are required to submit an updated collateral listing 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 is listing by the 25th of the same month (e.g. If the deadline is January 25, 2014, the pledge data is as of January 15, 2014).

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 pledge listing by including or excluding loans from the listing. If you would like to add new loans to the pledge in-between the reporting period, a new pledge listing 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 the BIC Coordinator, Caroline Fuir by phone at 312-322-2360 or email at caroline.fuir@chi.frb.org.

Can I make changes to the format of the pledge listing?

No, depository institutions are NOT allowed to change the format unless otherwise instructed. Any modifications to the pledge listing must to 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 pledge listing on a weekly basis to determine if the value dropped by 10% or more.
- If a 10% decrease occurs, a new pledge listing will be submitted and will 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 pledge listing are submitted.

Who can be contacted with additional questions?

Please contact the Discount Window Hotline at 800-380-3762 with any additional questions.