

# Collateral Bulletin Update: New Federal Reserve Automated Loan Deposit Collateral Report Submission Requirements for Select Institutions

February 6, 2018

*As initially announced in November 2017, the Federal Reserve plans to implement new submission requirements for Automated Loan Deposit (ALD) collateral reports affecting select institutions for Discount Window lending and Payment System Risk purposes, beginning in 2019 and targeted to take effect in 2020.*

## What is changing?

The Federal Reserve will begin incorporating additional required fields in ALD collateral reports submitted by certain identified depository institutions to be used to calculate margins and internal fair market value estimates for loan collateral pledged to the Federal Reserve. To facilitate this effort, certain “in-scope” institutions will be required to provide additional fields in a new format in their ALD collateral reports. A detailed list of the additional fields, along with definitions, can be found in the [ALD Collateral Requirements Definitions](#). The new requirements support the Federal Reserve’s effort to assign more precise fair market value estimates to pledged loans.

## Does my institution need to take action?

The following institutions are considered “in-scope” and will be required to submit the additional fields, beginning in 2019:

- All depository institutions that are underneath a bank holding company (including a financial holding company) or an intermediate holding company with greater than \$50 billion in total assets, which is defined as the average over the last four calendar quarters
- All foreign banking organizations
- All other domestic institutions with greater than \$50 billion in total assets, which is defined as the average over the last four calendar quarters

Institutions that met the “in-scope” definition as of November 28, 2017, have already been contacted to ensure awareness of the new requirements. If your institution becomes “in-scope,” the Federal Reserve will contact you at that time to inform you of the need to comply with the new requirements. However, your institution may voluntarily participate in the new ALD collateral reporting requirements at any time. Please contact your local [Discount Window collateral staff](#) in order to pursue this option.

Institutions that are not required to submit additional loan fields and do not voluntarily participate do not need to take any action and should continue to submit their ALD collateral reports in the current format.

Questions regarding the new ALD collateral report submission requirements can be sent to [SYS.ALD.Info@bos.frb.org](mailto:SYS.ALD.Info@bos.frb.org). Institutions may also contact their Federal Reserve Banks' [Discount Window collateral staff](#) with other inquiries.

## **When do the new requirements take effect?**

In 2019, “in-scope” institutions will be required to submit both their current ALD collateral report as well as the new ALD collateral report with the additional required fields. Additional information regarding the reporting timeline will be distributed in mid-2018, and institutions will have at least 12 months to comply with the new requirements from the time when the due date is communicated.

The new ALD collateral report with the additional loan fields will not impact loan valuation and margining upon the submission due date in 2019. The existing ALD collateral report will be used for valuation and margining purposes, while the new ALD collateral report with the additional loan fields will be used to test and calibrate the new margins and internal fair market value estimates. Once this is completed, the new ALD collateral reports will then be used to assign collateral values. The date this takes effect will also be announced in a subsequent communication. The dual loan file submission process is expected to last approximately 18 months, after which only the new ALD collateral report with the additional loan data elements will need to be submitted. The temporary dual file submission process is necessary in order to ensure that all “in-scope” institutions’ ALD collateral is processed and revalued in a timely fashion as this new reporting requirement is implemented and our technology is enhanced to accommodate it.

## **How should new ALD collateral reports be formatted and transmitted to the Federal Reserve?**

“In-scope” institutions required to submit the new ALD collateral report with the additional fields will need to develop a new file for each pledged loan type. These files should be submitted in an approved method of [secure transmission](#). Guidance on constructing the files, along with an enhanced set of data definitions that provide specific information on loan field formatting requirements, can be found on the [New ALD Collateral Requirements](#) page of the Discount Window website. The new ALD collateral reports should be transmitted at the same frequency and with the same “as-of” date that existing ALD collateral reports are today.

Institutions that are not required to submit any additional fields do not need to make any changes to their ALD collateral report submission practices. Institutions submitting additional loan fields can find information on the [New ALD File Format Specifications](#) page.

## **How will collateral values be affected for institutions that are not required to comply with the new ALD collateral reporting requirements?**

The Federal Reserve utilizes the same internal models to derive values for all loan collateral pledged by any institution. Institutions that are not required to comply with the new ALD collateral reporting requirements will receive collateral values for all newly-required loan fields based on the data provided by the “in-scope” institutions. These values, in addition to the loan fields that are currently reported to the Federal Reserve, will be used to assign margins and internal fair market value estimates for pledged loans. This change will take effect once the testing and calibration of margins and internal fair market value estimates are complete.

## **Where can I get more information?**

Please review the related announcement on the [Discount Window & Payment System Risk](#) website or contact your Reserve Bank’s [Discount Window collateral staff](#) for additional information. Questions regarding the new ALD collateral report requirements can be sent to [SYS.ALD.Info@bos.frb.org](mailto:SYS.ALD.Info@bos.frb.org).