

**FEDERAL RESERVE BANK
BORROWER-IN-CUSTODY OF COLLATERAL CERTIFICATION
TO BE COMPLETED BY DEPOSITORY INSTITUTION**

INSTITUTION NAME: _____ ABA#: _____

ADDRESS: _____ CITY/STATE: _____

CONTACT (Primary): _____ TELEPHONE: _____

TITLE: _____ EMAIL: _____

CONTACT (Collateral/Operations): _____ TELEPHONE: _____

TITLE: _____ EMAIL: _____

COLLATERAL TYPE: **Commercial Loans; Commercial Real Estate Loans** (For pledging purposes, please distinguish between Commercial and Commercial Real Estate Loans)

THE FOLLOWING CERTIFICATION SHOULD BE COMPLETED BY THE INTERNAL AUDIT FUNCTION OF YOUR INSTITUTION. IF YOUR INSTITUTION DOES NOT HAVE AN INTERNAL AUDIT FUNCTION, TWO OFFICIALS OF YOUR INSTITUTION CAN COMPLETE THE CERTIFICATION, PENDING THE RESERVE BANK'S APPROVAL.

A. PLEASE ANSWER THE FOLLOWING QUESTIONS.

1. INDICATE BELOW HOW YOUR INSTITUTION USES OR INTENDS TO USE THE BIC ARRANGEMENT?

- DISCOUNT WINDOW
- TREASURY TAX & LOAN (YOUR INSTITUTION MUST COMPLETE SEPARATE AGREEMENTS WITH THE TT&L DIVISION OF THE FEDERAL RESERVE BANK TO USE BIC COLLATERAL FOR THE SPECIAL DIRECT INVESTMENT (SDI) OR TERM INVESTMENT OPTION (TIO) PROGRAMS. COLLATERAL ELIGIBILITY FOR EACH PROGRAM IS DETERMINED BY TREASURY GUIDELINES. <http://www.publicdebt.treas.gov/gsr/gsrctl.htm#ttl>)
- PAYMENT SYSTEM RISK

2. INDICATE THE TYPE OF DOCUMENTATION SUPPORTING THE **COMMERCIAL LOANS** THAT ARE BEING PLEDGED TO THE FEDERAL RESERVE BANK UNDER THE BIC ARRANGEMENT. (CHECK ALL THAT APPLY)

- PROMISSORY NOTE DISCOUNT NOTE GRID NOTE INSTALLMENT NOTE MASTER NOTE
- REVOLVING NOTE NO-NOTE AGREEMENT PARTICIPATION NOTE SYNDICATED NOTE
- OTHER (PLEASE SPECIFY) _____

2A. INDICATE THE TYPE OF DOCUMENTATION SUPPORTING THE **COMMERCIAL REAL ESTATE LOANS** THAT ARE BEING PLEDGED TO THE FEDERAL RESERVE BANK UNDER THE BIC ARRANGEMENT. *NOTE: ALL NOTES MUST BE ORIGINAL (CHECK ALL THAT APPLY)*

- PROMISSORY NOTE GRID NOTE INSTALLMENT NOTE MASTER NOTE
- REVOLVING NOTE NO-NOTE AGREEMENT PARTICIPATION NOTE SYNDICATED NOTE
- MORTGAGE APPRAISAL TITLE POLICY
- OTHER (PLEASE SPECIFY) _____

3. INDICATE OTHER AGREEMENTS BEING MAINTAINED BETWEEN YOUR INSTITUTION AND THE BORROWER RELATING TO THE LOAN ARRANGEMENTS.

- CREDIT AGREEMENT SECURITY AGREEMENT OTHER (PLEASE SPECIFY) _____

4. IN REGARDS TO THE ORIGINAL PROMISSORY NOTE DOES YOUR INSTITUTION DO ANY OF THE FOLLOWING:

- IMAGE AND DESTROY IMAGE AND STORE ON SITE IMAGE AND STORE OFFSITE NOT APPLICABLE

IF FIRST OPTION IS SELECTED PLEASE COMPLETE THE IMAGE AND DESTROY CERTIFICATION FORM & ELECTRONIC LOAN COLLATERAL QUESTIONNAIRE AND ATTESTATION.
PLEASE REFER TO THE BIC GUIDELINES FOR THE LOCATION OF THE CERTIFICATION FORM

5. ARE THE PLEDGED LOANS ORIGINATED ELECTRONICALLY?

- Yes No

IF YES, PLEASE COMPLETE THE ELECTRONIC NOTE CERTIFICATION FORM & ELECTRONIC LOAN COLLATERAL QUESTIONNAIRE AND ATTESTATION.
PLEASE REFER TO THE BIC GUIDELINES FOR THE LOCATION OF THE CERTIFICATION FORM

6. PLEASE PROVIDE THE ADDRESS, CITY, AND STATE WHERE THE ABOVE REFERENCED COLLATERAL IS LOCATED.

NOTES:

CREDIT AGREEMENTS AND OTHER DOCUMENTS:

6A. DOES YOUR INSTITUTION UTILIZE A CUSTODIAN FOR SERVICING OR STORING THE LOAN DOCUMENTATION? IF YES, PLEASE PROVIDE THE NAME ADDRESS, CITY AND STATE OF THE ABOVE REFERENCED COLLATERAL.

NOTES:

CREDIT AGREEMENTS AND OTHER DOCUMENTS:

6B IS THE CUSTODIAN AFFILIATED WITH YOUR INSTITUTION? IS THE CUSTODIAN A SUBSIDIARY OF YOUR BANK OR BANK HOLDING COMPANY?

7. DO THE LOANS THAT ARE PLEDGED TO THE FEDERAL RESERVE BANK DESIGNATE YOUR INSTITUTION AS LENDER / PAYEE?

Yes No

7A. IF NO, WHICH ENTITY ARE THE LOANS ORIGINATED BY?

- AN AFFILIATE OF YOUR INSTITUTION
- A SUBSIDIARY OF YOUR BANK HOLDING COMPANY
- OTHER _____

7B. IF THE LOANS WERE NOT ORIGINATED BY YOUR INSTITUTION, HOW WERE THE LOANS ASSIGNED OR TRANSFERRED TO YOU?

8. ARE THERE ANY OF THE FOLLOWING IN THE COLLATERAL PLEDGED TO US?

- Yes No Participations
- Yes No Syndicated Loans
- Yes No Domestic Syndicated Loans with Assignability Restrictions
- Yes No All Other Loans

8A. IF YES, DO YOU HAVE THE ORIGINAL PARTICIPATION/ SYNDICATION CERTIFICATES OR AGREEMENTS TO EVIDENCE THIS?

Yes No

8B. ARE THERE ANY RESTRICTIONS THAT WOULD LIMIT OR RESTRICT ASSIGNABILITY, TRANSFER, SALE OR PLEDGE OF COLLATERAL BY THE RESERVE BANK OR THIRD PARTY?

Yes No

8C. HOW DOES YOUR INSTITUTION ENSURE THAT LOANS WITH THE RESTRICTIONS DESCRIBED ABOVE ARE EXCLUDED FROM YOUR INSTITUTION'S PLEDGE?

8D. ARE THERE ANY FURTHER OBLIGATIONS TO LEND FUNDS UNDER THESE PARTICIPATIONS / SYNDICATIONS / SYNDICATIONS WITH ASSIGNABILITY RESTRICTIONS?

Yes No

9. THE FOLLOWING QUESTIONS REFER TO YOUR INSTITUTION'S PROCESSES FOR IDENTIFYING "LEVERAGED LOANS", AS ADDRESSED IN REGULATORY GUIDANCE (E.G. 2013 INTERAGENCY GUIDANCE FOR LEVERAGED LENDING).

9A. HOW DOES YOUR INSTITUTION DEFINE "LEVERAGED LOANS"? (REFER TO PAGE 4 OF THE 2013 INTERAGENCY GUIDANCE FOR LEVERAGED LENDING).

9B. DOES YOUR INSTITUTION HAVE A “LEVERAGED LENDING” POLICY AND/ OR RELATED UNDERWRITING STANDARDS?

YES NO NA

9C. WHAT TYPE OF RISK MITIGATION OR CREDIT ENHANCEMENTS DO YOU REQUIRE FOR “LEVERAGED LOANS”?

9D. HAS YOUR INSTITUTION ESTABLISHED A CREDIT LIMIT AND CONCENTRATION FRAMEWORK FOR “LEVERAGED LOANS”?

YES NO

9E. WHAT PERCENTAGE OF YOUR INSTITUTION’S PLEDGED LOANS, IN EACH CATEGORY, COULD MEET THE SUPERVISORY GUIDANCE AND BE CONSIDERED “LEVERAGED”?

10. IF PLEDGING US AGENCY GUARANTEED LOAN PORTIONS OF PRINCIPLE BALANCES TO TAKE ADVANTAGE OF THE US AGENCY GUARANTEED LOAN MARGINS, IDENTIFY THE GUARANTOR:

- SBA GUARANTEED*: [SPECIFY]
- OTHER FEDERAL AGENCY GUARANTEED*: [SPECIFY]

** IF YOUR INSTITUTION PLANS TO PLEDGE US AGENCY-GUARANTEED LOANS CONTACT YOUR RESERVE BANK TO CONFIRM ACCEPTABILITY.*

11. DESCRIBE THE PHYSICAL STORAGE FACILITY WHERE THE NOTES ARE HELD (E.G. VAULT, TELLER AREA, ETC.). HOW IS THE COLLATERAL PROTECTED AGAINST LOSS FROM FIRE, THEFT AND OTHER DANGERS?

12. HOW DOES YOUR INSTITUTION MONITOR ACCESS AND THE REMOVAL OF KEY DOCUMENTS FROM THE COLLATERAL AREA?

13. INDICATE BELOW HOW YOUR BANK IDENTIFIES THE COLLATERAL AS PLEDGED TO THE FRB. IF YOUR INSTITUTION IMAGES AND DESTROYS THE ORIGINAL PROMISSORY NOTE OR ORIGINATES THE LOAN ELECTRONICALLY THE PLEDGED COLLATERAL MUST BE IDENTIFIED ELECTRONICALLY ON THE GENERAL LEDGER OR LOAN SYSTEM. IT IS A REQUIREMENT OF THE BORROWER-IN-CUSTODY PROGRAM THAT COLLATERAL PLEDGED TO THE FEDERAL RESERVE BANK BE IDENTIFIED PROMINENTLY AT PARTICIPATING INSTITUTIONS.

- NOTATION ON GENERAL LEDGER
- NOTATION ON LOAN SYSTEM
- LABEL ON INDIVIDUAL FILES
- VISIBLE NOTICE IN SPECIFIC CUSTODY AREA

14. HOW DOES YOUR INSTITUTION MONITOR COLLATERAL LEVELS ENSURING THAT THE PLEDGE BALANCE DOES NOT FALL BELOW THE STATED GUIDELINES? *NOTE: IT IS A REQUIREMENT OF THE BORROWER-IN-CUSTODY GUIDELINES THAT MONTHLY COLLATERAL LEVELS DO NOT FALL BELOW 10 PERCENT OF VALUE BETWEEN REPORTING DATES.*

15. EXPLAIN THE METHOD BY WHICH LOANS ARE MONITORED TO ENSURE THAT THOSE DETERMINED INELIGIBLE PER THE BORROWER-IN-CUSTODY GUIDELINES ARE REMOVED FROM THE COLLATERAL POOL IN A TIMELY MANNER.

16. EXPLAIN YOUR INSTITUTION'S POLICY FOR TRACKING INSURANCE ON PLEDGED COLLATERAL. PROVIDE DETAILS ON YOUR INSTITUTION'S ERROR AND OMISSION POLICY.

17. INDICATE THE DATE OF YOUR INSTITUTIONS LAST INTERNAL AUDIT REVIEW COVERING THE LOAN OPERATIONS AREA(S) RELATING TO THE PLEDGED LOANS? PLEASE COMMENT ON THE FINDINGS NOTED IN THE AUDIT AND ANY SUBSEQUENT MANAGEMENT ACTIONS REQUIRED.

18. DOES ANY OTHER PARTY HAVE A LIEN (BLANKET OR SPECIFIC) ON THE LOANS BEING PLEDGED TO THE FEDERAL RESERVE? ____YES ____NO

IF YES, WHAT IS THE NAME OF THE ORGANIZATION THAT HAS A LIEN ON THE LOANS BEING PLEDGED TO THE FEDERAL RESERVE (I.E. FHLB, CORPORATE CREDIT UNION, OTHER):

NAME: _____

CONTACT: _____

PHONE: _____

19. PLEASE INDICATE THE FOLLOWING:

Dollar amount of loans being pledged \$ _____

Number of loans being pledged _____

B. INSPECTION INFORMATION

PLEASE PROVIDE THE FOLLOWING REQUIRED INFORMATION:

- NAMES OF ANY ACQUIRED FINANCIAL INSTITUTIONS IN WHICH CURRENT, PLEDGED LOANS ORIGINATED.
- A COMPLETE COPY OF YOUR INSTITUTION'S MOST RECENT INTERNAL/EXTERNAL AUDIT COVERING APPLICABLE LOAN OPERATIONS AREAS INCLUDING ANY FINDINGS, MANAGEMENT'S RESPONSE, AND CORRECTIVE ACTION PLAN.
- FOR EXISTING BORROWER IN CUSTODY ARRANGEMENTS, A COMPLETE COPY OF YOUR INSTITUTION'S MOST RECENT INTERNAL/EXTERNAL AUDIT ATTESTING TO COMPLIANCE WITH BORROWER-IN-CUSTODY PROGRAM GUIDELINES.
- IF APPLICABLE, A COMPLETE COPY OF THE MOST RECENT INTERNAL AUDIT REGARDING THE IMAGING AND DESTRUCTION OF ORIGINAL PROMISSORY NOTES
- IF APPLICABLE, A COMPLETE COPY OF THE MOST RECENT INTERNAL AUDIT REGARDING THE ADEQUACY OF INTERNAL CONTROLS FOR THE ELECTRONIC NOTE PROCESS
- IF APPLICABLE, POLICIES AND PROCEDURES REGARDING THE IMAGING AND DESTRUCTION OF ORIGINAL PROMISSORY NOTES AND/OR ELECTRONIC NOTES

IF APPLICABLE, A COMPLETED COPY OF THE IMAGE AND DESTROY CERTIFICATION FORM AND/OR ELECTRONIC NOTE CERTIFICATION FORM

- A COMPLETE COPY OF YOUR INSTITUTION'S INTERNAL RISK GRADING SYSTEM(S).
- A COMPLETE COPY OF YOUR INSTITUTION'S MOST RECENT INTERNAL /EXTERNAL LOAN REVIEW REPORT.
- A COMPLETE COPY OF YOUR INSTITUTION'S LOAN POLICY RELATING TO THE TYPE OF LOANS PLEDGED.
- ANY ADDITIONAL INFORMATION NEEDED TO SUPPORT QUESTIONNAIRE COMMENTS.

SEND ALL DOCUMENTATION ELECTRONICALLY TO:

[Intralinks](#)

C. AUTHORIZATION

PLEASE HAVE THE APPROPRIATE OFFICIALS OF YOUR INSTITUTION REVIEW AND SIGN THIS FORM.

I have reviewed the above responses to the Borrower-in-Custody Certification and attest that the responses are accurate.

Authorized Signature* _____ Title _____ Date

Authorized Signature* _____ Title _____ Date

[*Number of required signatures determined by the Borrowing Resolution on file with the Federal Reserve Bank]

AUDITOR ATTESTATION

I certify that I am in receipt of, and have reviewed the Borrower-In-Custody of Collateral Program Guidelines and Operating Circular 10. Further, for existing Borrower-In-Custody relationships, I attest that all relevant internal policies and procedures have been reviewed and examined for Borrower-In-Custody program conformance and confirm this institution to be in compliance.

Authorized Signature** _____ Title _____ Date

INTERNAL AUDITOR** or EXTERNAL AUDITOR** or RESPONSIBLE DIRECTOR**