

Collateral Bulletin Update: The Federal Reserve is announcing the dual Automated Loan Deposit (ALD) collateral report submission period will begin in May 2019

April 2, 2019

The Federal Reserve is announcing the beginning of the dual file submission period for select institutions submitting ALD collateral reports for Discount Window lending and Payment System Risk purposes. This announcement reiterates the requirements for institutions that must submit the new collateral reports.

What is changing?

As announced on November 28, 2017, the Federal Reserve will begin incorporating additional loan fields in ALD collateral reports submitted by select 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 loan fields in a new format in their ALD collateral reports. Beginning next month, these selected institutions must submit both their current ALD collateral report as well as the newly formatted ALD collateral reports with the additional loan fields. This dual loan file submission is expected to last approximately 18 months. As a reminder, the current and newly formatted ALD collateral reports should contain the same set of pledged loans.

It is the Federal Reserve’s expectation that the newly formatted ALD collateral reports submitted in May 2019 are complete and represent your institution’s actual pledged loan population. Please note that the Federal Reserve will be undertaking an effort to validate the additional loan fields that are submitted. Your local Federal Reserve Bank will be contacting you for assistance in performing this work.

Do all institutions need to submit both pledge loan file types?

No. The following “in-scope” institutions are required to submit the additional loan fields beginning in May 2019 along with their existing ALD collateral report for valuation purposes:

- 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 consolidated 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 consolidated 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. Institutions may also contact their Federal Reserve Bank’s [Discount Window collateral staff](#) with other inquiries.

What are “in-scope” institutions required to do at this time?

Beginning in **May 2019**, “in-scope” depository institutions must submit **both** their existing ALD collateral report as well the new ALD collateral report with the additional loan fields each month. 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 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 fields will need to be submitted. The new ALD collateral report submission requirements can be viewed on the [New ALD Collateral Requirements](#) page of the Discount Window website.

As a reminder, the current and newly formatted ALD collateral reports should contain the same set of pledged loans. It is the Federal Reserve's expectation that the newly formatted ALD collateral reports submitted in May 2019 are complete and represent your institution's actual pledged loan population. Please note that the Federal Reserve will be undertaking an effort to validate the additional loan fields that are submitted. Your local Federal Reserve Bank will be contacting you for assistance in performing this work.

How should new ALD collateral reports be transmitted to the Federal Reserve?

"In-scope" institutions should have already developed the new ALD collateral report in accordance with the previously communicated standards, which can be found in the [New ALD File Format Specifications](#) document. These files should be submitted in an approved [method of secure transmission](#). 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 loan fields do not need to make any changes to their ALD collateral report submission practices. Institutions submitting additional loan fields can find information in the [New ALD File Format Specifications](#) document.

What happens if my institution doesn't provide the requested loan fields?

During the dual loan file submission period, beginning in May 2019, no adjustments will be applied for missing data fields. However, once the newly formatted ALD collateral reports are used to assign collateral values, "in-scope" depository institutions that fail to submit the new loan fields may receive either a zero or default value for pledged loans that are missing required loan fields. Institutions that anticipate difficulties in providing the requested loan fields should contact their local Reserve Bank prior to the submission deadline to resolve any issues.

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

At this time collateral values for institutions that are not required to comply with the new ALD reporting requirements will be unaffected. However, upon the implementation of the new

internal models at a later date, the Federal Reserve will utilize the same internal model 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 values based on the newly required loan fields 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 process 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.