

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

November 28, 2017

The Federal Reserve is announcing 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 by year-end 2020.

What is changing?

The Federal Reserve will begin incorporating additional 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. The set of existing loan fields that are required of all depository institutions, along with the additional loan fields and corresponding definitions required of “in-scope” depository institutions, can be found [here](#). 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 >\$50B in total assets, which is defined as the average over the last four calendar quarters
- All Foreign Banking Organizations
- All other domestic institutions with >\$50B in total assets, which is defined as the average over the last four calendar quarters

The Federal Reserve will contact all institutions that are “in-scope” no later than December 19, 2017, in order to ensure awareness of the new requirements. If your District Federal Reserve Bank does not contact your institution by December 19, 2017, you do not need to comply with the new requirements at this time.

If your institution becomes “in-scope” in the future, 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 Federal Reserve Bank in order to pursue this option.

Institutions that are not required to submit additional 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. The core purpose of the November 28, 2017 communication is to allow “in-scope” institutions to account for this effort as part of their information technology project schedule and to begin sourcing the new loan fields.

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.

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 about the new file format and reporting timelines will be distributed in early 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 loan fields will be collected in order to test and calibrate 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.

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 receive details about how to format and submit these reports at a later date. These reports should be transmitted at the same frequency and with the same “as of” date that existing ALD collateral reports are today, and must be submitted using an approved method of secure transmission. Subsequent communications will provide more specifications regarding loan file construction, loan field formatting and ALD collateral report transmission.

Those institutions that are not required to submit any additional fields do not need to make any changes to their ALD collateral report submission practices.

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 value based on the loan fields that are currently reported and data provided by “in-scope” institutions. This will take effect once the testing and calibration of margins and internal fair market value estimates are complete.

Those institutions that are not required to submit any additional fields do not need to make any changes to their ALD collateral report submission practices.

Where can I get more information?

Please review the related announcement on the new [ALD requirements page](#) of the Discount Window 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.