



FEDERAL RESERVE BANK OF DALLAS

Station K, Dallas, Texas 75222

Circular No. 84-1
January 10, 1984

TO: All member banks and others concerned in the Eleventh Federal Reserve District

ATTENTION: Chief Executive Officer

SUBJECT: Form FFIEC 004 -- Report on Indebtedness of Executive Officers and Principal Shareholders and Their Related Interests to Correspondent Banks

SUMMARY: Form FFIEC 004 is provided to assist executive officers and principal shareholders in meeting reporting requirements under Title VIII of the Financial Institutions Regulatory and Interest Rate Control Act of 1978. It has been proposed that Form FFIEC 003 be eliminated.

DETAILS: Since 1979 member banks have been subject to certain reporting and disclosure requirements set forth under Federal Reserve Regulation Q, Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks. These requirements are established under Titles VIII and IX of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (FIRA). The Garn-St Germain Depository Institutions Act of 1982 deleted certain reporting and disclosure requirements and instead gave federal bank regulators authority to issue revised rules concerning reporting and disclosure of such loans by an insured bank or by any of an insured bank's correspondent banks.

The Board of Governors has acted to implement the Garn Act; such actions affect Form FFIEC 003 and Form FFIEC 004. Actions taken by the Board, consistent with authority under the Garn Act and the recommendation of the Federal Financial Institutions Examination Council (FFIEC), have been proposed which will result in the continuation of the use of the report form filed by executive officers and principal shareholders of insured banks, Form FFIEC 004. The Board has proposed the elimination of FFIEC 003 which you normally receive with Form FFIEC 004. A new schedule (Schedule

RC-M -- Selected Information on Insider Loans) has been added to the quarterly Reports of Condition and Income effective December 31, 1983. The information collected on Schedule RC-M will eliminate the need for banks to report on Form FFIEC 003. However, Board and Office of Management and Budget approval are required before Form FFIEC 003 can be terminated. You will be notified concerning the action taken.

Executive officers and principal shareholders subject to the reporting requirements of Title VIII of FIRA must file annual reports concerning their indebtedness--and the indebtedness of their related interests--to the correspondent banks of the member bank. These reports are filed with the member bank's board of directors by January 31 of each year. The 1984 report covers the period January 1 to December 31, 1983.

Each member should notify its executive officers and principal shareholders of the reporting requirements of Title VIII of FIRA. The persons notified should include any person who was an executive officer or principal shareholder of the member bank during the period January 1 to December 31, 1983, since all of these persons are subject to reporting requirements if they were indebted to a correspondent bank of the member bank during this period.

Each member bank also is required to make available to its executive officers and principal shareholders a list of the member bank's correspondent banks. A correspondent bank is defined as a bank that maintains one or more correspondent accounts for a member bank during the calendar year that in the aggregate exceed certain amounts specified in the regulation.

Form FFIEC 004, or a similar form that is filed by executive officers and principal shareholders, must be kept on file at the member bank for a period of three years. These reports are not required to be made available to the public; however, the reports will be reviewed by examiners during the course of the examination of the member bank. The reports filed by executive officers and principal shareholders are not required to be filed with the Reserve Bank or Regional Administrator.

The enclosed Form FFIEC 004 is provided to your bank to assist your executive officers and principal

shareholders in meeting their reporting requirements under Title VIII of FIRA. The executive officers and principal shareholders can, if they wish, provide the required information on other forms.

Please duplicate the form in accordance with your needs. Forms are being provided to national banks at the request of the Comptroller of the Currency. Form FFIEC 004 has been approved by the FFIEC for use by executive officers and principal shareholders of federally insured banks. Thus, all insured banks are being provided uniform report forms for the use of their executive officers and principal shareholders in complying with the reporting requirements of Title VIII of FIRA.

ATTACHMENTS: Form FFIEC 004

MORE INFORMATION: Legal Department, Extension 6228


State Member Banks - Marvin C. McCoy or William C. Reddick, Jr., Extension 6274

ADDITIONAL COPIES: Public Affairs Department, Extension 6289

**Report on Indebtedness of Executive Officers and
 Principal Shareholders and their Related Interests
 to Correspondent Banks**

For the Calendar Year Ending December 31, 19____

Form FFIEC 004

 Approved by the Federal Financial Institutions
 Examination Council - November 15, 1979
 OMB No. 7100-0034 (FRB)
 1557-0070 (OCC)
 3064-0023 (FDIC)
 Approval Expires August 1984

To be submitted by executive officers and principal shareholders of insured banks to the boards of directors of their banks in satisfaction of the reporting requirements of the Federal Reserve Board's Regulation O (12 C.F.R. Part 215) and Part 349 of the Federal Deposit Insurance Corporation's Rules and Regulations (12 C.F.R. Part 349) with respect to indebtedness to correspondent banks.

 Name of Executive Officer or Principal Shareholder Submitting Report

 Name of Bank to which Report is Submitted

 City

 State

Status of Reporting Person:

____ Executive Officer

____ Principal Shareholder

If the report is submitted for indebtedness of a related interest, name and address of related interest for which the report is submitted:

Name and address of the correspondent bank to which the executive officer, principal shareholder, or related interest is indebted:

A. Maximum amount of indebtedness outstanding during the calendar year:

(In thousands of dollars) \$ _____

B. Method used to determine maximum amount of indebtedness outstanding (check one):

____ i. highest outstanding indebtedness during the calendar year

____ ii. highest end of the month indebtedness outstanding during the calendar year

C. Amount of indebtedness outstanding 10 business days prior to the date of filing this Report:

(In thousands of dollars) \$ _____

D. Terms and Conditions of each extension of credit included as indebtedness in the amount reported in Box A (see Instruction 3). Use additional pages if indebtedness consists of more than three loans and/or more space is needed to report terms and conditions:

Loan 1:

Loan 2:

Loan 3:

I hereby certify that information given above is complete, correct, true to the best of my knowledge.

 Signature of official responsible for report

 Date Signed

General Instructions

1. Persons Required to File Report

A Report on Indebtedness to Correspondent Banks (Form FFIEC 004), or a similar form containing identical information, must be completed by each executive officer and each principal shareholder of an insured bank who was indebted, or whose related interests were indebted, during the calendar year for which the report is being submitted to a correspondent bank of their bank. All insured banks are required by law to make available to their executive officers and principal shareholders a list of the bank's correspondent banks. "Correspondent bank" means generally a bank that maintains a correspondent account in excess of a certain amount for the officer's or shareholder's bank.

The executive officer or principal shareholder must file a separate report concerning the indebtedness of the officer or shareholder to each correspondent bank and a separate report concerning the indebtedness of each of the related interests of the officer or shareholder to each correspondent bank. For example, if an executive officer is indebted to two correspondent banks, the officer must file two reports, one for each correspondent bank. If the executive officer has two related interests that were also both indebted to two correspondent banks, the officer would file six reports, two for the officer's own indebtedness and four for the indebtedness of the officer's related interests. If the executive officer is not indebted to a correspondent bank, but a related interest of the officer is indebted to a correspondent bank, the executive officer must file a report concerning the indebtedness of the officer's related interest to the correspondent bank.

2. Where and When Reports are to be Filed

The executive officer or principal shareholder must submit the report on indebtedness to correspondent banks to the board of directors of the reporting person's bank for each calendar year by January 31 of the next year.

3. What Must be Reported

The reporting person must include in each report on indebtedness to each correspondent bank: (a) the maximum amount of indebtedness outstanding during the calendar year, and (b) the terms and conditions of *each* extension of credit included in the maximum amount reported. The terms and conditions to be reported are: (1) the original amount and date; (2) the maturity date; (3) the payment terms; (4) the range of interest rates charged during the calendar year; (5) whether secured or unsecured; (6) if secured, a description of collateral and its value; and (7) any unusual terms or conditions.

In determining the maximum amount of indebtedness of a principal shareholder, the indebtedness of a member of the shareholder's immediate family is to be treated as indebtedness of the principal shareholder. Each maximum amount of indebtedness reported may include several separate extensions of credit. The reporting person must report separately the terms and conditions of each of these extensions of credit.

Each report on indebtedness to each correspondent bank must also include the amount of indebtedness outstanding to the correspondent bank 10 business days before the date the report on indebtedness is filed. If the information on the amount of indebtedness outstanding to a correspondent bank 10 business days before the filing of the report is not available or cannot be readily ascertained by the filing date, an estimate of the amount of such indebtedness may be filed, provided that the actual amount of such indebtedness is submitted to the bank's board of directors within the next 30 days.

4. Definitions

The following definitions are intended to provide general guidance in completing this report. For precise definitions, see the Federal Reserve Board's Regulation O (12 CFR Part 215) and Part 349 of the FDIC's Rules and Regulations (12 CFR Part 349).

- a. "Executive officer" is defined in section 215.2 of Regulation O and means generally an individual who participates or who has authority to participate (other than in the capacity of a director) in major policymaking functions of the bank. Certain categories of bank officers (*e.g.*, vice presidents) are presumed in Regulation O to be executive officers unless they are excluded by resolution of the board of directors of the bank or by its bylaws from participation in major policymaking functions of the bank and do not participate therein.
- b. "Principal Shareholder" means any individual or company (other than an insured bank or a foreign bank) that, directly or indirectly, owns, controls, or has the power to vote more than 10 per cent of any class of voting securities of the bank. The term includes a person that controls a principal shareholder (*e.g.*, a person that controls a bank holding company).

For the purpose of determining who is a principal shareholder, shares owned or controlled by a member of the individual's immediate family are presumed to be controlled by the individual.

"Immediate family" means the spouse of an individual, the individual's minor children, and any of the individual's children (including adults) residing in the individual's home. For reporting purposes, only one individual in the immediate family must file reports, if that individual's reports include the information on indebtedness of the individual's immediate family.

- c. Control of a company is defined in section 215.2(b) of Regulation O as generally ownership or control of 25 per cent or more of a company's outstanding voting shares. However, the regulation presumes control in some cases where less than 25 per cent ownership or control exists.
- d. "Related interest" means any company controlled by a person and any political or campaign committee, the funds or services of which will benefit a person or that is controlled by a person. However, a related interest does not include a bank or a foreign bank.
- e. "Indebtedness" includes any extension of credit (as defined in section 215.3 of Regulation O), but does *not* include:
 - i. commercial paper, bonds and debentures issued in the ordinary course of business; and
 - ii. consumer credit (as defined in section 226.2(p) of Regulation Z) in an aggregate amount of \$5,000, or less, from each correspondent bank, provided the credit is incurred under terms that are not more favorable than those offered the general public.
- f. "Maximum amount of indebtedness" means, at the option of the reporting person, either (i) the highest outstanding indebtedness during the calendar year for which the report is made, or (ii) the highest end of the month indebtedness outstanding during the calendar year for which the report is made. The method chosen should be consistently used for all indebtedness to the same correspondent bank. The reporting person must indicate on the report whether the maximum amount was determined as of the end of the month or on a daily basis.
- g. "Correspondent bank," "company," and other terms pertinent to this report are defined in the Board's Regulation O, 12 CFR Part 215 (1979) and Part 349 of the Federal Deposit Insurance Corporation's Rules and Regulations, 12 CFR Part 349.