

Board of Governors of the Federal Reserve System



Instructions for Preparation of

Consolidated Report of Condition and Income for Edge and Agreement Corporations

Reporting Form FR 2886b

Reissued March 2008

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The Consolidated Reports of Condition and Income for Edge and Agreement Corporations FR 2886b

General Instructions

The FR 2886b report must be filed by each Edge and agreement corporation organized under Section 25 or 25(a) of the Federal Reserve Act. All information should reflect the consolidation of all branches, and underlying subsidiary companies.

Reporting Basis

As noted above, the report should cover the consolidated operations of the reporting corporation, including:

- (1) the reporting corporation's head office;
- (2) any branch offices of the reporting corporation;
- (3) any International Banking Facility (IBF) established by the reporting corporation at the head office and at any branch offices;
- (4) all majority-owned foreign banks held directly by the reporting corporation pursuant to Section 25(a) of the Federal Reserve Act;
- (5) all majority-owned subsidiaries of the reporting corporation that are significant, EXCEPT subsidiary Edge or agreement corporations;
- (6) all nonsignificant majority-owned subsidiaries that the bank has elected to consolidate on a consistent basis.

Where this report collects information on a branch office separately, such information should *include* balances of an IBF of only that branch office. Assets and liabilities may be reported on a net basis in this report whenever the reporting organization has a "right of setoff." See the entry for Offsetting in the Definitions section for further information. Also see the FFIEC 031 General Instructions for further information on consolidation, accrual basis reporting, and generally accepted accounting principles.

Inactive corporations should report only if the corporation has engaged in some business activity at one time. Corporations, such as a name saver organizations, that have never engaged in any business activity should not report.

Submission Date and Reporting Frequency

An Edge or agreement corporation must file the FR 2886b report quarterly if total consolidated assets of the corporation exceed \$50 million. An Edge or agreement corporation with total consolidated assets of \$50 million or less must file the FR 2886b report annually as of December 31.

If an Edge or agreement corporation meets the criteria above to file quarterly as of June 30 of the preceding year, the corporation must file the FR 2886b quarterly beginning in March of the current year. In addition, if the corporation meets the quarterly criteria due to a business combination, then it must report the FR 2886b quarterly beginning with the first quarterly report date following the effective date of the business combination. Once a corporation begins filing the FR 2886b quarterly, it should file a complete FR 2886b quarterly report going forward. If the Edge or agreement corporation does not meet the quarterly filing criteria for four consecutive quarters, then the corporation may revert to annual filing. Edge and agreement corporations that do not meet the quarterly filing threshold may be requested to file quarterly if the Federal Reserve Bank has determined that these corporations have significant risk exposures.

The term "submission date" is defined as the date by which an Edge corporation's completed original report must be received by the district Federal Reserve Bank. An official copy (non-facsimile) of the FR 2886b consisting of the balance sheet, memorandum item, and all schedules for domestic and foreign offices of banking and nonbanking Edges should reach the Federal Reserve

General Instructions

Bank of the District in which the reporting office is domiciled, no later than 30 calendar days after the close of business of the last calendar day of the quarter or year-end date for annual filers (subject to the timely filing provisions set forth in the following paragraph).

The filing of an Edge corporation's completed original report will be considered timely, regardless of when the reports are received by the district Reserve Bank, if these reports are mailed first class and postmarked no later than the third calendar day preceding the submission deadline. In the absence of a postmark, a corporation whose completed original report is received late may be called upon to provide proof of timely mailing. A "Certificate of Mailing" (U.S. Postal Service Form 3817) may be used to provide such proof. If an overnight delivery service is used, entry of the completed original report into the delivery system on the day before the submission deadline will constitute timely submission. In addition, the hand delivery of the completed original reports, on or before the submission deadline, to the location to which the report would otherwise be mailed is an acceptable alternative to mailing such reports. Corporations that are unable to obtain the required directors' signatures on their completed original reports in sufficient time to file these reports so that they are received by the submission deadline may contact the district Reserve Bank to which they mail their original reports to arrange for the timely submission of their report data and the subsequent filing of their signed reports.

15-day extension. A respondent may take an additional 15 calendar days to submit its completed report. Such banks are urged to use the additional time only if absolutely necessary and to make every effort to report as soon as possible, preferably within the 30-day submission period.

Signatures and Attestation

The original of the report shall be manually signed on the cover sheet of the submitted report, in the manner indicated on the cover sheet, by a duly authorized officer of the reporting institution. The title of the signing officer shall also be shown. The correctness of the submitted report shall be attested by this signature. Signatures need not be notarized. All copies shall bear the same signatures as on the original, but these signatures may be facsimiles or photocopies.

Currency in Which Report is Prepared

All items in the report should be expressed in *United States dollars*. Assets or liabilities payable in foreign currencies should be converted into dollars at the exchange rate prevailing on the report date.

Clarity, Completeness and Amounts Reported

Reports should be clearly and distinctly typewritten, and care should be exercised that each copy is clearly legible and conforms with the printed lines on the form. Computer printouts are also acceptable, provided that they are identical in format and detail to the reporting form, including all items and column captions. *All dollar amounts should be rounded to the nearest thousands* with the total asset figure based on unrounded numbers, then rounded. Item captions in the report should in no way be amended, nor should additional items be added. *An amount or the word "none" should be entered for every item on the report.* Except for the items listed below, negative entries are not appropriate on the report form and shall not be reported. Hence, assets with credit balances must be reported in liability items and liabilities with debit balances must be reported in asset items, as appropriate, and in accordance with these instructions. Negative amounts that are permitted should be enclosed in parentheses. The items for which negative entries may be made, if appropriate, are:

- (1) Schedule RC, Item 23, "Retained earnings,"
- (2) Schedule RC, Item 24, "Accumulated other comprehensive income,"
- (3) Schedule RC, Item 25, "Other equity capital components,"
- (4) Schedule RC, Item 26, "Total equity capital," and
- (5) Schedule RC-R, Item 4, "Total qualifying capital (i.e., Tier 1 and Tier 2 capital) allowable under the risk-based capital guidelines."

On Schedule RI, Income and Expenses, and on Schedule RI-A, Changes in Equity Capital, negative entries may appear as appropriate. Income items with a debit balance and expense items with a credit balance must be reported in parentheses.

Additional Forms

Copies of the FR 2886b form can be obtained from the Federal Reserve Bank in the Federal Reserve District in

General Instructions

which the reporting institution is located, or may be found on the Federal Reserve Board's public website (www.federalreserve.gov).

Confidentiality

The Federal Reserve System regards as confidential the following portions of this report: for respondents engaged in banking, Schedules RC-M (except item 3) and RC-V; for respondents not engaged in banking, Schedule RC-M (except item 3). If it should be determined subsequently that any confidential information collected on this form must be released, respondents will be notified.

Detailed Instructions

Some items on the balance sheet are also reported on supporting schedules. Detailed instructions for those items are found in those schedules. The content of items on the balance sheet should be identical to the content of the same items on the supporting schedules even though submission of the schedules may not be required. See the General Instructions to determine whether the supporting schedules are required.

This report and accompanying instructions have been designed to generally conform with the form and instructions to the Consolidated Reports of Condition and Income (FFIEC 031) that U.S. banks prepare quarterly and submit to their U.S. regulatory agencies. Unless expressly stated otherwise, the definitions and procedures

used to determine individual items in this report should conform with those used to prepare the FFIEC 031 report. In some instances, where an FR 2886b item is identical to an item reported on the FFIEC 031, only a reference to the corresponding item(s) in the FFIEC 031 instructions is contained in brackets. Both the reporting office totals and the IBF-only columns must be completed if the office has IBF balances.

Banking vs. Nonbanking Designation

All respondents must designate whether their corporation is a banking or nonbanking type in the box on the front page of the report form. A corporation is considered to be "engaged in banking" if it is ordinarily engaged in the business of accepting deposits in the U.S. from nonrelated organizations, whether directly or through its branch offices.

Reporting Requirements by Type

<i>Banking</i>	<i>Nonbanking</i>
Schedules RI, RI-A, RI-B	Schedules RI, RI-A, RI-B
Schedule RC: Balance Sheet	Schedule RC: Balance Sheet
Memorandum to Balance Sheet	Memorandum to Balance Sheet
Schedules RC-A, through RC-V	Schedules RC-L, RC-M, RC-N

LINE ITEM INSTRUCTIONS FOR

Income and Expenses

Schedule RI

General Instructions

This schedule must be completed by all Edge corporations and all agreement corporations.

The schedule is structured to highlight net interest and noninterest income and to separate revenues and expenses of transactions with related organizations from those of nonrelated organizations for the calendar year-to-date. The sections of the schedule that deal with nonrelated organizations should reflect the full contribution of the reporting corporation to the revenues and expenses of the corporation's parent U.S. bank (if applicable). See the definition of the term "related organizations" in the Definitions section.

Line Item Instructions

Line Item 1 Interest income:

Line Item 1(a) Interest and fee income from nonrelated organizations:

Line Item 1(a)(1) Interest and fees on loans and lease financing receivables.

Enter the total income from interest and fees on all assets of the types and classes described in the instructions for Schedule RC-C and included in Schedule RC, Item 4, less rebates made on loans paid prior to maturity and less amortization of any premium paid when the asset was acquired. Profits or losses resulting from the sale of such assets at a price different from the cost of acquisition should be added to or deducted from this figure, as appropriate. *Include* gross revenue from loan commitment fees, and all yield-related fees on loans held by the reporting organization. Also *include* premiums received or discounts paid on foreign exchange contracts related to financial swap transactions involving loans. Such gains or losses are known at the inception of the contract and should be amortized over the life of the contract. *Exclude* fees that are not yield-related, such as syndication fees

applicable to loans which are not assets of the corporation. These fees should be reported in Item 5(a)(5), "Other commissions, fees, etc."

When yield-related fees are collected in connection with a loan syndication or participation and passed through to another lender, only the reporting corporation's proportional share of such fees should be reported in this item.

Do not include reimbursement for out-of-pocket expenditures made by the corporation for the account of its customers. If the corporation's expense accounts were charged with the amount of such expenditures, the reimbursements should be credited to the same expense accounts.

Line Item 1(a)(2) Interest on balances due from depository institutions.

Report the amount of interest income received or accrued year-to-date on the types and classes of assets shown in Schedule RC, Item 1, "Cash and balances due from depository institutions," and detailed in Schedule RC-A. Include premiums received or discounts paid on foreign exchange contracts related to financial swap transactions involving interest-bearing balances due from depository institutions. Such gains or losses are known at the inception of the contract and should be amortized over the life of the contract.

Line Item 1(a)(3) Interest income from federal funds sold and securities purchased under agreements to resell.

Include in this item gross revenue from federal funds sold, securities purchased under agreements to resell, and purchases of participation in pools of securities that are reported in Schedule RC, Item 3, "Federal funds sold and securities purchased under agreements to resell." Income from loans purchased under resale agreements should be reported in Item 1(a)(1) above.

Income Statement

Line Item 1(a)(4) Interest on bonds, notes, and debentures and dividends on stock.

Report all interest income arising from debt securities, including bills, certificates of indebtedness, notes, or bonds issued by any private or governmental organization of the type of assets included in Schedule RC, Item 2, "Securities." Report all dividend income received from holdings of corporate stock in nonrelated companies. Exclude dividends received on equity securities carried in trading accounts.

Line Item 1(a)(5) Interest income and dividends from assets held in trading accounts.

Report all interest income arising from debt securities, including bills, certificates or indebtedness, notes, or bonds issued by any private or governmental organization of the type of assets reported as trading assets, including loans, in Schedule RC, Item 5, "Trading assets." Include accretion of discounts on assets held in trading accounts that have been issued on a discount basis, such as U.S. Treasury bills and commercial paper. Include dividends received on equity securities carried in trading accounts.

Line Item 1(b) Interest income from claims on related organizations.

Report all interest income related to claims on related organizations of the type included in Schedule RC, Item 10, including dividends received on investments in such companies. Exclude any noninterest income and income from undistributed earnings of related organizations, which should be reported in Item 5(b) below.

Line Item 1(c) Total interest income.

Enter the sum of Items 1(a)(1) through 1(b).

Line Item 2 Interest expense:

Line Item 2(a) Interest expense pertaining to nonrelated organizations:

Enter the interest paid or accrued on the types and classes of liabilities included in Schedule RC, Item 12(a), "Total non-interest-bearing deposits." Include premiums paid or discounts received on foreign exchange contracts related to financial swap transactions that involve deposits. Such gains or losses are known at the inception of the contract and should be amortized over the life of the contract. Also report the interest paid on the types and classes of

borrowings included in Schedule RC, Item 15, "Other borrowed money." Include interest and discounts on bills payable and rediscounts, and interest paid on any subordinated notes and debentures.

Line Item 2(b) Interest expense pertaining to related organizations.

Report all interest expenses paid or due to related organizations of the type included in Schedule RC, Item 20. See the definition of related organizations in the Definitions section.

Line Item 2(c) Total interest expense.

Enter the sum of Items 2(a) and 2(b).

Line Item 3 Net interest income.

Subtract Item 2(c), "Total interest expense" from Item 1(c), "Total interest income." If the amount is negative, enclose it in parentheses.

Line Item 4 Provisions:

Line Item 4(a) Provision for loan and lease losses.

Report the amount needed to make the allowance for loan and lease losses, as reported on Schedule RI-B, Item 3, Column A, adequate to absorb expected loan and lease losses, based upon management's evaluation of the corporation's current loan and lease portfolio. Enclose negative amounts in parentheses. The amount reported here may differ from the bad debt expense deduction taken for federal income tax purposes.

Line Item 4(b) Provision for allocated transfer risk.

If the reporting corporation (banking only) has any credit exposure classified as Value Impaired which requires it to establish and maintain an allocated transfer risk reserve as specified in Section 905(a) of the International Lending Supervision Act of 1983, in Subpart D of Federal Reserve Regulation K, and in any guidelines, letters, or instructions issued by the Federal Reserve, report in this item the amount of the provision for allocated transfer risk. If the reporter has no Value Impaired exposure which requires it to establish and maintain an allocated transfer risk reserve, report a zero or the word "none." Also report this on Schedule RI-B, Item 3, Column B.

Income Statement

Line Item 5 Noninterest income:

Line Item 5(a) Noninterest income from nonrelated organizations:

Line Item 5(a)(1) Equity in undistributed earnings of nonrelated organizations.

Report all income from holdings of corporate stock of the type reported in Schedule RC-B, Item 3, "Equity interest in nonrelated organizations."

Line Item 5(a)(2) Net gain (loss) on foreign exchange transactions.

Report the net gain or loss from all foreign exchange transactions, including the maturing or covering of outstanding forward contracts within the reporting period, regardless of whether these transactions are conducted in the trading department or in another department of the corporation. Also include any net gain or loss resulting from translating foreign currency denominated investments that arise from the application of FASB Statement No. 52. Include incidental fee income from such transactions. Exclude gains and losses on swap transactions (report as adjustments to the income or expense of the related asset or liability) and any gains or losses that must be excluded in accordance with FASB Statement No. 52. If this net amount is a debit balance, enclose it in parentheses.

Line Item 5(a)(3) Income from fiduciary activities.

Include gross income from services rendered by this reporting organization in any fiduciary capacity.

Line Item 5(a)(4) Gains(losses) and fees from trading assets and liabilities.

Report the net gain or loss from the sale of assets reportable in Schedule RC, Item 5, "Trading Assets," and from liabilities reportable in Schedule RC, Item 14, "Trading Liabilities." Include:

- (1) revaluation adjustments to the carrying value of assets reportable in Schedule RC, Item 5, "Trading Assets, and Schedule RC, Item 14, "Trading Liabilities," resulting from the periodic marking to market of such assets and liabilities
- (2) revaluation adjustments from the periodic marking to market of interest rate, foreign exchange, equity derivative, and commodity and other contracts held for trading purposes

- (3) incidental income and expenses related to the purchase and sale of assets reportable in Schedule RC, Item 5, and Schedule RC, Item 14.

Line Item 5(a)(5) Other commissions, fees, etc.

Enter the total of all commissions and fees received from clients of the reporting corporation for services routinely or ordinarily performed under the laws of or accepted practices in the country in which the reporter is domiciled. Such services would include the collection of checks, notes, and bills of exchange; the receipt of collections for public utilities and other firms; the sale of bank drafts; the acceptance of bills of exchange; the purchase and sale of securities, acceptances, and other negotiable paper and the negotiation of loans for the account of customers; the lending of securities owned by the reporting corporation; the servicing of evidences of debt owned by others; the provision of data processing services; and the issuance and handling of letters of credit. Do not include reimbursed expenditures made by the reporting corporation on behalf of clients or rentals received from land or premises leased or subleased to others by the reporter. Such rentals should be included in Item 5(a)(6) or netted against the amount shown in Item 7(a)(2).

Do not include reimbursement for out-of-pocket expenditures made by this reporting corporation for the account of its customers. If the corporation's expense accounts were charged with the amount of such expenditures, the reimbursements should be credited to the same account.

Line Item 5(a)(6) Other.

Include in this item all other noninterest income from nonrelated organizations that cannot properly be included elsewhere under Item 5(a), including gains and losses and net income from securities carried in connection with trading activities, gross rentals received from real estate other than this reporting organization's own premises, regular operating credits such as recoveries on forgeries and on checks paid over stop-payment orders, and similar recurring operating transactions. Reporting organizations should consistently report net gains (losses) from the sale or other disposal of assets other than securities and trading assets (e.g., loans, premises, other real estate owned, etc.) either in this item or in Item 7(a)(3), "Other noninterest expense." Exclude dividends received from nonrelated organizations and interest income on securities held in trading accounts, and report them in

Income Statement

Item 1(a)(5), “Interest Income and Dividends from Assets Held in Trading Accounts.”

Line Item 5(b) Noninterest income from related organizations.

Report all noninterest income from related organizations. Exclude dividends received from investments in related organizations, and report in Item 1(b). Include the reporting organization’s share of any undistributed earnings of affiliated companies. If the organization’s share of all undistributed earnings of related organizations (in total) is a net loss or if other income accounts reflect debit balances, include them as noninterest expenses in Item 7(b).

Line Item 5(c) Total noninterest income.

Enter the sum of Items 5(a)(1) through 5(b). If the result is negative, enclose it in parentheses.

Line Item 6 Realized gains (losses) on securities not held in trading accounts.

Report the net gain or loss realized during the reporting period from the sale, exchange, redemption, or retirement of all securities (except U.S. Treasury bills), excluding securities held in trading accounts. The gain or loss is the difference between the sales price (excluding interest at the coupon rate accrued since the last interest payment date, if any) and the book value. Also include: (a) net unrealized losses (and subsequent recoveries of such net unrealized losses to the extent provided for through a valuation allowance) during the calendar year to date on debt securities held for sale (b) write-downs charged to expense and provisions for credit losses prior to sale, redemption, or maturity on all securities not held in trading accounts, including debt securities held for sale. If the amount is negative, enclose it in parentheses. Report the amount gross of tax effect.

Exclude the following:

- (1) Gains and losses on the sale of U.S. Treasury bills not held in trading accounts (report in Item 1(a)(4), Interest on bonds, notes, and debentures and dividends on stock).
- (2) Charge-offs and write-downs of investment securities prior to sale, maturity, or redemption because of a decline in value, judged to be other than temporary, and subsequent recoveries of amounts charged-off or

written-down (report in Item 7(a)(3), “Other noninterest expense,” and Item 5(a)(6), “Other noninterest income,” respectively).

- (3) Net unrealized losses on marketable equity securities and subsequent recoveries of such net unrealized losses (report in Schedule RI-A, Item 6, “Other Adjustments”).
- (4) Net gains (losses) from the sale of detached securities coupons and the sale of ex-coupon securities (report in Item 7(a)(3), “Other noninterest expense,” or Item 5(a)(6), “Other noninterest income,” as appropriate).

Line Item 7 Noninterest expense:

Line Item 7(a) Pertaining to nonrelated organizations:

Line Item 7(a)(1) Salaries and employee benefits.

Include all compensations for personal services of all officers and employees, including dining room and cafeteria employees, and building department officers and employees and the cost of temporaries and contract guards. Include bonuses and extra compensation, unemployment and pension taxes, and contributions to the reporting organization’s retirement or pension funds or profit sharing plan.

Exclude amounts paid to legal, management, and investment counsel for professional services, if such counsel are not salaried officers of the corporation; amounts so paid should be included in Item 7(a)(3), “Other noninterest expense.”

Include all supplementary benefits, paid or accrued during the report period on behalf of all officers and employees, such as life insurance premiums (net of dividends received) when the reporter is not the beneficiary, and hospitalization insurance; unemployment taxes, the net cost to the reporting corporation for employee dining rooms, restaurants and cafeterias; the cost of medical or health services; and other so-called fringe benefits for officers and employees.

Exclude expenses related to the testing, training, and education of officers and employees; the cost of office temporaries and contracted guards; the cost of the reporter’s newspapers and magazines; premiums on life insurance policies when the reporting corporation is the beneficiary; athletic activities when the purpose may be

Income Statement

construed to be for internal or public relations, with incidental employee benefits. These amounts should be included in Item 7(a)(3), "Other noninterest expense."

Line Item 7(a)(2) Expenses of premises and fixed assets (net of rental income). (Exclude salaries and employee benefits and mortgage interest).

Report the net expense of office premises occupancy, i.e., the difference between gross occupancy expense and rental income. Include normal and recurring depreciation or amortization charges applicable to the current period, whether they represent direct reductions in the carrying value of the assets, including capital lease assets, or additions to accumulated depreciation or amortization accounts; ordinary repairs to the reporter's premises (including leasehold improvements), equipment, furniture and fixtures; all current expenses, not included above, connected with the use of the corporation's premises, such as the cost of heat, electricity, water, outside janitor supplies, fire insurance, and similar expenses; all operating lease rents paid on the corporation's premises and parking lot and interest on mortgages, liens or other encumbrances on the reporter's premises owned, including the portion of capital lease payments representing interest expense, but not such expenses incurred on "real estate" other than the corporation's premises; and all property and other taxes, paid or accrued, relating to the reporter's premises and leasehold improvements, including deficiency payments, net of all rebates, refunds, or credits and adjusted for all over or under accruals. Also include any portion of capital lease payments representing executory costs such as insurance, maintenance, and taxes.

Include in this item the normal and recurring depreciation charges on the furniture and fixtures used in the operations of the reporting corporation applicable to the calendar or fiscal year for which the schedule is prepared, whether representing direct reductions in the carrying value of the assets or additions to depreciation reserves; rental costs of machinery and equipment, including servicing costs; the cost of furniture and equipment not placed on the books as assets (i.e., charged directly to expenses); and all taxes paid on furniture, fixtures, and equipment.

Rental income should include all rentals charged for use of the reporting corporation's building not incident to the use of the premises by this reporter. Although this item ordinarily includes only rental from regular tenants of the

building, it may also include income received from short-term rentals of other facilities except safe deposit boxes.

Line Item 7(a)(3) Other noninterest expense.

Enter the total of all other noninterest expenses relating to nonrelated organizations that cannot properly be included in the figures at line 7(a)(1) or 7(a)(2). This will include: fees paid to directors and committee members for attendance at meetings, including travel and expenses allowance; premiums on fidelity insurance; operating expenses (except salaries) connected with holding of real estate other than office premises, including interest paid on liens and normal or recurring depreciation charges on such "other real estate;" office supplies purchased; retainer fees; expenses related to the use of automobiles for the reporter's business; losses on counterfeit money, forged checks, net cash shortages, payment of checks over stop-payment orders, and similar losses of recurring nature. Include all taxes not reported against other items, net losses on the sale of loans (other than acceptances and commercial paper) or participation, and any securities charged off prior to sale or redemption, if no securities reserve exists. Include as all other noninterest expense net losses from the sale or other disposal of all assets reported as loans and leases in Schedule C. When determining whether the corporation has had net losses, include all gains and losses recognized on sales or other disposal of loans and leases and net unrealized losses (and subsequent recoveries of such net unrealized losses) on loans and leases held for sale during the calendar year to date. Reporting organizations should consistently report net losses (gains) from the sale or other disposal of assets other than securities and trading assets (e.g., loans, premises, other real estate owned, etc.) either in this item or in Item 5(a)(6), "Other noninterest income."

Line Item 7(b) Noninterest expense pertaining to related organizations.

Include all expenses of related organizations that cannot properly be reported in Item 2(b), "Interest expense pertaining to related organizations." Report amounts that have net credit balances as noninterest income in Item 5(b), "Noninterest Income from Related Organizations."

Line Item 7(c) Total noninterest expense.

Enter the sum of Items 7(a)(1) through 7(b).

Income Statement

Line Item 8 Income (loss) before income taxes and extraordinary items.

Report the total of Item 3, “Net interest income,” Item 5(c), “Total noninterest income,” and Item 6, “Realized gains (losses) on Securities not held in trading accounts,” less Item 4(a), “Provision for loan and lease losses,” Item 4(b), “Provision for allocated transfer risk,” and Item 7(c), “Total noninterest expense.” If the result is negative, enclose it in parentheses.

Line Item 9 Applicable income taxes (on Item 8).

Report the total estimated federal, state, local and foreign income tax expense applicable to Item 8, “Income (loss) before income taxes and extraordinary items.” Include both the current and deferred portions of these income taxes. If the amount is a tax benefit rather than a tax expense, enclose it in parentheses.

Exclude the estimated income taxes applicable to foreign currency translation adjustments included in Schedule H, Item 1(e). Include tax benefits from operating loss carrybacks realized during the reporting period.

Line Item 10 Income (loss) before extraordinary items.

Enter the amount shown in Item 8, plus or minus the amount shown in Item 9. If the amount is a loss, enclose it in parentheses.

Line Item 11 Extraordinary items, net of tax effect.

Report all extraordinary items less the estimated tax provision applicable to the item. Include the following items:

- (1) Realized tax benefits of operating loss carryforwards (other than realized loss carryforward benefits of purchased subsidiaries which should be treated as an adjustment of the purchase price);
- (2) Material net gains or losses from disposal of significant assets within two years after a pooling of interests business combination;
- (3) Material aggregate gains or losses from extinguishment of debt unrelated to sinking fund requirements (see FASB Statement No. 4 for detailed information);

- (4) Material aggregate gains or restructuring of troubled debt payables (see FASB Statement No. 15 for information as to how a debtor organization should account for a troubled debt restructuring); and
- (5) The material effects of any other events or transactions, which are both (a) unusual in nature, and (b) infrequent in their occurrence.

To be unusual in nature, the underlying event or transaction should be abnormal and significantly different from the ordinary and typical activities of the reporting corporation. An event or transaction not reasonably expected to recur in the foreseeable future is considered to occur infrequently. Gains or losses from the sale or other disposal of corporation premises and real estate other than corporation premises should not be reported as extraordinary items, as well as branch offices; report these gains or losses in Items 5(a)(6) or 7(a)(3), respectively. If the amount is negative, enclose it in parentheses.

Line Item 12 Net income (loss).

This item represents the total of Item 10, “Income before extraordinary items,” plus or minus Item 11, “Extraordinary items, net of tax effect.” If the amount is negative, enclose it in parentheses. Also report this on Schedule RI-A, Item 2.

Memorandum to Income Statement:

Memorandum item 1 is to be completed by all Edge and agreement corporations that have elected to account for financial instruments or servicing assets and liabilities at fair value under a fair value option.

Memoranda item 1 is to be completed by all Edge and agreement corporations that have adopted FASB Statement No. 157, “Fair Value Measurements” (FAS 157), and have elected to report certain assets and liabilities at fair value with changes in fair value recognized in earnings in accordance with U.S. generally accepted accounting principles (GAAP) (i.e., FASB Statement No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (FAS 159); FASB Statement No. 155, “Accounting for Certain Hybrid Financial Instruments” (FAS 155); and FASB Statement No. 156, “Accounting for Servicing of Financial Assets” (FAS 156)). This election is generally referred to as the fair value option.

Income Statement

If the Edge or agreement corporation has elected to apply the fair value option to interest-bearing financial assets and liabilities, it should report the interest income on these financial assets (except any that are in nonaccrual status) and the interest expense on these financial liabilities for the year-to-date in the appropriate interest income and interest expense items on Schedule RI, not as part of the reported change in fair value of these assets and liabilities for the year-to-date. The Edge or agreement corporation should measure the interest income or interest expense on a financial asset or liability to which the fair value option has been applied using either the contractual interest rate on the asset or liability or the effective yield method based on the amount at which the asset or liability was first recognized on the balance sheet. Although the use of the contractual interest rate is an acceptable method under GAAP, when a financial asset or liability has a significant premium or discount upon initial recognition, the measurement of interest income or interest expense under the effective yield method more accurately portrays the economic substance of the transaction. In addition, in some cases, GAAP requires a particular method of interest income recognition when the fair value option is elected. For example, when the fair value option has been applied to a beneficial interest in securitized financial assets within the scope of Emerging Issues Task Force Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securi-

tized Financial Assets," interest income should be measured in accordance with the consensus in this Issue. Similarly, when the fair value option has been applied to a purchased impaired loan or debt security accounted for under AICPA Statement of Position 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer," interest income on the loan or debt security should be measured in accordance with this Statement of Position when accrual of income is appropriate.

Revaluation adjustments, excluding amounts reported as interest income and interest expense, to the carrying value of all assets and liabilities reported in Schedule RC at fair value under a fair value option (excluding servicing assets and liabilities reported in Schedule RC, item 8, "Other assets," and Schedule RC, item 18, "Other liabilities," respectively, and trading assets and trading liabilities reported in Schedule RC, item 5, "Trading assets," and Schedule RC, item 14, "Trading liabilities," respectively) resulting from the periodic marking of such assets and liabilities to fair value should be reported as "Noninterest income: Other" in Schedule RI, item 5(a)(6).

Line item M1 Net change in fair values of financial instruments accounted for under a fair value option.

Report the net change in fair values of all financial instruments that the Edge or agreement corporation has elected to account for under the fair value option that is included in item 5(a)(6), "Noninterest income: Other."

LINE ITEM INSTRUCTIONS FOR

Changes in Equity Capital

Schedule RI-A

General Instructions

This schedule must be completed by all Edge corporations and all agreement corporations.

Line Item Instructions

Total Equity capital:

Line Item 1 Balance most recently reported for end of previous calendar year.

Enter the ending balance most recently reported as of the previous year-end for total equity capital. The amount must reflect the effect of all corrections and adjustment to total equity capital that were made in any amended report(s) for the previous calendar year-end.

Line Item 2 Net income (loss).

Enter the amount reported on Schedule RI, Item 12, "Net income (loss)."

Line Item 3 Sale, conversion, acquisition, or retirement of capital stock, net.

Enter the net effect on total equity capital of any changes in the capital account resulting from the sale of preferred or common stock, exercise of stock options, conversion of convertible debt or preferred stock into common stock, redemption of preferred stock, retirement of capital stock and any other capital stock transactions not relating to business combinations and stock dividends.

Line Item 4 Less: Cash dividends declared.

Enter the amount of all cash dividends declared during the reporting period, including dividends on preferred stock, if any. Dividends declared but not yet paid should be included in Schedule RC, Item 18, "Other liabilities."

Line Item 5 Other comprehensive income.

Report the other comprehensive income for the calendar year-to-date. If the amount to be reported represents a reduction to equity capital, enclose it in parentheses.

Other comprehensive income includes:

- (1) The change during the calendar year-to-date in net unrealized holding gains (losses) on available-for-sale securities.
- (2) The change during the calendar year-to-date in accumulated net gains (losses) on cash flow hedges.
- (3) The increase or decrease during the calendar year-to-date in cumulative foreign currency translation adjustments and qualifying foreign currency transaction gains and losses, net of applicable income taxes, if any. Refer to the FFIEC 031 Glossary entry for "foreign currency transactions and translation" for further information on accounting for foreign currency translation.
- (4) The change during the calendar year-to-date in any minimum pension liability adjustment recognized in accordance with FASB Statement No. 87, *Employers' Accounting for Pensions*.

Line Item 6 Other adjustments.

Report any changes in the capital accounts resulting from capital stock transactions not reflected on other items of this schedule. This item should include the net changes incident to mergers and absorptions, or the conversion of previously separate corporations into branches.

Line Item 7 Balance at the end of period.

Enter the total of Items 1 through 6. This total amount must equal the amount reported in Schedule RC, Item 26, "Total equity capital."

LINE ITEM INSTRUCTIONS FOR

Changes in Allowance for Loan and Lease Losses Schedule RI-B

General Instructions

This schedule must be completed by all Edge corporations and all agreement corporations.

Line Item Instructions

Allowance for loan and lease losses: This part has two columns.

Report in column A the reconciliation of the allowance for loan and lease losses, Schedule RC, Item 4(b). Those banking corporations which have Value Impaired exposures that require it to establish and maintain an allocated transfer risk reserve, as specified in Section 905(a) of the International Lending Supervision Act of 1983, in Subpart D of Federal Reserve Regulation K, and in any guidelines, letters, or instructions issued by the Federal Reserve, must report the reconciliation of this reserve in column B. Corporations which have no Value Impaired exposures that require them to establish and maintain an allocated transfer risk reserve shall report zeros or the word "none" in column B.

All changes in the allowance accounts are to be reported on a year-to-date basis. When the reporting corporation maintains an allowance for possible loan losses or an allocated transfer risk reserve, all related transactions are to be reported and reconciled, beginning with the balance reported at the end of the previous year, to the balances shown in Schedule RC, Items 4(b) or 4(c) as of the end of the current period. The corresponding provision expenses reported herein should correspond to the amounts reported in Item 4 of Schedule RI. Transactions pertaining to reserves carried in capital accounts, such as reserves for contingencies which represent a segregation of undivided profits, are not to be reported here. Corporations which do not maintain an allowance for loan and lease losses should report gross recoveries and gross charge-offs on loans and leases and the amount of provision for such losses reported in Item 4 of Schedule RI against the

appropriate items below. The amount of difference between gross charge-offs and gross recoveries reported herein should reconcile to the amount of provision for loan and lease losses reported in Schedule RI, Item 4. The beginning and ending balances reported in Schedule RI-B by these corporations should be zero.

Line Item 1 Balance most recently reported for end of previous calendar year.

Include the ending balances most recently reported for the prior year-end in the two allowance accounts. The amount must reflect the effect of all corrections and adjustment to the allowance for loan and lease losses that were made in any amended report(s) for the previous calendar year-end.

Line Item 2 Recoveries.

Include recoveries of amounts previously charged off against the two allowance accounts.

Line Item 3 Provisions.

This item corresponds with provisions, Items 4(a) and 4(b) of Schedule RI. If either amount is negative, enclose it in parentheses.

Line Item 4 Adjustments, net.

Report the net cumulative effect of all corrections and adjustments made in any amended report(s) to the amount originally reported as the ending balance of the allowances in this report for the previous year-end period. Such adjustments would include changes to the reserves caused by mergers or acquisitions and any transfers between the two reserves authorized by Subpart D of Federal Reserve Regulation K and any related guidelines, letters, or instructions issued by the Federal Reserve.

Schedule RI-B

Line Item 5 Less: charge-offs.

Enter in the appropriate column the amount of gross charge-offs on loans and leases and for transfer risk purposes during the period.

column A should agree with the balance reported in Schedule RC, Item 4(b).

Line Item 6 Balance at end of current period.

Enter the totals for each column of Item 2(a) plus or minus Items 2(b) through 2(e). The amount shown in

LINE ITEM INSTRUCTIONS FOR

Balance Sheet for Edge and Agreement Corporations Schedule RC

Assets

Detailed definitions of certain asset items will be found in the instructions pertaining to the schedules referred to under those items. Items 1 through 9 should *exclude* any transactions with related organizations. Such transactions should be reported gross and reported in either Item 10 or 20.

Line Item 1 Cash and balances due from depository institutions.

Report the amount of currency and coin, cash items in process of collection and balances with depository institutions and central banks, (Schedule RC-A, Item 5). Refer to the instructions for Schedule RC-A for further guidance.

Line Item 2 Securities (as reported in Schedule RC-B, sum of item 4, columns A and D).

Report the total carrying value of the reporting organization's holdings of debt and equity securities, excluding those that are held for trading purposes. Debt securities that are classified as held-to-maturity should be reported at amortized cost. Debt securities and equity securities that are classified as available-for-sale should be reported at fair value. IBFs should report the total carrying value of the reporting organization's holdings of obligations of states and political subdivisions, obligations of business corporations, international organizations, and all other securities evidencing debt. Refer to the instructions for Schedule RC-B for further guidance.

Line Item 3 Federal funds sold and securities purchased under agreements to resell.

Domestic offices and IBFs should *include* the following in this item:

- (1) All transactions involving the disposal of *immediately* available funds for one business day or under continuing contract (defined below) regardless of the nature of the transaction or the collateral involved;
- (2) Other security resale agreements that mature in more than one business day, other than securities purchased under resale (reverse purchase) agreements to maturity; and
- (3) Purchases of participation in pools of securities that mature in more than one business day.

Exclude the following:

- (1) Due bills purchased and similar instruments, whether collateralized or uncollateralized (to be treated as a loan and reported in the appropriate item of Schedule RC-C);
- (2) Sales of so-called "term federal funds" (i.e., sales of immediately available funds with a maturity of more than one business day), other than the security resale agreements specified above (to be reported in Item 4(a));
- (3) Securities purchased under agreements to resell by foreign branches of the reporting corporation and "Federal funds sold" by the corporation's foreign branches to banks in the U.S. (to be reported in Schedule RC-C); and
- (4) So-called yield maintenance dollar repurchase agreements.

See entry for Federal Funds Transactions in the Definitions section for definitions of various terms that are used in the above instructions for Asset Item 3.

Line Item 4 Loans and lease financing receivables, net.

Report in this item all loans, including real estate loans, commercial and industrial loans, loans to individuals, and loans to foreign governments and official institutions.

Schedule RC

Refer to the instructions for Schedule RC-C for further guidance.

Line Item 4(a) Loans and leases, net of unearned income.

This item should be reported net of any applicable allocated transfer risk reserve.

Report the amount from Schedule RC-C, Item 7.

Line Item 4(b) Allowance for loan and lease losses.

Report the amount of allowance for possible losses on loans and leases, (Schedule RI-B, Item 6, Column A). This amount is determined as of the end of each reporting period when the management of an accrual basis corporation evaluates the collectibility of the portfolio of loans and lease financing receivables to bring the "Allowance for loan and lease losses" ("allowance"), by means of a charge or credit to the "Provision for loan and lease losses" ("provision"), to a level adequate to absorb anticipated losses. Any recoveries during the reporting period should be credited to the allowance, and any charge-offs should be charged to the allowance. Under no circumstances can loan and lease losses be charged directly to "Undivided profits and capital reserves."

The "Allowance for loan and lease losses" must never have a debit balance. If losses charged off exceed the amount of the allowance, a provision sufficient to restore the allowance to an adequate level must be charged to expense on the income statement *immediately*. A corporation shall not increase the allowance account by transferring an amount from undivided profits or any segregation thereof to the "Allowance for loan and lease losses."

The amount of the loss to be recognized on a loan or lease includes the difference between the current fair value of the assets (or fair value less cost to sell for long lived assets) received in a foreclosure or similar settlement and the carrying value of the loan or lease on the balance sheet. Such a loss shall be charged to the allowance at the time of foreclosure or repossession.

After foreclosure, the asset must be carried at the lower of (1) fair value of the asset minus the estimated costs to sell the asset, or (2) the cost of the asset (as defined in the preceding paragraph). Any additional losses in value and any gain or loss from the sale or disposition of the asset is not to be reported as a loan or lease loss or recovery and shall not be debited or credited to the "Allowance for loan

and lease losses." Such additional declines in value and the gain or loss from the sale or disposition shall be reported net on Schedule RI as Item 5(a)(6) "Other" or Item 7(a)(3), "Other noninterest expense," as appropriate.

A corporation that does not have an allowance (i.e., that reports on a cash basis and that has not voluntarily established an allowance) must account for loan and lease losses on an actual net charge-off basis. The management of such a corporation must evaluate the collectibility of the loan portfolio as of the end of each quarter and charge off all known losses at that time.

To the extent that the bad debt deduction for tax purposes in any year is greater than or less than the "Provision for loan and lease losses" for that year, the difference is referred to as a timing difference. The tax effect of such a timing difference shall be accounted for and reported as a deferred income tax credit or debit component of Item 9, "Applicable income taxes," in Schedule RI and also flows through to the net deferred income tax account which is reported in "Other liabilities," Item 18, if a credit balance, or in "Other assets," Item 8, if a debit balance. Any difference between the balance of the "Allowance for loan and lease losses," Item 4(b) and the balance of the reserve for bad debts for tax purposes can be eliminated only through subsequent differences between the tax bad debt deduction and the "Provision for loan and lease losses," Item 4(a) in Schedule RI (i.e., a reversal of the timing difference). For example, an income statement provision that exceeds the bad debt deduction (to be taken for tax purposes for the same year) by the excess of the balance of the tax bad debt reserve over the balance of the allowance as of the beginning of the year, will give rise to an income tax effect that eliminates the deferred income taxes associated with the aggregate timing differences from previous years.

Line Item 4(c) Not applicable.

Line Item 4(d) Loans and leases, net of unearned income and allowance.

Subtract 4(b) from 4(a).

Line Item 5 Trading assets.

Report the value of all assets held in the organization's trading accounts. Report all assets and other financial instruments held in the organization's trading accounts consistently at fair value (or, if appropriate, at the lower of cost or market). Such assets are generally held for only a

Schedule RC

short period of time. Short sales of securities or other assets and futures or other types of forward transactions involving assets held in a trading account are not to be reflected in the trading account nor netted against trading account positions. Report these short positions in Item 14, "Trading Liabilities." Trading assets also include the amount of revaluation gains (that is, assets) from the "marking to market" of interest rate, foreign exchange rate, and other off-balance-sheet commodity and equity contracts held for trading purposes. Refer to the FFIEC 031 instructions and glossary for further information.

Line Item 6 Premises and fixed assets (including capitalized leases).

Report the book value, less accumulated depreciation or amortization, of all premises, equipment, furniture, and fixtures purchased directly or acquired by means of a capital lease. Refer to the FFIEC 031 instructions for further information.

Line Item 7 Not applicable.

Line Item 8 Other assets.

Report the total carrying value of assets that cannot be properly reported in any of the preceding items. Some of the assets included in this item are the positive fair value of derivative contracts held for purposes other than trading, customers' liability on deferred payment letters of credit, equity securities that do not have readily determinable fair values (report the historical cost), furniture and equipment rented to others under operating leases (net of depreciation), accounts receivable, income earned or accrued but not collected, prepaid expenses, original art objects, margin accounts, gold, balances with closed, inactive or liquidating institutions, and deferred tax debit balance.

Report the amount of customers' liabilities to the reporting office on drafts and bills of exchange that have been accepted by this office, or by others for its account, and are outstanding. (See the Definitions section for a detailed discussion of the treatment of acceptances.) Also include other real estate owned, which is not reported in Item 6 above.

Line Item 9 Claims on nonrelated organizations.

This item is the sum of asset Items 1 through 8 above.

Line Item 10 Gross claims on related organizations.

Include all credit extensions and balances with related organizations, (Schedule RC-M, Item 3, Column A). See the definition of related organizations in the Definitions section. Do not net claims on related organizations with liabilities to related organizations.

For column B, IBF only, include gross claims on the establishing Edge corporation.

Line Item 11 Total Assets.

This item is the sum of Items 9 and 10.

Liabilities

Items 12 through 18 should *exclude* any liabilities to related organizations. Such amounts should be reported in Item 20, "Gross liabilities to related organizations."

Line Item 12 Deposits.

Include as deposits (1) those liabilities readily identifiable by name and definition as deposits, (2) all liabilities identical to those described under Schedule RC-E, but having different names in foreign countries, (3) liabilities that owing to law, custom, or banking practice in foreign countries have characteristics analogous to those defined in Schedule RC-E, and (4) every other liability treated as a deposit by law, custom or banking practice in the country in which the liability is booked. Any nondeposit borrowing should be reported as a borrowing in Liabilities, Item 15, "Other borrowed money" or other liabilities item, as appropriate.

If it is unclear whether a liability is a deposit or borrowing, report the liability as a deposit.

Line Item 12(a) Total noninterest-bearing deposits.

Report the total of all noninterest-bearing deposits included in Schedule RC-E. Noninterest-bearing deposits consist of deposit accounts on which the issuing depository institution pays no compensation to the holder for the use of the funds. Noninterest-bearing deposit accounts *include* (i) matured time deposits that are not automatically renewable (unless the deposit agreement provides for the funds to be transferred at maturity to another type of account) and (ii) deposits with zero percent stated interest rate that are *issued at face value*.

Schedule RC

Line Item 12(b) Total interest-bearing deposits.

Report the total of all interest-bearing deposits included in Schedule RC-E. Interest-bearing deposits consist of deposit accounts on which the issuing depository institution pays compensation to the holder for the use of the funds. Such compensation may be in the form of cash, merchandise, or property or as a credit to an account. Deposits with a zero percent interest rate that are *issued* on a *discount* basis are to be treated as interest-bearing.

Line Item 13 Federal funds purchased and securities sold under agreements to repurchase.

Domestic offices and IBFs should *include* the following in this item:

- (1) All transactions involving the receipt of *immediately available funds for one business day only, or under continuing contract* regardless of the nature of the transaction or the collateral involved;
- (2) All securities sold under agreements to repurchase, and similar transactions, that mature in more than one business day (other than securities sold under repurchase agreements to maturity); and
- (3) All liabilities representing sales of participation in pools of securities that mature in more than one business day.

Exclude the following:

- (1) Due bills issued and similar instruments, whether collateralized or uncollateralized (to be treated as borrowing and reported in Item 15, "Other borrowed money;")
- (2) Purchase of so-called "term federal funds" (i.e., purchases of immediately available funds with a maturity of more than one business day) other than security repurchase agreements specified above (to be reported in Item 15, "Other borrowed money;")
- (3) Securities sold under agreements to repurchase by foreign branches of the reporting corporation and "Federal funds purchased" from banks in the U.S. by foreign branches of the corporation (to be reported in Item 15, "Other borrowed money;") and
- (4) So-called yield maintenance dollar repurchase agreement.

See entry for Federal Funds Transactions in the Definitions section for definitions of various terms that are used in the above instructions for Liability Item 13.

Line Item 14 Trading liabilities.

Report the amount of liabilities from the reporting organization's trading activities. *Include* liabilities resulting from sales of assets that the reporting bank does not own (see FFIEC 031 Glossary entry for "short position") and revaluation losses from the "marking to market" (or the "lower of cost or market") of interest rate, foreign exchange rate, and other off-balance sheet commodity and equity contracts into which the reporting bank has entered for trading, dealer, customer accommodation, and similar purposes. Refer to the FFIEC 031 instructions for further information.

Line Item 15 Other borrowed money (including mortgage indebtedness and obligation under capital leases).

Report the total amount borrowed by the reporting corporation on its promissory notes, on notes and bills rediscounted, on loans or other assets sold with recourse or with the reporting corporation's endorsement or guarantee, on due bills issued, on assets sold that the corporation did not own, or on any other obligation for the purpose of borrowing money. Also *include* any mortgages, liens, or capitalized lease property. *Include* securities sold under repurchase agreements by foreign branches of the corporation, unless legally defined as deposits in the country where the liability is booked.

Line Item 16 Not applicable.

Line Item 17 Subordinated notes and debentures.

Report the amount of outstanding subordinated notes and debentures (including mandatory convertible debt).

Line Item 18 Other liabilities.

Enter the total of any liability to nonrelated organizations that cannot be properly reported in Items 12 through 17 above. *Included* here are such items as the negative fair value of derivative contracts held for purposes other than trading, amount of accrued and unpaid expenses, net deferred income taxes, dividends declared but not yet payable, liability for deferred payment letters of credit, deferred gains on financial contracts, unamortized loan fees (except those that are yield-related), and others not

Schedule RC

properly reported above. Report the amount of unmatured drafts and bills of exchange accepted by the corporation or by other institutions for its account that are outstanding. Acceptances acquired by the reporter through purchase or discount and held as of the report date should be *excluded* and reported as loans in Assets, Item 4, “Loans and lease financing receivables, net;” and included in Schedule RC-C. Liabilities for letters of credit issued for money or its equivalent should be reported as deposits. Participation of acceptances does not reduce the accepting Edge’s obligation to honor the full amount of the acceptance. (See the Definitions section for a detailed discussion of the treatment of acceptances.)

Line Item 19 Liabilities to nonrelated organizations.

This item is the sum of liability Items 12 through 18 above.

Line Item 20 Gross liabilities to related organizations.

Report the amounts of all liabilities to related organizations, (Schedule RC-M, Item 3, Column B). See the definition of related organizations in the Definitions section. Do not net liabilities to related organizations against claims on related organizations. For column B, IBF only, include gross liabilities on the establishing Edge corporation.

Equity Capital

Equity capital represents the sum of capital stock, surplus, undivided profits, and various reserve accounts. Corporations with branches should report all equity capital items, including any undivided profits or translations adjustments of branches, in the report filed by the head office. Any claims of the head office on its branches, including any unremitted earnings of the branches, should be included in Schedule RC-M.

Line Item 21 Stock.

Report the total par value of the capital stock, both common and preferred, or its equivalent, issued by the corporation and outstanding.

Line Item 22 Surplus.

Enter the net amount formally transferred to or paid into the surplus account or its equivalent plus any amount

received for preferred or common stock in excess of its par value on or before the date of the report.

Line Item 23 Retained earnings.

Report the total amount of the corporation’s retained earnings (undivided profits) after transfers of net income, dividend distributions, transfers to surplus, and any other appropriate reductions. Also *include* any reserves for contingencies and other capital reserves, such as reserves for undeclared dividends or dividends payable in capital stock, reserves for retirement of preferred capital notes or dividend profits, and any reserve for contingencies. This last item represents amounts set aside for possible unforeseen or indeterminate liabilities not otherwise reflected on the corporation’s books and not covered by insurance—including, for example, amounts reserved for possible losses resulting from lawsuits, possible default on obligations on which the reporting organization is contingently liable, or other potential claims against the corporation. A reserve for contingencies should not include any element of known loss or losses, the amount of which can be estimated with reasonable accuracy.

Line Item 24 Accumulated other comprehensive income.

Report the accumulated balance of other comprehensive income in accordance with FASB Statement No. 130, *Reporting Comprehensive Income*. “Other comprehensive income” refers to revenues, expenses, gains, and losses that under generally accepted accounting principles are included in comprehensive income but excluded from net income. Include in this item net unrealized holding gains (losses) on available-for-sale securities, accumulated net gains (losses) on cash flow hedges, cumulative foreign currency translation adjustments, minimum pension liability adjustment (see FFIEC 031 Schedule RC, Item 26(b)).

Line Item 25 Other equity capital components.

Report the carrying value of any treasury stock and of any unearned Employee Stock Ownership Plan (ESOP) shares, which under generally accepted accounting principles are reported in a contra-equity account on the balance sheet. Also include any unearned or deferred compensation expense that must be shown as a separate reduction of equity capital pursuant to Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*. For further information, see the

Schedule RC

FFIEC 031 Glossary entry for “treasury stock,” AICPA Statement of Position 93-6, *Employers’ Accounting for Employee Stock Ownership Plans*, and APB Opinion No. 25.

Line Item 26 Total equity capital.

Enter the sum of Items 21 through 25.

Line Item 27 Total liabilities and equity capital.

Enter the sum of Items 19, 20, and 26.

Memorandum to Balance Sheet:

Line Item M1 Assets under the reporting Edge and agreement corporation’s management in proprietary mutual funds and annuities.

Report the amount of assets (stated in U.S. dollars) held by mutual funds and annuities as of the report date for which the reporting Edge and agreement corporation or a subsidiary of the corporation acts as investment adviser. A general description of a proprietary product is included in the instructions to FFIEC 031 Schedule RC-M, item 6. Proprietary mutual funds and annuities are typically created by large banking organizations and offered to customers of the banking organization’s subsidiaries. If neither the Edge and agreement corporation nor any subsidiary of the corporation acts as investment adviser for a mutual fund or annuity, report a zero or the word “none” in this item.

Memoranda items 2(a) and 2(b) are to be completed by all Edge and agreement corporations that have elected to account for financial instruments or servicing assets and liabilities at fair value under a fair value option.

Memoranda items 2(a) and 2(b) are to be completed by all Edge and agreement corporations that have adopted FASB Statement No. 157, “Fair Value Measurements” (FAS 157), and have elected to report certain assets and liabilities at fair value with changes in fair value recognized in earnings in accordance with U.S. generally accepted accounting principles (GAAP) (i.e., FASB Statement No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (FAS 159); FASB Statement No. 155, “Accounting for Certain Hybrid Financial Instruments” (FAS 155); and FASB Statement No. 156, “Accounting for Servicing of Financial Assets” (FAS 156)). This election is generally referred to as the fair value option.

Line item M2 Financial assets and liabilities measured at fair value under a fair value option.

Line item M2(a) Total assets.

Report the total fair value of all assets that the Edge or agreement corporation has elected to account for under the fair value option that is included in Schedule RC, Balance Sheet.

Line item M2(b) Total liabilities.

Report the total fair value of all liabilities that the Edge or agreement corporation has elected to account for under the fair value option that is included in Schedule RC, Balance Sheet.

LINE ITEM INSTRUCTIONS FOR

Cash and Balances Due From Depository Institutions Schedule RC-A

General Instructions

This schedule must be completed only by banking Edge corporations and banking agreement corporations.

This schedule has two columns for information on cash and balances due from depository institutions. The first column provides consolidated information on the reporting office and its IBF. The second column provides information for only the IBF. For purposes of this report, deposit accounts “due from” other depository institutions that are overdrawn should be reported as borrowings and included in Schedule RC, Item 15, “Other borrowed money.” *Exclude* claims on related organizations and assets held in trading accounts.

Line Item Instructions

Line Item 1 Cash items in process of collection, unposted debits, and currency and coin.

Report cash, cash items in the process of collection, and unposted debits as defined below, including such balances booked in the IBF of the reporting office.

Cash is the total of all currency and coin owned and held by the reporting organization and local currency and coin in transit to or from the central bank or its equivalent in the country in which the reporting organization is domiciled.

Cash items in the process of collection *include*:

- (1) Checks in the process of collection, drawn on banking institutions¹ and payable immediately upon presentation, including checks already forwarded for collection and checks on hand which will be presented for payment or forwarded for collection on the following business day in the country where the

1. Institutions which, by law or accepted practice in the country in which domiciled, accept deposits as a significant part of their business.

reporting office which is clearing or collecting the check or draft is located. This includes checks or drafts that have been deposited with the reporting bank’s correspondent and for which the reporting bank has already been given credit, but for which the amount credited is *not* subject to immediate withdrawal (“ledger credit” items);

- (2) Checks or warrants drawn on the government (federal government equivalent) of the country in which the reporting office is domiciled and which are in the process of collection;
- (3) Such other items in process of collection, payable immediately upon presentation, as are customarily cleared or collected as cash items;
- (4) Checks drawn on another depository institution and which have been forwarded for collection to other offices or branches of the reporter;
- (5) Amounts credited to deposit accounts in connection with automatic payment arrangements where such credits are made one business day prior to the payment date to ensure the availability of funds on the payment date;
- (6) Commodity or bill-of-lading drafts payable immediately upon presentation in the country in which the reporting office that is handling the drafts is located.

Unposted debits are defined as cash items in the reporting corporation’s possession drawn on itself that are chargeable, but have not yet been charged, against deposit liabilities on the general ledger at the close of business on a given day. Unposted debits do not include items that have been reflected in deposit accounts on the General Ledger or a balance sheet even though they may not have been debited to individual deposit accounts.

Where allowed by statute or written agreement, items payable at or through the reporting corporation may, at

Schedule RC-A

the discretion of the reporter, be immediately charged against the deposits of the drawer. Such items may be regarded as drawn on the reporting organization and reported as unposted debits when they have been paid or credited but have not yet been charged against deposit liabilities at the close of business on a given date.

Exclude the following from cash items in the process of collection:

- (1) Cash items for which the reporting corporation has already received credit provided that the funds on deposit are subject to immediate withdrawal (include in Items 2, 3, or 4 below);
- (2) Items handled as noncash collections not payable immediately on presentation (to be reported in Schedule RC, Item 8, "Other assets");
- (3) Commodity or bill-of-lading drafts payable upon arrival of goods against which the draft was drawn, whether or not deposit credit has been given to a customer. (If deposit credit has been given, such drafts should be reported as loans in the appropriate item of Schedule RC-C; if the drafts were received on a collection basis, they should be excluded entirely from the reporting corporation's statement until the funds have actually been collected.)

Line Item 2 Balances due from depository institutions in the U.S.

Report demand, savings, and time balances with offices of depository institutions domiciled in the U.S., including balances due from commercial banks in the U.S., U.S. branches and agencies of foreign banks, New York State Article XII investment companies, savings and loan

associations and mutual stock savings banks, and other Edge and agreement corporations for which the reporting corporation has received credit. See the Definitions section for a discussion of the reporting of reciprocal balances. Also, see the Definitions section for a discussion of pass-through balances relating to maintenance of required reserves on deposits. *Exclude* balances for which the corporation has not yet received credit and balances representing checks or drafts for which immediate credit has been given but which are not subject to immediate withdrawal (reported in Item 1, "Cash items in process of collection").

Line Item 3 Balances due from banks in foreign countries and foreign central banks.

Report all balances due from banking offices located outside the United States, including foreign branches of U.S. banks and foreign central banks. Do not include balances due from U.S. branches and agencies of foreign banks. Also, see the Definitions section for a discussion of the reporting of reciprocal balances. *Exclude* any balances held in the reporting office's trading account.

Line Item 4 Balances due from Federal Reserve Banks.

Report the total balances with Federal Reserve Banks, including reserves and other balances. Include the amount of reserve balances *actually* passed through to a Federal Reserve Bank on behalf of its respondent depository institutions.

Line Item 5 Total.

Enter the total of Items 1 through 4 above. This total should equal the sum of Schedule RC, Items 1(a) and 1(b).

LINE ITEM INSTRUCTIONS FOR

Securities

Schedule RC-B

General Instructions

This schedule must be completed only by banking Edge corporations and banking agreement corporations.

The Financial Accounting Standards Board issued Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities," in May 1993. For reporting purposes, all Edge corporations should have adopted this accounting standard as of January 1, 1994, or the beginning of their first fiscal year thereafter, if later. Statement No. 115 requires depository institutions to divide their securities holdings among three categories: held-to-maturity, available-for-sale, and trading. The accounting standard provides a different accounting treatment for each category. Under Statement No. 115, only those debt securities for which an institution has the positive intent and ability to hold to maturity may be included in the held-to-maturity account, and the institution would continue to account for these debt securities at amortized cost.

Trading securities are those debt and equity securities that an institution buys and holds principally for the purpose of selling in the near term. Trading securities will continue to be reported at fair value (i.e., generally market value) with unrealized changes in value (appreciation and depreciation) reported directly in the income statement as a part of the organization's earnings.

Securities in the available-for-sale category are defined as those securities for which the organization does not have the positive intent and ability to hold to maturity, yet does not intend to trade actively as part of its trading account. Available-for-sale securities must be reported at fair value. Any unrealized appreciation or depreciation in the value of debt and equity securities available for sale is to be reported directly as a separate component of equity capital. Thus, unrealized changes in these securities' value will have no effect on the reported earnings of the institution.

This schedule has four columns for information on securities: two columns for held-to-maturity securities and two columns for available-for-sale securities. Report the amortized cost and the current fair value of held-to-maturity securities in columns A and B, respectively. Report the amortized cost and current fair value of available-for-sale securities in columns C and D, respectively. Report information on equity securities in the columns for available-for-sale securities only (columns C and D). For equity securities with readily determinable fair values, report historical cost (not amortized cost) in column C and fair value in column D. The unrealized appreciation or depreciation in the corporation's available-for-sale debt and equity securities as of the report date, net of tax effect, should be reported in Schedule RC, Item 24, "Accumulated other comprehensive income."

Exclude all securities held in trading accounts, and report them in Schedule RC, Item 5, "Trading Assets." Also exclude all equity securities that do not have readily determinable fair values, and report them in Schedule RC, Item 8, "Other Assets."

When completing reports for U.S. offices, *include* securities that have been sold under repurchase agreements since, for purposes of this report, these securities are treated as collateral for financial transactions and not as sales. The transactions arising from security RPs should be reported as liabilities in Schedule RC, Item 13. Similarly, do not include securities that have been purchased under resale agreements, which are to be reported as assets in Schedule RC, Item 3.

Include all securities included in a pool in which participation is sold. The proceeds from the participation sales should be reflected in Schedule RC, Item 13, "Federal funds purchased and securities sold under agreements to repurchase." Corporations that buy participations in pooled securities should report the purchase in Schedule RC, Item 3, "Federal funds sold and securities purchased

Schedule RC-B

under agreements to resell.” *Include* all securities pledged, lent, or sold “short,” and securities purchased but not yet delivered, but do not include securities borrowed or due bills acquired. Do not report any futures contracts to buy or sell securities until the actual transfer of securities occurs. Securities should be reflected using trade date accounting.

Line Item Instructions

Line Item 1 Securities of all governments and official institutions.

Include the value of U.S. government obligations, direct and guaranteed, and the value of the direct obligations of any entity other than the U.S. government, either foreign or U.S., that has the power to levy taxes or is otherwise considered to be a public borrower or “official institution.” (See FFIEC 031 Glossary entry for “Foreign Governments and Official Institutions.”)

Line Item 2 Other debt securities.

Report the value of all other debt securities, including state and local government securities. Also *include* all holdings of commercial paper other than for trading purposes.

Line Item 3 Equity interest in nonrelated organizations.

Include the total value of all equity investments other than those in related organizations. Report equity investments that represent 20 percent to 50 percent of the voting shares of an organization using the equity method of accounting. Report equity investments representing less than 20 percent of the voting shares of an organization in accordance with Statement 115 at fair value. *Include* securities that have been sold under repurchase agreements since, for purposes of this report, these securities are treated as collateral for financial transactions and not as sales. Report the transactions arising from security RPs in Schedule RC, Item 15, “Other borrowed money,” on the balance sheet. Similarly, *exclude* securities that have been purchased under resale agreements, and report them in Schedule RC, Item 4, “Loans and lease financing receivables.”

Line Item 4 Total. Enter the sum of items 1 through 3.

The total of column A plus the total of column D must equal Schedule RC, Item 2, Consolidated Total.

Loans and Lease Financing Receivables Schedule RC-C

General Instructions

This schedule must be completed only by banking Edge corporations and banking agreement corporations.

This schedule has two columns for information on loans and leases. The first column should *include* all such balances of the reporting office, including the IBF, while the second column includes balances of only the IBF.

Report in this schedule the aggregate book value of all loans and leases before deduction of any allowances for losses. The allowance for losses is to be deducted under Schedule RC, Item 4(b). The total of “loans and leases,” Item 7 of this schedule, is to be reported net of unearned income and allocated transfer risk reserve. To the extent possible, the preferred treatment is to report each specific loan category net of unearned income. However, if the amounts entered in Items 1 through 5 *include* any unearned income, report in Item 6 of this schedule the total of such unearned income included in the reported loan categories.

Loans and leases are extensions of credit resulting either from direct negotiation between lender and borrower or from the purchase of such assets from other lenders. Loans *include* extensions of credit in the form of promissory notes, acknowledgements of advance, due bills, and similar obligations (written or oral), as well as marketable instruments such as bankers acceptances. Report holdings of commercial paper other than for trading purposes in Schedule RC-B, Item 2. Report holding of commercial paper for trading purposes in Schedule RC, Item 5. Also report all loans and leases held for trading purposes in Schedule RC, Item 5.

For purposes of this report, both “unplanned” and “planned” overdrafts are to be classified as loans in this schedule. “Unplanned” overdrafts refer to advances of credit that result when the reporting organization honors checks drawn against deposit accounts with inadequate

balances, but has not contractually agreed in advance to do so. Such overdrafts should be classified in Item 5, “All other loans including lease financing” except when the reporting corporation’s customer is a domestic commercial bank or foreign bank. In that case, unplanned overdrafts are to be classified in Item 1, “Loans to commercial banks in the U.S.” or in Item 2, “Loans to banks in foreign countries,” as appropriate. “Planned” overdrafts, which are overdrafts to deposit accounts contractually agreed to in advance, should be classified according to the organization’s customer in the appropriate items of Schedule RC-C. Refer to the section on the sale or purchase of assets included in the Definitions section for a discussion of these two topics.

All assets classified in Schedule RC-C should remain on the books of the reporting corporation until sold or actually written off, even if on the report date they are past due and collection is doubtful. Among the items *included* in this schedule are the following:

- (1) Acceptances of banks or other banking corporations;
- (2) Acceptances executed by or for the account of the reporting corporation and subsequently acquired by it through purchase or discount;
- (3) Customers’ liabilities to the reporting corporations on drafts paid under letters of credit for which the corporation has not been reimbursed;
- (4) “Advances” and commodity or bill-of-lading drafts payable upon arrival of goods against which drawn, for which the reporting corporation has given deposit credit to customers;
- (5) Paper pledged whether for collateral to secure bills payable, such as marginal collateral to secure bills rediscounted, or for any other purpose;
- (6) “Sales of so-called term federal funds” (i.e., sales of immediately available funds with a maturity of more

Schedule RC-C

than one day), other than those involving security resale agreements; and

- (7) “Federal funds” sold by foreign branches of the reporting corporation to banks in the United States and securities purchased by these branches under agreements to resell.

Also include loans “sold” by the reporting office for which the office retains some risk or obligation. See Definitions section for a discussion of the treatment of asset sales.

Exclude, for purposes of this schedule, the following loans:

- (1) All loans in immediately available funds of one day (or continuing contract) maturity (i.e., federal funds sold), held in domestic offices of the reporting corporation (to be reported in Schedule RC, Item 3);
- (2) Contracts of sale or other loans indirectly representing other real estate (to be reported in Schedule RC, Item 6 or 8 rather than in Schedule RC-C); and
- (3) Undisbursed loan funds, sometimes referred to as incomplete loans, unless the borrowers are liable and pay interest thereon. However, if interest is being paid by the borrower on the undisbursed proceeds, the amounts of such undisbursed funds should be included in both loans and deposits. (Do not include loan commitments that have not yet been taken down, even if fees have been paid.)

Line Item Instructions

Line Item 1 Loans to and acceptances of commercial banks.

Report loans and other instruments evidencing loans to operating domestic commercial banks and their branches domiciled in the United States, Puerto Rico, and U.S. dependencies and insular possessions and trust territories. Also *include* loans to domestic offices of nonrelated Edge and agreement corporations, to U.S. branches and agencies of foreign banks, and to investment companies that are chartered under Article XII of the New York Banking Law and are majority-owned by one or more foreign banks.

Include in this item all overdrafts to demand deposit accounts of domestic commercial banks. This item includes both unplanned and planned overdrafts. Pass-

through balances relating to the maintenance of required reserves are also considered as loans in certain cases. See Definitions section on the treatment of pass-through balances.

Also *include* holdings of all bankers acceptances accepted by U.S. banks and not held in trading accounts, whether they were purchased in the open market or were discounted by the reporting office. *Exclude* acceptances accepted by the reporter, discounted, and held in its portfolio. Such acceptances should be reported elsewhere in the schedule according to the account party.

Exclude loans to other domestic depository institutions such as mutual savings banks, savings and loan associations, and credit unions, finance companies, acceptance companies, insurance companies, and credit agencies that are owned wholly or in part by the Federal Government. Extensions of credit to these organizations should be reported in Item 5, “All other loans including lease financing receivables.”

Loans to inactive, liquidating or closed banks should be excluded from Schedule RC-C and included in Schedule RC, Item 8, “Other assets.”

Line Item 2 Loans to banks in foreign countries.

Report loans and other instruments that represent loans (including dollar exchange acceptances) to operating banks, including branches of U.S. banks, that are domiciled outside the United States, Puerto Rico and U.S. dependencies and insular possessions (including trust territories). *Exclude* such credit extensions to U.S. branches and agencies of foreign banks, which should be reported in Item 1, “Loans to commercial banks in the U.S.,” above. Banks in foreign countries *include* foreign commercial banks, savings banks, discount houses, nationalized banks *not* functioning as central banks, development banks, or banks of issue and other similar foreign institutions that accept short-term deposits, and foreign domiciled banking subsidiaries of U.S. banks. *Include* loans to “shell” branches of U.S. banks such as those in the Bahamas or Cayman Islands.

All overdrafts to demand deposit accounts of banks in foreign countries are to be reported in this item, including both unplanned and planned overdrafts.

Schedule RC-C

Line Item 3 Loans to foreign governments and official institutions (including foreign central banks).

Report all loans (including planned overdrafts) to central, state, provincial, and local governments in foreign countries and to their ministries, departments, and agencies. Among these are treasuries, ministries of finance, central banks, development banks, exchange control offices, stabilization funds, diplomatic establishments, fiscal agents, and nationalized banking and other banking institutions that are owned by central governments and that have as an important part of their function activities similar to those of a treasury, central bank, exchange control office, stabilization funds, etc.

Also *include* all loans (including planned overdrafts) to international and regional institutions, such as the International Bank for Reconstruction and Development, the Bank for International Settlements, the Inter-American Development Bank, and the United Nations.

Include bankers acceptances accepted by the reporting office and held in its portfolio when the account party is a foreign government or official institution, including such acceptances for the purpose of financing dollar exchange. Exclude acceptances held in trading accounts.

Line Item 4 Commercial and industrial loans.

Report loans for commercial and industrial purposes to sole proprietorships, partnerships, corporations, and other business enterprises, whether secured or unsecured, single-payment or installment. These loans may take the form of direct or purchased loans. *Include* the reporting corporation's own acceptances discounted and held in its portfolio when the account party is a commercial or industrial enterprise. Also *include* loans to individuals for commercial, industrial, and professional purposes but not for investment or personal expenditure purposes. This item should *include* the same types of transactions that are included in this loan category on the parent U.S. bank's consolidated report of condition. Examples of such loans are:

- (1) Loans for commercial and industrial purposes to the following industries:
 - (a) mining, oil and gas-producing, and quarrying industries;
 - (b) manufacturing industries of all kinds, including those which process agricultural commodities;

- (c) construction industries;
- (d) wholesale and retail trade enterprises and other dealers in commodities; and
- (e) service industries such as hotels, laundries, and automotive service stations.

- (2) Loans for the purpose of financing capital expenditures as well as to finance current operations.
- (3) Loans collateralized by production payments (e.g., oil or mining production payments) as a loan to the original seller of the production payment rather than to the holder of the production payment.
- (4) Commercial and industrial loans guaranteed by foreign governmental institutions.

Line Item 4(a) Loans to U.S. addressees (domicile).

Report all commercial and industrial loans to U.S. addressees. For a discussion of "addressees," see the Definitions section.

Line Item 4(b) Loans to non-U.S. addressees (domicile).

Report all commercial and industrial loans to non-U.S. addressees. For a discussion of "addressees," see the Definitions section.

Line Item 5 All other loans, including lease financing receivables.

Report all loans and discounts which cannot properly be reported against one of the preceding items of Schedule RC-C, all unplanned overdrafts in deposit accounts (except overdrafts on demand deposits of banks), and all lease financing receivables. *Included* in this item are: loans to nonprofit organizations or individuals; real estate loans; loans for the purpose of purchasing or carrying securities; loans to inactive, liquidating or closed banks; loans to mutual savings banks, savings and loan associations, credit unions, finance companies, insurance companies, acceptance companies, investment banks, bank holding companies, federal credit agencies and other financial intermediaries, whether domestic or foreign; agricultural production loans; and automobile loans.

Line Item 6 Less: unearned income on loans and leases included above.

To the extent possible, the preferred treatment is to report the specific loan categories net of unearned income. A

Schedule RC-C

reporting corporation should enter in this item unearned income only to the extent that it is included under the various loan items (1 through 5) of this schedule. If a reporter reports each line net of unearned income, it should make no entry in this line.

Line Item 7 Loans and leases, net of unearned income.

Enter the difference between the sum of Items 1 through 5 less Item 6 above. Item 7 must agree with Schedule RC, Item 4(a).

Trading Assets and Liabilities

Schedule RC-D

General Instructions

Schedule RC-D is to be completed by all Edge and agreement corporations that reported trading assets of \$2 million or more in Schedule RC, item 5, for any of the four preceding quarterly reports. Memorandum items 1 through 6.b are to be completed by Edge and agreement corporations that reported trading assets of \$1 billion or more in Schedule RC, item 5, for any of the four preceding quarterly reports.

Trading activities typically include (a) regularly underwriting or dealing in securities; interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts; other financial instruments; and other assets for resale, (b) acquiring or taking positions in such items principally for the purpose of selling in the near term or otherwise with the intent to resell in order to profit from short-term price movements, and (c) acquiring or taking positions in such items as an accommodation to customers or for other trading purposes.

Pursuant to FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," all securities within the scope of FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities," that a corporation has elected to report at fair value under a fair value option with changes in fair value reported in current earnings should be classified as trading securities. In addition, for purposes of this report, corporations may classify assets (other than securities within the scope of FASB Statement No. 115) and liabilities as trading if the corporation applies fair value accounting, with changes in fair value reported in current earnings, and manages these assets and liabilities as trading positions, subject to the controls and applicable regulatory guidance related to trading activities. For example, a corporation would generally not classify a loan to which it has applied the fair value option as a trading asset unless the corporation holds the loan, which

it manages as a trading position, for one of the following purposes: (a) for market making activities, including such activities as accumulating loans for sale or securitization; (b) to benefit from actual or expected price movements; or (c) to lock in arbitrage profits. When reporting loans classified as trading in Schedule RC-D, corporations should include only the fair value of the funded portion of the loan in item 6 of this schedule. If the unfunded portion of the loan, if any, is classified as trading (and does not meet the definition of a derivative), the fair value of the commitment to lend should be reported as an "Other trading asset" or an "Other trading liability," as appropriate, in Schedule RC-D, item 7 or item 11, respectively.

Assets, liabilities, and other financial instruments classified as trading shall be consistently valued at fair value.

Exclude from this schedule all available-for-sale securities and all loans and leases that do not satisfy the criteria for classification as trading as described above. Available-for-sale securities are generally reported in Schedule RC, item 2, and in Schedule RC-B, columns C and D. However, a corporation may have certain assets that fall within the definition of "securities" in FASB Statement No. 115 (e.g., nonrated industrial development obligations) that the corporation has designated as "available-for-sale" which are reported for purposes of this report in a balance sheet category other than "Securities" (e.g., "Loans and lease financing receivables"). Loans and leases that do not satisfy the criteria for the trading account should be reported in Schedule RC, item 4(a) or item 4(b), and in Schedule RC-C.

Line Item Instructions

ASSETS

Line Item 1 U.S. Treasury securities.

Report the fair value of all U.S. Treasury securities held for trading. Include all bills, certificates of indebtedness,

Schedule RC-D

notes, and bonds, including those issued under the Separate Trading of Registered Interest and Principal of Securities (STRIPS) program and those that are “inflation indexed.”

Exclude all obligations of U.S. government agencies and corporations. Also exclude detached Treasury security coupons and ex-coupon Treasury securities held as the result of either their purchase or the bank’s stripping of such securities and Treasury receipts such as CATs, TIGRs, COUGARs, LIONs, and ETRs (report in item 5).

Line Item 2 U.S. Government agency obligations.

Report the fair value of all U.S. government agency and obligations (excluding mortgage-backed securities) held for trading. For purposes of this line item, exclude from U.S. government agency obligations:

- (1) Loans to the Export Import Bank and to federally-sponsored lending agencies (report in “All other loans,” Schedule RC-C, item 5).
- (2) All holdings of U.S. government-issued or -guaranteed mortgage pass-through securities (report in item 4(a) or 4(b) below).
- (3) Collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs) and similar instruments) issued by U.S. government agencies and corporations (report in item 4(b) below).
- (4) Participations in pools of Federal Housing Administration (FHA) Title I loans, which generally consist of junior lien home improvement loans.

Line Item 3 Securities issued by states and political subdivisions in the U.S.

Report the fair value of all securities issued by states and political subdivisions in the United States held for trading. States and political subdivisions in the U.S., for purposes of this report, include:

- (1) the fifty states of the United States and the District of Columbia and their counties, municipalities, school districts, irrigation districts, and drainage and sewer districts; and

- (2) the governments of Puerto Rico and of the U.S. territories and possessions and their political subdivisions.

Securities issued by states and political subdivisions include:

- (1) General obligations, which are securities whose principal and interest will be paid from the general tax receipts of the state or political subdivision.
- (2) Revenue obligations, which are securities whose debt service is paid solely from the revenues of the projects financed by the securities rather than from general tax funds.
- (3) Industrial development and similar obligations.

Line Item 4(a) Residential mortgage-backed securities.

Report the total fair value of all asset-backed securities collateralized by 1-4 family residential mortgages, including mortgage pass-through securities, collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments), and mortgage-backed commercial paper.

Line Item 4(b) Commercial mortgage-backed securities.

Report the total fair value of all asset-backed securities collateralized by mortgages other than 1-4 family residential mortgages, including mortgage pass-through securities, collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments), and mortgage-backed commercial paper.

Line Item 5 Other debt securities.

Report the fair value of all other debt securities that are held for trading that cannot properly be reported in Schedule RC-D, items 1 through 4(b) above. Exclude from other debt securities:

- (1) All holdings of certificates of participation in pools of residential mortgages, collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, and

Schedule RC-D

stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments) (report in Schedule RC-D, items 4(a) or 4(b) above).

- (2) Holdings of bankers acceptances, and certificates of deposit, which are not classified as securities for purposes of this report.
- (3) All securities that meet the definition of an “equity security” in FASB Statement No. 115.

Line Item 6 Loans.

Report the total fair value of all loans (as defined in the General Instructions for Schedule RC-C) held for trading.

Line Item 7 Other trading assets.

Report the total fair value of all trading assets that cannot properly be reported in items 1 through 6. Exclude revaluation gains on interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts (report in item 8 below).

Line Item 8 Derivatives with a positive fair value.

Report the amount of revaluation gains (i.e., assets) from the “marking to market” of interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts held for trading purposes. Revaluation gains and losses (i.e., assets and liabilities) from the “marking to market” of the reporting corporation’s derivative contracts executed with the same counterparty that meet the criteria for a valid right of setoff contained in FASB Interpretation No. 39 (e.g., those contracts subject to a qualifying master netting arrangement) may be reported on a net basis using this item and item 12 below, as appropriate. (For further information, see the Glossary entry for “offsetting.”)

Line Item 9 Total trading assets.

Report the sum of items 1 through 8. The amount reported for this item must equal Schedule RC, item 5, “Trading assets.”

LIABILITIES

Line Item 10 Liability for short positions:

Report in the appropriate subitem the total fair value of the reporting corporations liabilities resulting from sales

of assets that the reporting corporation does not own, or “short positions.” Short positions shall be reported gross.

Line Item 10(a) Equity securities.

Report the fair value of the reporting corporation’s liabilities resulting from sales of equity securities that the reporting corporation does not own, thereby establishing a short position.

Line Item 10(b) Debt securities.

Report the fair value of the reporting corporation’s liabilities resulting from sales of debt securities that the reporting corporation does not own, thereby establishing a short position.

Line Item 10(c) All other assets.

Report the fair value of the reporting corporation’s liabilities resulting from sales of all assets other than equity securities or debt securities that the reporting corporation does not own, thereby establishing a short position.

Line Item 11 All other trading liabilities.

Report the total fair value of all trading liabilities other than the reporting corporation’s liability for short positions. Exclude revaluation losses on interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts (report in item 12 below).

Line Item 12 Derivatives with a negative fair value.

Report the amount of revaluation losses (i.e., liabilities) from the “marking to market” of interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts held for trading purposes. Revaluation gains and losses (i.e., assets and liabilities) from the “marking to market” of the reporting corporation’s interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts executed with the same counterparty that meet the criteria for a valid right of setoff contained in FASB Interpretation No. 39 (e.g., those contracts subject to a qualifying master netting arrangement) may be reported on a net basis using this item and item 8 above, as appropriate. (For further information, see the Glossary entry for “offsetting.”)

Schedule RC-D

Line Item 13 Total trading liabilities.

Report the sum of items 10(a) through 12. The amount reported for this item must equal Schedule RC, item 14, "Trading liabilities."

NOTE: Memorandum items 1(a) through 6(b) are applicable only to Edge and agreement corporations that reported trading assets of \$1 billion or more in Schedule RC, item 5, for any of the four preceding quarterly reports.

Line Item M1 Asset-backed securities.

Report in the appropriate subitem the total fair value of all asset-backed securities, other than residential mortgage backed securities, commercial mortgage backed securities, and asset-backed commercial paper, held for trading reported in Schedule RC-D, items 4(a), 4(b) and 5. For purposes of categorizing asset-backed securities in Schedule RC-D, Memorandum items 1(a) through 1(f), below, each individual asset-backed security should be included in the item that most closely describes the predominant type of asset that collateralizes the security and this categorization should be used consistently over time. For example, an asset-backed security may be collateralized by automobile loans to both individuals and business enterprises. If the prospectus for this asset-backed security or other available information indicates that these automobile loans are predominantly loans to individuals, the security should be reported in Schedule RC-D, Memorandum item 1(c), as being collateralized by automobile loans.

Line Item M1(a) Credit card receivables.

Report the total fair value of all asset-backed securities collateralized by credit card receivables, i.e., extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards.

Line Item M1(b) Home equity lines.

Report the total fair value of all asset-backed securities collateralized by home equity lines of credit, i.e., revolving, open-end lines of credit secured by 1-to-4 family residential properties.

Line Item M1(c) Automobile loans.

Report the total fair value of all asset-backed securities collateralized by automobile loans, i.e., loans to individuals for the purpose of purchasing private passenger

vehicles, including minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use.

Line Item M1(d) Other consumer loans.

Report the total fair value of all asset-backed securities collateralized by other consumer loans, i.e., loans to individuals for household, family, and other personal expenditures, excluding automobile loans as described in Schedule RC-D, Memorandum item 1(c), above.

Line Item M1(e) Commercial and industrial loans.

Report the total fair value of all asset-backed securities collateralized by commercial and industrial loans, i.e., loans for commercial and industrial purposes to sole proprietorships, partnerships, corporations, and other business enterprises, whether secured (other than by real estate) or unsecured, single-payment or installment.

Line Item M1(f) Other.

Report the total fair value of all asset-backed securities collateralized by loans other than those included in Schedule RC-D, Memorandum items 1(a) through 1(e).

Line Item M2(a) Structured financial products.

Report in the appropriate subitem the total fair value of all structured financial products held for trading according to whether the product is a cash, synthetic, or hybrid instrument. Structured financial products generally convert a pool of assets (such as whole loans, securitized assets, and bonds) and other exposures (such as derivatives) into products that are tradable capital market debt instruments. Some of the more complex financial product structures mix asset classes in order to create investment products that diversify risk. One of the more common structured financial products is referred to as a collateralized debt obligation (CDO). Other products include synthetic structured financial products (such as synthetic CDOs) that use credit derivatives and a reference pool of assets, hybrid structured products that mix cash and synthetic instruments, collateralized bond obligations (CBOs), resecuritizations such as CDOs squared or cubed (which are CDOs backed primarily by the tranches of other CDOs), and other similar structured financial products.

Exclude from structured financial products:

- (1) Mortgage-backed pass-through securities (report in Schedule RC-D, item 4(a) or 4(b), above).

Schedule RC-D

- (2) Collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, stripped mortgage-backed securities, and mortgage-backed commercial paper (report in Schedule RC-D, item 4(a) or 4(b), above).
- (3) Asset-backed commercial paper held for trading (report in Schedule RC-D, item 4(a), 4(b), or 5, above).
- (4) Other asset-backed securities that are primarily secured by one type of asset (report in Schedule RC-D, memoranda item 1, above).

Line Item M2(a) Cash instruments.

Report the total fair value of structured financial products that are cash instruments held for trading. A cash instrument means that the instrument represents a claim against a reference pool of assets.

Line Item M2(b) Synthetic instruments.

Report the total fair value of structured financial products that are synthetic instruments held for trading. A synthetic instrument means that the investors do not have a claim against a reference pool of assets; rather, the originating corporation merely transfers the inherent credit risk of the reference pool of assets by such means as a credit default swap, a total return swap, or another arrangement in which the counterparty agrees upon specific contractual covenants to cover a predetermined amount of losses in the loan pool.

Line Item M2(c) Hybrid instruments.

Report the total fair value of structured financial products that are hybrid instruments held for trading. A hybrid instrument means that the instrument is a mix of both cash and synthetic instruments.

Line Item M3 Retained beneficial interests in securitizations (first-loss or equity tranches).

Report the total fair value of assets held for trading that represent interests that continue to be held by the corporation following a securitization (as defined by FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*) to the extent that such interests will absorb losses resulting from the underlying assets before those losses affect outside investors. Examples of such items include

credit-enhancing interest-only strips and residual interests in securitization trusts.

Line Item M4 Equity securities.

Report in the appropriate subitem the total fair value of all equity securities held for trading. Include equity securities classified as trading with readily determinable fair values as defined by FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, and those equity securities that are outside the scope of Statement No. 115.

Line Item M4(a) Readily determinable fair values.

Report the total fair value of all equity securities held for trading that are within the scope of FASB Statement No. 115.

Line Item M4(b) Other.

Report the total fair value of all equity securities held for trading other than those included in Schedule RC-D, Memorandum item 7(a), above.

Line Item M5 Loans pending securitization.

Report the total fair value of all loans included in Schedule RC-D, item 6, that are held for securitization purposes. Report such loans in this item only if the corporation expects the securitization transaction to be accounted for as a sale under FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*.

Line Item M6(a) Gross positive fair value of commodity contracts.

Report the gross positive fair value of all commodity contracts that the corporation holds for trading purposes. Commodity contracts are contracts that have a return, or a portion of their return, linked to the price of or to an index of precious metals, petroleum, lumber, agricultural products, etc.

Line Item M6(b) Fair value of physical commodities held in inventory.

Report the fair value of all physical commodities held in inventory that the corporation holds for trading purposes.

LINE ITEM INSTRUCTIONS FOR

Deposits

Schedule RC-E

General Instructions

This schedule must be completed only by banking Edge corporations and banking agreement corporations.

The format of the deposit schedule is different from that used for most other schedules of the report. *This schedule does not include IBF deposits.* The term “deposits” is defined in the Federal Deposit Insurance Act and in Federal Reserve Regulation D. The most relevant sections are shown below. Please refer to the instructions associated with Schedule RC-E and the glossary entry for “Deposits” in the FFIEC 031 for further detail.

Part I. FDI Act definition of deposits:

- (1) The unpaid balance of money or its equivalent received or held by a bank in the usual course of business and for which it has given or is obligated to give credit, either conditionally or unconditionally, to a commercial, checking, savings, time, or thrift account, or which is evidenced by its certificate of deposit, thrift certificate, investment certificate, certificate of indebtedness, or other similar name, or a check or draft drawn against a deposit account and certified by the bank, or a letter of credit or a traveler’s check on which the bank is primarily liable: *provided*, that, without limiting the generality of the term “money or its equivalent,” any such account or instrument must be regarded as evidencing the receipt of the equivalent of money when credited or issued in exchange for checks or drafts or for a promissory note upon which the person obtaining any such credit or instrument is primarily or secondarily liable, or for a charge against a deposit account, or in settlement of checks, drafts, or other instruments forwarded to such bank for collection;
- (2) Money received or held by a bank, or the credit given for money or its equivalent received or held by a bank, in the usual course of business for a special or specific purpose, regardless of the legal relationship thereby established, including, without being limited to, escrow funds, funds held as security for an obligation due to the bank or others (including funds held as dealers reserves) or for securities loaned by the bank, funds deposited by a debtor to meet maturing obligations, funds deposited as advance payment on subscriptions to United States Government securities, funds held to meet its acceptances or letters of credit, and withheld taxes: *provided*, that there shall not be included funds which are received by the bank for immediate application to the reduction of an indebtedness to the receiving bank, or under condition that the receipt thereof immediately reduces or extinguishes such an indebtedness;
- (3) Outstanding draft (including advice or authorization to charge bank’s or savings association’s balance in another bank or savings association), cashier’s check, money order, or other officer’s check issued in the usual course of business for any purpose, including without being limited to those issued in payment for services, dividends, or purchases; and
- (4) Such other obligations of a bank or savings association as the Board of Directors, after consultation with the Comptroller of the Currency, Director of the Office of Thrift Supervision, and the Board of Governors of the Federal Reserve System, shall find and prescribe by regulation to be deposit liabilities by general usage, except that the following shall not be a deposit for any of the purposes of this Act or be included as part of the total deposits or of an insured deposit:
 - (a) Any obligation of a bank or savings association which is payable only at an office of such bank or savings association located outside of the States of the United States, the District of Columbia,

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Puerto Rico, Guam, American Samoa, the Trust Territory of the Pacific Islands, the Virgin Islands and the Northern Mariana Islands; and

- (b) Any international banking facility deposit, including an international banking facility time deposit, as such term is from time to time defined by the Board of Governors of the Federal Reserve System in Regulation D or any successor regulation issued by the Board of Governors of the Federal Reserve System.

Part II. Transaction–nontransaction deposit distinction:

The Monetary Control Act of 1980 and the current Federal Reserve Regulation D, “Reserve Requirements of Depository Institutions,” establish, for purposes of Federal Reserve requirements on deposit liabilities, a category of deposits designated as “transaction accounts.” All deposits that are not transaction accounts are “nontransaction accounts.”

- (1) **Transaction accounts:** With the exceptions noted below, a “transaction account,” as defined in Regulation D and in these instructions, is a deposit or account from which the depositor or account holder is permitted to make transfers, or withdrawals by negotiable or transferable instruments, payment orders of withdrawal, telephone transfers, or other similar devices for the purpose of making payments or transfers to third persons or others or from which the depositor may make third party payments at an automated teller machine (ATM), a remote service unit (RSU), or another electronic device, including by debit card.

Excluded from transaction accounts are savings deposits (both money market deposit accounts (MMDAs) and other savings deposits) as defined below in the nontransaction account category, even though such deposits permit some third-party transfers. However, an account that otherwise meets the definition of a savings deposit but that authorizes or permits the depositor to exceed the transfer limitations specified for that account shall be reported as a transaction account. (Please refer to the definition of savings deposits for further detail.)

Transaction accounts consist of the following types of deposits: (a) demand deposits; (b) NOW accounts

(including accounts previously designated as “Super NOWS”); (c) ATS accounts; and (d) telephone and preauthorized transfer accounts, all as defined below. Interest that is paid by the crediting of transaction accounts is also included in transaction accounts.

- (a) *Demand deposits* are noninterest-bearing deposits that are payable immediately on demand, or that are issued with an original maturity or required notice period of less than seven days, or that represent funds for which the depository institution does not reserve the right to require at least seven days’ written notice of an intended withdrawal. Demand deposits *include* any matured time deposits without automatic renewal provisions, unless the deposit agreement provides for the funds to be transferred at maturity to another type of account. Demand deposits do not include: (i) money market deposit accounts (MMDAs) or (ii) NOW accounts, as defined below in this entry.

- (b) *NOW accounts* are interest-bearing deposits (i) on which the depository institution has reserved the right to require at least seven days’ written notice prior to withdrawal or transfer of any funds in the account and (ii) that can be withdrawn or transferred to third parties by issuance of a negotiable or transferable instrument.

NOW accounts, as authorized by federal law, are limited to accounts held by:

- (i) Individuals or sole proprietorships;
- (ii) Organizations that are operated primarily for religious, philanthropic, charitable, educational, or other similar purposes and that are not operated for profit. These include organizations, partnerships, corporations, or associations that are not organized for profit and are described in section 501(c)(3) through (13) and (19) and section 528 of the Internal Revenue Code, such as church organizations; professional associations; trade associations; labor unions; fraternities, sororities and similar social organizations; and nonprofit recreational clubs; or
- (iii) Governmental units including the federal government and its agencies and instrumentalities; state governments; county and

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municipal governments and their political subdivisions; the District Of Columbia; the Commonwealth of Puerto Rico, American Samoa, Guam, and any territory or possession of the United States and their political subdivisions.

Also *included* are the balances of all NOW accounts of certain other nonprofit organizations that may not fall within the above description but that had established NOW accounts with the reporting institution prior to September 1, 1981.

NOTE: There are no regulatory requirements with respect to minimum balances to be maintained in a NOW account or to the amount of interest that may be paid on a NOW account.

- (c) *ATS accounts* are deposits or accounts of individuals or sole proprietorships on which the depository institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account *and* from which, pursuant to written agreement arranged in advance between the reporting institution and the depositor, withdrawals may be made automatically through payment to the depository institution itself or through transfer of credit to a demand deposit or other account in order to cover checks or drafts drawn upon the institution or to maintain a specified balance in, or to make periodic transfers to, such other accounts.

Some institutions may have entered into agreements with their customers providing that in the event the customer should overdraw a demand deposit (checking) or NOW account, the institution will transfer from the customer's savings account an amount sufficient to cover the overdraft. The availability of the overdraft protection plan would not in and of itself require that such a savings account be regarded as a transaction account *provided that* the overall transfer and withdrawal restrictions of a savings deposit aren't exceeded. Please refer to the definition of savings deposit for further detail.

- (d) *Telephone or preauthorized transfer accounts* consist of deposits or accounts, other than sav-

ings deposits, (1) in which the entire beneficial interest is held by a party eligible to hold a NOW account, (2) on which the reporting institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account, and (3) under the terms of which, or by practice of the reporting institution, the depositor is permitted or authorized to make *more than six* withdrawals per month or statement cycle (or similar period) of at least four weeks for purposes of transferring funds to another account of the depositor at the same institution (including a transaction account) or for making payment to a third party by means of preauthorized transfer, or telephonic (including data transmission) agreement, order or instruction. An account that permits or authorizes more than six such withdrawals in a "month" (i.e., a calendar month or any period approximating a month that is at least four weeks long, such as a statement cycle) is a transaction account whether or not more than six such withdrawals actually are made in the "month."

A "preauthorized transfer" *includes* any arrangement by the reporting institution to pay a third party from the account of a depositor (1) upon written or oral instruction (including an order received through an automated clearing house (ACH)), or (2) at a predetermined time or on a fixed schedule.

Telephone and preauthorized transfer accounts also *include*:

- (i) Deposits or accounts maintained in connection with an arrangement that permits the depositor to obtain credit directly or indirectly through the drawing of a negotiable or nonnegotiable check, draft, order or instruction or other similar device (including telephone or electronic order or instruction) on the issuing institution that can be used for the purpose of making payments or transfers to *third parties* or others, or to another deposit account of the depositor.
- (ii) The balance of deposits or accounts that otherwise meet the definition of time deposits, but from which payments may be made to third parties by means of a debit card, an

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automated teller machine, remote service unit or other electronic device, regardless of the number of payments made.

However, an account is not a transaction account merely by virtue of arrangements that permit the following types of transfers or withdrawals, regardless of the number:

- (i) Transfers for the purpose of repaying loans and associated expenses at the same depository institution (as originator or servicer).
- (ii) Transfers of funds from this account to another account of the same depositor at the same depository institution when made by mail, messenger, automated teller machine, or in person.
- (iii) Withdrawals for payment directly to the depositor when made by mail, messenger, automated teller machine, in person, or by telephone (via check mailed to the depositor).

(2) **Nontransaction accounts:** All deposits that are not transaction accounts (as defined above) are nontransaction accounts. Nontransaction accounts *include*: (a) savings deposits ((i) money market deposit accounts (MMDAs) and (ii) other savings deposits) and (b) time deposits ((i) time certificates of deposit and (ii) time deposits, open account). Regulation D no longer distinguishes between money market deposit accounts (MMDAs) and other savings deposits. However, these two types of accounts are defined below for purposes of these reports.

- (a) *Savings deposits* are deposits with respect to which the depositor is not required by the deposit contract but may at any time be required by the depository institution to give written notice of an intended withdrawal not less than seven days before withdrawal is made, and that is not payable on a specified date or at the expiration of a specified time after the date of deposit.

The term savings deposit also means a deposit or account, such as an account commonly known as a passbook savings account, a statement savings account, or a money market deposit account (MMDA), that otherwise meets the requirements of the preceding paragraph and from which,

under the terms of the deposit contract or by practice of the depository institution, the depositor is permitted or authorized to make *no more than six transfers and withdrawals*, or a combination of such transfers and withdrawals, per calendar month or statement cycle (or similar period) of at least four weeks, to another account (including a transaction account) of the depositor at the same institution or to a third party by means of a preauthorized or automatic transfer, or telephonic (including data transmission) agreement, order, or instruction, and no more than three of the six such transfers may be made by check, draft, debit card, or similar order made by the depositor and payable to third parties. Transfers from savings deposits for purposes of covering overdrafts (overdraft protection plans) are included under the withdrawal limits specified for savings deposits.

There are no regulatory restrictions on the following types of transfers or withdrawals from a savings deposit account, regardless of the number:

- (1) Transfers for the purpose of repaying loans and associated expenses at the same depository institution (as originator or servicer).
- (2) Transfers of funds from this account to another account of the same depositor at the same depository institution when made by mail, messenger, automated teller machine, or in person.
- (3) Withdrawals for payment directly to the depositor when made by mail, messenger, automated teller machine, in person, or by telephone (via check mailed to the depositor).

Further, for a savings deposit account, no minimum balance is required by regulation, there is no regulatory limitation on the amount of interest that may be paid, and no minimum maturity is required (although depository institutions must reserve the right to require at least seven days' written notice prior to withdrawal as stipulated above for a savings deposit).

Any depository institution may place restrictions and requirements on savings deposits in addition to those stipulated above. In the case of such further restrictions, the account would still be reported as a savings deposit.

On the other hand, an account that otherwise meets the definition of a savings deposit but that authorizes or permits the depositor to exceed the six-transfer/

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withdrawal rule or three-draft rule shall be reported as a transaction account, as follows:

- (1) If the depositor is ineligible to hold a NOW account, such an account is considered a demand deposit.
- (2) If the depositor is eligible to hold a NOW account, the account will be considered either a NOW account, a telephone or preauthorized transfer account, or an ATS account:
 - (a) If withdrawals or transfers by check, draft, or similar instrument are permitted or authorized, the account is considered a NOW account.
 - (b) If withdrawals or transfers by check, draft, or similar instrument are *not* permitted or authorized, the account is considered either an ATS account or a telephone or preauthorized transfer account.

Regulation D no longer distinguishes between money market deposit accounts (MMDAs) and other savings deposits. However, these two types of accounts are defined as follows for purposes of these reports, which call for separate data on each.

- (1) *Money market deposit accounts* are deposits or accounts that meet the above definition of a savings deposit and that permit up to (but no more than) three of six allowable transfers to be made by check, draft, debit card or similar order made by the depositor and payable to third parties.
- (2) *Other savings deposits* are deposits or accounts that meet the definition of a savings deposit but that permit *no transfers* by check, draft, debit card, or similar order made by the depositor and payable to third parties. Other savings deposits are commonly known as passbook savings or statement savings accounts.
 - (b) *Time deposits* are deposits that the depositor does not have a right, and is not permitted, to make withdrawals from within six days after the date of deposit unless the deposit is subject to an early withdrawal penalty of at least seven days' simple interest on amounts withdrawn within the first six days after deposit. A time deposit from which partial early withdrawals are permitted must impose additional early withdrawal penalties of at least seven days' simple interest on amounts withdrawn within six days after each partial with-

drawal. If such additional early withdrawal penalties are not imposed, the account ceases to be a time deposit. The account may become a savings deposit if it meets the requirements for a savings deposit; otherwise it becomes a demand deposit.

NOTE: The above prescribed penalties are the minimum required by Federal Reserve Regulation D. Institutions may choose to require penalties for early withdrawal in excess of the regulatory minimums.

Time deposits take two forms:

- (1) *Time certificates of deposits* (including rollover certificates of deposit) are deposits evidenced by a negotiable or nonnegotiable instrument, or a deposit in book-entry form evidenced by a receipt or similar acknowledgment issued by the bank, that provides, on its face, that the amount of such deposit is payable to the bearer, to any specified person, or to the order of a specified person, as follows:
 - (a) on a certain date not less than seven days after the date of deposit;
 - (b) at the expiration of a specified period not less than seven days after the date of the deposit; or
 - (c) upon written notice to the bank which is to be given not less than seven days before the date of withdrawal.
- (2) *Time deposits, open account* are deposits (other than time certificates of deposit) for which there is in force a written contract with the depositor that neither the whole nor any part of such deposit may be withdrawn prior to:
 - (a) the date of maturity which shall be not less than seven days after the date of the deposit; or
 - (b) the expiration of a specified period of written notice of not less than seven days.

These deposits *include* those club accounts, such as Christmas club and vacation club accounts, that are made under written contracts that provide that no withdrawal shall be made until a certain number of periodic deposits has been made during a period of not less than three months, even though some of the deposits are made within six days of the end of such period.

Time deposits *do not include* the following categories of liabilities even if they have an original maturity of seven days or more:

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- (a) Any deposit or account that otherwise meets the definition of a time deposit but that allows withdrawals within the first six days after deposit and that does *not* require an early withdrawal penalty of at least seven days' simple interest on amounts withdrawn within those first six days. Such deposits or accounts that meet the definition of a savings deposit shall be reported as savings deposits; otherwise they shall be reported as demand deposits.
- (b) The remaining balance of a time deposit *if* a partial early withdrawal is made *and* the remaining balance is *not* subject to additional early withdrawal penalties of at least seven days' simple interest on amounts withdrawn within six days after each partial withdrawal. Such time deposits that meet the definition of a savings deposit shall be reported as savings deposits; otherwise they shall be reported as demand deposits.

Part III. Interest-bearing/noninterest-bearing deposit distinction:

- (1) *Interest-bearing deposit accounts* consist of deposit accounts on which the issuing depository institution pays compensation to the holder for the use of the funds. Such compensation may be in the form of cash, merchandise, or property or as a credit to an account. Deposits with a zero percent interest rate that are *issued on a discount basis* are to be treated as interest-bearing.
- (2) *Noninterest-bearing deposit accounts* consist of deposit accounts on which the issuing depository institution pays no compensation to the holder for the use of the funds.

Noninterest-bearing deposit accounts *include* (i) matured time deposits that are not automatically renewable (unless the deposit agreement provides for the funds to be transferred at maturity to another type of account) and (ii) deposits with a zero percent stated interest rate that are *issued at face value*.

Line Item Instructions

Line Item 1 Individuals, partnerships and corporations (including certified and official checks).

Report in the proper columns all deposits, as defined in the general definition of deposits at the beginning of this

schedule, made by or for the account of individuals, partnerships and corporations, and all certified and official checks.

Deposits of individuals *include* those related to the personal, household, or family activities of individuals, and to the business activities of sole proprietorships. Also *included* in this item are deposits of nongovernment corporations, associations, or other organizations operated primarily for religious, philanthropic, charitable, educational, fraternal, or other similar purposes and not operated for a profit, and deposits of U.S. government agencies and instrumentalities.

Deposits of partnerships, corporations, and other associations organized for profit including such organizations engaged in commercial, industrial, financial, or other activities in the United States or abroad. The following institutions are examples of corporations and other profit organizations to be *included*: building and loan associations; credit unions; mutual funds and all other financial institutions (other than domestic and foreign commercial banks); the Export Import Bank; federally-sponsored lending agencies; foreign government-owned commercial and industrial enterprises; and quasi-government organizations.

Certified and official checks include:

- (1) Unpaid depositors checks that have been certified;
- (2) Cashiers checks, money orders, or other officers' checks issued for any purpose including those issued in payment for services, dividends, or purchases that are drawn on the reporting corporation by any of its duly authorized officers and that are outstanding on the report date;
- (3) Funds received or held in connection with checks or drafts drawn by the reporting corporation and drawn on, or payable at or through, another depository institution either on a zero-balance account or on an account that is not routinely maintained with sufficient balances to cover checks drawn in the normal course of business (including accounts where funds are remitted by the reporting corporation only when it has been advised that the checks or drafts have been presented);
- (4) Funds received or held in connection with traveler's checks and money orders sold (but not drawn) by the reporting corporation, until the proceeds of the sale

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are remitted to another party, and funds received or held in connection with other such checks used (but not drawn) by the reporting corporation, until the amount of the checks is remitted to another party;

- (5) Checks drawn by the reporting corporation on, or payable at or through, a Federal Reserve Bank or a Federal Home Loan Bank;
- (6) Outstanding travelers' letters of credit and other letters of credit (less any outstanding drafts accepted there under) issued for money or its equivalent by the reporting corporation or its agents; and
- (7) Outstanding drafts and bills of exchange accepted by the reporting corporation or its agents for money or its equivalent. This *includes* drafts accepted against a letter of credit issued for money or its equivalent.

Reporting corporations with foreign branches should *include* all checks or drafts drawn by, or on behalf of, a foreign branch on an account maintained by such a branch with a domestic office of the reporter. This would *include* "London checks," "Eurodollar bills payable checks," and any other credit item that the domestic office issues in connection with such transactions.

Line Item 1(a) U.S. addressees (domicile).

Report all deposits of individuals, partnerships, and corporations having U.S. addresses. For a detailed discussion of "addressees," see Definitions.

Line Item 1(b) Non-U.S. addressees (domicile).

Report all deposits of individuals, partnerships and corporations having non-U.S. addresses. For a detailed discussion of "addressees," see Definitions.

Line Item 2 Commercial banks and other depository institutions in the U.S. (excluding their IBFs).

Report in the proper columns deposits standing to the credit of banking offices domiciled in the United States, Puerto Rico, and in U.S. dependencies and insular possessions (including trust territories). Also report deposits of U.S. branches and agencies of foreign banks and deposits of U.S.-domiciled offices of New York Article XII investment companies that are majority-owned by one or more foreign banks.

For purposes of this item, "banks" should *include* national banks, state-chartered commercial banks, U.S. branches or agencies owned by foreign banks or by foreign banking institutions, trust companies performing a commercial banking business, industrial banks, stock savings banks, private banks (including regulated-certified banks) performing a commercial banking business, and Edge and agreement corporations that are domiciled in the United States, Puerto Rico, or U.S. dependencies and possessions.

If the deposit account of a commercial bank or other depository institution in the United States becomes overdrawn, the resulting net overdraft position (whether unplanned or contractually agreed to in advance) is to be reported as a loan to domestic commercial banks in Item 1 of Schedule RC-C. See the Definitions section for a discussion of the reporting of reciprocal balances. Also, see the instructions for a discussion of pass-through balances where the reporting office is acting as a correspondent for a nonbank depository institution.

Line Item 3 Banks in foreign countries.

Report in the proper columns deposits standing to the credit of banking offices domiciled in foreign countries (i.e., outside the United States, Puerto Rico, and U.S. dependencies and insular possessions). This *includes* all deposits of foreign-domiciled commercial banks, savings banks, discount houses, and other similar foreign-domiciled institutions that accept short term deposits. *Include* deposits of foreign-domiciled banking subsidiaries of both U.S. banks and Edge and agreement corporations that are not related organizations. Also *include* foreign-domiciled banking institutions that have U.S. branches and agencies, but *exclude* the deposits of their U.S. branches and agencies (to be reported in Item 2).

If the deposit account of a bank located in a foreign country becomes overdrawn, the resulting overdraft, whether unplanned or contractually agreed to in advance, is to be reported as a loan to a foreign bank in Item 2 of Schedule RC-C. See the Definitions section for a discussion of the reporting of reciprocal balances.

Exclude deposits of foreign official institutions (to be reported in Item 4, (Deposits of) "Foreign governments and official institutions").

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Line Item 4 Foreign governments and official institutions (including foreign central banks).

Report in the proper columns all deposits standing to the credit of central, state, provincial, and local governments in foreign countries and to their ministries, departments, and agencies. Among these are treasuries, ministries of finance, central banks, development banks, exchange control offices, stabilization funds, diplomatic and other representative establishments, fiscal agents, and nationalized banking and other banking institutions that are owned by central governments and that have as an important part of their function activities similar to those of a treasury, central bank, exchange control office, stabilization fund, etc. Also *include* deposits of international and regional institutions, such as the International Bank for Reconstruction and Development, the Bank for

International Settlement, the Inter-American Development Bank, and the United Nations.

Line Item 5 Not applicable.

Line Item 6 Other.

Report all deposits that cannot be properly reported in one of the preceding Items. *Included* are such deposits as those of the United States, its agencies and corporations, and States and political subdivisions thereof.

Line Item 7 Total deposits.

Enter the total of Items 1(a) through 6 above. The sum of the columns A and B must equal the sum of Schedule RC, Items 12(a) and 12(b) minus Item 12.

LINE ITEM INSTRUCTIONS FOR

Quarterly Average Schedule RC-K

General Instructions

This schedule must be completed only by banking Edge corporations and banking agreement corporations.

Each banking office must compute a quarterly average for each item below. The figures to be averaged are either the amounts outstanding at the close of business for each day of the calendar quarter, including the day for which this report is prepared, or an average of the balances at the close of business each Wednesday during the calendar quarter. For those days that the reporting institution is not open for business (including Saturday and Sunday), use the amount outstanding from the preceding business day. The average balances relate to Schedule RC items. And consequently, with the exception of average total assets (Item 1(g)) exclude all claims on or liabilities to related organizations.

Line Item Instructions

Line Item 1 Interest-bearing balances due from depository institutions.

The definition of this item corresponds to Schedule RC, Item 1(b).

Line Item 2 Federal funds sold and securities purchased under agreements to resell.

The definition of this item corresponds to Schedule RC, Item 3.

Line Item 3 Loans and leases, net of unearned income.

The definition of this item corresponds to Schedule RC, Item 4(a).

Line Item 4 Interest-bearing deposits.

The definition of this item corresponds to Schedule RC, Item 12(b).

Line Item 5 Federal funds purchased and securities sold under agreements to repurchase.

The definition of this item corresponds to Schedule RC, Item 13.

Line Item 6 Other borrowed money (including mortgage indebtedness and obligations under capital leases).

The definition of this item corresponds to Schedule RC, Item 15.

Line Item 7 Total assets.

The definition of this item corresponds to Schedule RC, Item 11.

LINE ITEM INSTRUCTIONS FOR

Derivatives and Off-Balance-Sheet Items

Schedule RC-L

General Instructions

This schedule must be completed by all Edge corporations and all agreement corporations.

References to the corresponding items in the FFIEC 031 instructions are contained in brackets.

Line Item Instructions

Line Item 1 Unused commitments on loans and all other lines of credit.

Include the amount outstanding of securitized extensions of credit to individuals for household, family, and other personal expenditures arising from bank credit cards and related plans.

Line Item 2 Unused commitments on securities underwriting.

[Schedule RC-L, item 1.d.]

Line Item 3 Financial standby letters of credit and foreign office guarantees.

[Schedule RC-L, item 2]

Line Item 4 Performance standby letters of credit and foreign office guarantees.

[Schedule RC-L, item 3]

Line Item 5 Commercial and similar letters of credit.

[Schedule RC-L, item 4]

Line Item 6 Not applicable.

Line Item 7 All other off-balance sheet liabilities.

Enter the total of all items for which the reporting corporation is contingently liable and which cannot be properly reported in other items of this schedule.

Line Item 8 Commitments to purchase foreign currencies and U.S. dollar exchange (spot, forward and futures).

Report the gross amount (stated in U.S. dollars) of all spot, forward and futures contracts that are outstanding as of the report date committing the reporting bank to purchase foreign (non-U.S.) currencies and U.S. dollar exchanges. For purposes of completing this item, U.S. dollar exchange refers to the amount of U.S. dollars purchased in connection with the sale of another currency. Effectively, then, report in this item the U.S. dollar equivalent of all currencies (whether U.S. or non-U.S. and whether local or nonlocal) that were purchased in exchange for another currency.

Line Item 9 All other futures and forward contracts (excluding contracts involving foreign exchange).

[Schedule RC-L, items 12.a and 12.b, columns A, C, and D]

Line Item 10 Option contracts:

Line Item 10(a) Written option contracts:

Line Item 10(a)(1) Interest rate contracts.

[Schedule RC-L, items 12.c.(1) and 12.d.(1), column A]

Line Item 10(a)(2) Foreign exchange contracts.

[Schedule RC-L, items 12.c.(1) and 12.d.(1), column B]

Line Item 10(a)(3) Equity derivative contracts.

[Schedule RC-L, items 12.c.(1) and 12.d.(1), column C]

Line Item 10(a)(4) Commodity and other contracts.

[Schedule RC-L, items 12.c.(1) and 12.d.(1), column D]

Schedule RC-L

Line Item 10(b) Purchased option contracts:

Line Item 10(b)(1) Interest rate contracts.

[Schedule RC-L, items 12.c.(2) and 12.d.(2), column A]

Line Item 10(b)(2) Foreign exchange contracts.

[Schedule RC-L, items 12.c.(2) and 12.d.(2), column B]

Line Item 10(b)(3) Equity derivative contracts.

[Schedule RC-L, items 12.c.(2) and 12.d.(2), column C]

Line Item 10(b)(4) Commodity and other contracts.

[Schedule RC-L, items 12.c.(2) and 12.d.(2), column D]

Line Item 11 Swaps (notional values):

Line Item 11(a) Notional value of interest rate swaps.

[Schedule RC-L, item 12.e, column A]

Line Item 11(b) Notional value of foreign exchange swaps (e.g., cross currency swaps).

[Schedule RC-L, item 12.e, column B]

Line Item 11(c) Equity derivative swaps.

[Schedule RC-L, item 12.e, column C]

Line Item 11(d) Commodity and other swaps.

[Schedule RC-L, item 12.e, column D]

Claims on and Liabilities to Related Organizations

Schedule RC-M

General Instructions

This schedule must be completed by all Edge corporations and all agreement corporations.

Schedule RC-M covers all transactions (including equity investments) with “related” organizations. Related organizations are defined in the Definitions section.

Report in Column A the gross amounts due from, and in Column B the gross amounts due to, related organizations specified in the items listed below. *Include* all amounts due to and due from related organizations (including accrued interest), regardless of the nature of the instruments or of the accounts that such amounts reflect.

“Gross due from” may arise from the following:

- (1) funds placed on deposit by the reporting institution at related organizations, whether payable on demand or at the expiration of a specified maturity;
- (2) funds advanced to related organizations by the reporting institutions, including accrued interest on such funds;
- (3) sales of assets (including sales of participation in assets) to related organizations;
- (4) checks or drafts drawn by, or on behalf of, related organizations on accounts maintained at the reporting institution; and
- (5) other claims on related organizations, such as those resulting from clearing activities, foreign exchange transactions, federal funds transactions, bankers acceptance transactions, and other activities.

Reporting corporations with branch offices should also *include* in this schedule any undivided profits and reserves booked at branch offices. If the amounts are negative, the head office should show them as liabilities to the branch(es). These amounts should also be reflected

in the appropriate equity capital or reserve account item on the report submitted by the head office.

“Gross due to” may arise from the following:

- (1) funds placed on deposit at the reporting institution by related organizations, whether payable on demand or at the expiration of a specified maturity;
- (2) borrowings from related organizations by the reporting institution, including funds advanced by a third party to a related organization on behalf of the reporting institution;
- (3) purchases of assets (including purchases of participation in assets) from related organizations;
- (4) checks or drafts drawn by or on behalf of the reporting institution on accounts maintained at related organizations; and
- (5) other liabilities to related organizations, such as those resulting from clearing activities, foreign exchange transactions, federal funds transactions, bankers acceptance transactions, and other activities.

The schedule segregates institutions domiciled in the United States from those domiciled outside the United States (non-U.S.). For purposes of *this* schedule, institutions in the United States are restricted to those with offices domiciled in the 50 states of the United States and the District of Columbia. Offices domiciled either in a foreign country, in Puerto Rico, or in a U.S. territory or possession, are to be classified as domiciled outside the United States (non-U.S.).

If the reporting office maintains required reserves with the Federal Reserve through a related correspondent or acts as a correspondent for any related organization, see the Definitions section for the proper treatment of “pass-through” balances.

Schedule RC-M

Line Item Instructions

Line Item 1 Related organizations domiciled in the United States (including related IBFs).

Line Item 1(a) U.S. offices of parent bank and other U.S. related banks.

Report the amount outstanding due to/due from all U.S. offices of: (1) the reporting corporation's parent bank, and (2) other related U.S. banks, including related IBFs. If the corporation is not owned by a U.S. or foreign bank, enter "none."

Line Item 1(b) U.S. offices of other related organizations.

Report the amount outstanding due to/due from U.S. offices of this reporting Edge corporation, including transactions with any of its majority-owned U.S. nonbanking subsidiaries.

Line Item 2 Related organizations domiciled outside the United States.

Line Item 2(a) Non-U.S. offices of parent bank and other related U.S. banks.

Report the amount outstanding due to/due from all non-U.S. offices of: (1) the reporting corporation's parent bank, and (2) other related U.S. banks. If the corporation is not owned by a U.S. or foreign bank, enter "none."

Line Item 2(b) Non-U.S. offices of other related organizations.

Report the amount outstanding due to/due from non-U.S. offices of this reporting Edge corporation's majority-owned non-U.S. nonbanking subsidiaries.

Line Item 3 Total.

Report in Columns A and B the sum of Items 1(a) and 1(b) and 2(a) and 2(b) above. The amount reported in Column A must equal Schedule RC, Item 10, and the amount reported in Column B must equal Schedule RC, Item 20.

Line Item 4 Total loans participated to related organizations.

Report the total amount of loans outstanding that have been participated to related organizations (and not included in Item 3 above) where the reporting corporation is the managing agent or is otherwise acting as servicer of the transaction for participating related organizations. Related organizations are defined in the Definitions section.

Memorandum

Line Item M1 Amount of equity investments in related organizations.

Enter the amount of equity investments in related organizations. The amounts should be derived using the equity method of accounting, and should be included in the appropriate line item(s) in Column A.

LINE ITEM INSTRUCTIONS FOR

Past Due and Nonaccrual Loans, Leases and Other Assets Schedule RC-N

General Instructions

This schedule must be completed by all Edge corporations and all agreement corporations.

The reporting corporation should report all loans, lease financing receivables and any other assets booked at the head office *and any consolidated offices* that are past due or are in nonaccrual status, regardless of whether such credits are secured or unsecured and regardless of whether they are guaranteed by others. Loan amounts should be reported net of unearned income to the extent that the same categories of loans are reported net of unearned income in Schedule RC-C. Report the *full* outstanding balances of loans or other assets that are past due or in nonaccrual status, not simply the delinquent payments. *Include* such assets as debt securities and interest-bearing balances due from depository institutions. *Exclude* other real estate owned and other repossessed assets, such as automobiles, boats, equipment, appliances, and similar personal property.

Past Due

For the purposes of this report, grace periods allowed by the corporation after a loan technically has become past due but before the imposition of late charges are not to be considered in determining past due status. Furthermore, loans, lease financing receivables and other assets are to be reported as past due when either interest or principal is unpaid in the following circumstances:

- (1) Closed-end monthly installment loans and lease financing receivables are to be reported as past due when the borrower is in arrears two or more monthly payments. (Thirty days may be used as a proxy for a month.) Other multipayment obligations with payments scheduled other than monthly are to be reported as past due when one scheduled payment is due and unpaid for 30 days or more.

- (2) Open-end credit such as check credit and other revolving credit plans are to be reported as past due when the customer has not made the minimum payment for two or more billing cycles.
- (3) Amortizing real estate loans are to be reported as past due when the borrower is in arrears two or more monthly payments. (Reporters may use 30 days as a proxy for a month if they prefer.) Such obligations with payments scheduled other than monthly are to be reported as past due when one scheduled payment is due and unpaid for 30 days or more.
- (4) Single payment and demand notes providing for the payment of interest at stated intervals are to be reported as past due after one interest payment is due and unpaid for 30 days or more.
- (5) Single payment notes providing for the payment of interest at maturity are to be reported as past due after maturity if interest *or* principal remains unpaid for 30 days or more.
- (6) Unplanned overdrafts are to be reported as past due if the account remains continuously overdrawn for 30 days or more.

For purposes of this report, a full payment in computing past due status for consumer installment loans (both closed-end and open-end) is defined to include a partial payment equivalent to 90 percent or more of the contractual payment.

Note: The time period used for reporting past due status as indicated above may not in all instances conform to those used by federal bank regulators in bank examinations.

Nonaccrual

For the purposes of this report, loans, lease financing receivables and any other assets are to be reported as

Schedule RC-N

being in nonaccrual status if: (1) they are maintained on a cash basis because of deterioration in the financial position of the borrower, (2) payment in full of interest or principal is not expected, or (3) principal or interest has been in default for a period of 90 days or more unless the obligation is both well-secured and in the process of collection. A nonaccrual asset may be restored to an accrual status when none of its principal or interest is due and unpaid or when it otherwise becomes well-secured and is in the process of collection.

For purposes of applying the third test for the nonaccrual of interest listed above, the date on which an asset reaches nonaccrual status is determined by its contractual terms. If the principal or interest on an asset becomes due and unpaid for 90 days or more on a date that falls between report dates, the asset should be placed in nonaccrual status as of the date it becomes 90 days past due and should remain in nonaccrual status until it meets the criteria for restoration to accrual status described above.

A debt is “well-secured” if it is secured (1) by collateral in the form of liens on, or pledges of, real or personal property, including securities, that have a realizable value sufficient to discharge the debt in full, or (2) by the guarantee of a financially responsible party. A debt is “in the process of collection” if collection of the debt is proceeding in due course either through legal action, including judgment enforcement procedures, or, in appropriate circumstances, through collection efforts that do not involve legal actions, provided they are reasonably expected to result in repayment of the debt or in its restoration to a current status.

Restructured For the purposes of this report, restructured loans and leases are those loans and leases whose terms have been modified, because of a deterioration in the financial position of the borrower, to provide for a reduction of either the interest or principal. Once an obligation has been restructured because of such credit problems, it continues to be considered restructured until paid in full or until such time as the terms are substantially equivalent to terms on which loans with comparable risks are being made. A loan extended or renewed at a stated interest rate equal to the current interest rate for new debt with a similar risk is not considered a restructured loan. Also, a loan to a purchaser of “other real estate owned” by the reporting corporation for the

purpose of facilitating the disposal of such real estate is not considered a restructured loan.

Item Instructions

Report in Items 1 and 2 the full outstanding balances (not just delinquent payments) of loans, lease financing receivables and any other assets that are past due and upon which the corporation continues to accrue interest, as follows:

Line Item 1 Past due 30–89 days and still accruing.

Report any loans, lease financing receivables and any other assets that are past due 30–89 days (as defined above) and still accruing.

Line Item 2 Past due 90 days or more and still accruing.

Report the loans, lease financing receivables and any other assets as specified above on which payment is due and unpaid for 90 days or more.

Exclude from Items 1 and 2 all loans, lease financing receivables and any other assets that are on a nonaccrual status.

Line Item 3 Nonaccrual.

Report the outstanding balances of loans, leases and other assets that are in nonaccrual status. However, restructured loans and leases with a zero percent effective interest rate are not to be reported on this line as nonaccrual loans, leases and other assets.

Item 4 Total.

Enter the total of Items 1 through 3.

Memorandum Item 1 Restructured loans and leases included in Item 4 above.

Report the outstanding balances of restructured loans and leases (as defined above) that under their modified terms are past due 30 days or more or are in nonaccrual status as of the report date. Such loans and leases will have been included in one or more lines of this schedule. Exclude from this item all restructured loans to individuals for household, family and other personal expenditures.

LINE ITEM INSTRUCTIONS FOR

Risk-Based Capital Schedule RC-R

General Instructions

This schedule must be completed only by banking Edge corporations and banking agreement corporations.

Effective January 1, 1993, banking Edge corporations became subject to risk-based capital requirements under Section 211.12(c) of Regulation K. Banking Edge corporations must maintain a minimum ratio to weighted risk assets of at least 10 percent, of which at least 50 percent must consist of Tier 1 capital. This differs from the 8 percent required minimum ratio for state member banks. Furthermore, Edge corporations, in contrast to state member banks, have no limitation as to the amount of subordinated debt that qualifies as Tier 2 capital. With the exception of the preceding two distinctions, Edge corporations must comply with all other aspects of the Capital Adequacy Guidelines for state member banks. Please refer to the instructions on risk-based capital and associated optional risk-based capital worksheet in the FFIEC 031 for further guidance.

Line Item Instructions

Line Item 1 Tier 1 capital allowable under the risk-based capital guidelines;

Report the amount of Tier 1 capital less deductions, that is allowable under the risk-based capital guidelines of state member banks. Tier 1 capital should be measured in accordance with the definition of total capital in the risk-based capital guidelines.

Tier 1 (core) capital for banks consists of:

- (1) common stockholders' equity capital;
- (2) noncumulative perpetual preferred stock and any related surplus; and
- (3) minority interests in equity capital accounts of consolidated subsidiaries, less goodwill, other disallowed intangible assets, disallowed deferred tax

assets, and any other amounts that are deducted in determining Tier 1 capital in accordance with the capital standards issued by the reporting bank's primary federal supervisory authority.

NOTE: For risk-based capital purposes, common stockholders' equity capital includes any net unrealized holding losses on available-for-sale equity securities with readily determinable fair values, but excludes other net unrealized holding gains (losses) on available-for-sale securities.

Generally, Tier 1 capital for Edge corporations should correspond to the above definition.

Line Item 2 Tier 2 capital allowable under the risk-based capital guidelines;

Report the amount of Tier 2 capital, less deductions, that is allowable under the risk-based capital guidelines. This amount should be measured in accordance with the definition of total capital in the risk-based capital guidelines (except for the treatment of subordinated debt as mentioned above).

Tier 2 capital for banks consists of:

- (1) cumulative perpetual preferred stock and any related surplus;
- (2) long-term preferred stock (original maturity of 20 years or more) and any related surplus (discounted for capital purposes as it approaches maturity);
- (3) auction rate and similar preferred stock (both cumulative and noncumulative);
- (4) hybrid capital instruments (including mandatory convertible debt securities);
- (5) term subordinated debt and intermediate-term preferred stock (original weighted average maturity of

Schedule RC-R

five years or more) to the extent of 50 percent of Tier 1 capital (and discounted for capital purposes as they approach maturity); and

- (6) the allowance for loan and lease losses (limited to the lesser of the balance of the allowance account or 1.25 percent of risk-weighted assets).

In addition, Tier 2 capital is limited to 100 percent of Tier 1 capital.

Line Item 3 Subordinated debt allowable as Tier 2 (i.e., weighted average maturity of at least 5 years included in item 2 above).

Report the outstanding amount of subordinated debt and other limited life instruments. These capital instruments must have an original weighted average maturity of at least five years and otherwise be eligible for inclusion in Tier 2 capital as discussed in the risk-based capital guidelines.

Line Item 4 Total qualifying capital (i.e., Tier 1 and Tier 2 capital) allowable under the risk-based capital guidelines.

Report the amount of total capital, that is, Tier 1 plus Tier 2 capital less deductions, that is allowable under the

risk-based capital guidelines (sum of items 1 and 2 above).

Line Item 5 Total risk-weighted assets and credit equivalent amounts of off-balance sheet items.

The total represents the aggregate of the total risk-weighted assets and credit equivalent amounts of off-balance sheet items assigned to the 0, 20 and 50 and 100 percent risk categories. Please refer to instructions on Schedule RC-R of FFIEC 031.

Line Item 6 Credit equivalent amounts of off-balance sheet items included in item 5 above.

The total represents the aggregate of the credit equivalent amounts of off-balance sheet items assigned to the 0, 20 and 50 and 100 percent risk categories. Please refer to instructions on Schedule RC-R of FFIEC 031.

LINE ITEM INSTRUCTIONS FOR

Branch Schedule of Selected Items—Non-Consolidated Schedule RC-V

General Instructions

This schedule must be completed only by banking Edge corporations and banking agreement corporations that have branch offices.

For the purposes of this schedule, all banking Edge corporations and all banking agreement corporations that have branch offices must complete Schedule RC-V for the head office and each branch on a non-consolidated basis. Items reported in this schedule reflecting balances of the head office separately should include balances of the IBF of only the head office. Items reported in this schedule reflecting balances of a branch office should include balances of the IBF of only that branch office. Banking Edge corporations and banking agreement corporations with no branch offices should not complete this schedule.

Line Item Instructions

Line Item 1 Cash and balances due from depository institutions.

Report the amount of currency and coin, cash items in process of collection and balances with depository institutions and central banks included in Schedule RC-A, Item 5. Refer to the instructions for Schedule RC-A for further guidance.

Line Item 2 Loans and lease financing receivables, net of unearned income.

Report in this item all loans, including real estate loans, commercial and industrial loans, loans to individuals, and loans to foreign governments and official institutions. This is to be reported net of unearned income and before adjustment for allowances for loan and lease losses. Refer to the instructions for Schedule RC-C for further guidance.

Line Item 3 Gross claims on related organizations.

This item includes credit extensions and balances with related organizations (see related organizations in Definitions section). Do not net claims on related organizations with liabilities to related organizations.

Line Item 4 Total assets.

This item is the sum of all claims on non-related organizations and claims on related organizations. See Definitions section for discussion of items included in total assets for the purposes of this report.

Line Item 5 Total deposits.

Include as deposits (1) those liabilities readily identifiable by name and definition as deposits, (2) all liabilities identical to those described under Schedule RC-E but having different names in foreign countries, (3) liabilities that, owing to law, custom, or banking practice in foreign countries, have characteristics analogous to those defined in Schedule RC-E; and (4) every other liability treated as a deposit by law, custom or banking practice in the country in which the liability is booked. This item should exclude any liabilities to related organizations.

Line Item 6 Gross liabilities to related organizations.

This item includes all balances due to related organizations, wherever located (see related organizations in Definitions section). Do not net liabilities to related organizations with claims on related organizations in completing this schedule.

Line Item 7 Commercial and similar letters of credit.

Enter the total unused balances of all outstanding irrevocable commercial letters of credit, travelers' letters of credit, and all similar letters of credit that have been

Schedule RC-V

issued or confirmed by the reporting corporation or the agents except those issued for money or its equivalent (report as demand deposits) or that have been accepted by the reporting corporation, or “standby letter” (see Item 8 below).

Item 8 Guarantees and standby letters of credit.

Report the amount of outstanding and unused guarantees issued by the reporting corporation or its agents guaranteeing customers’ debts or otherwise agreeing for a customer’s benefit to make payments on the occurrence of readily ascertainable events, regardless of the form of

guarantee, including those issued in the form of letters of credit (so-called “standby letters”) or letters of indemnity. Any standby letters of credit should be reported gross of any amounts participated to others. Participating organizations other than the originating institutions should report only their shares in the potential extension of credit under the standby letter of credit. In the case of a syndicated standby letter of credit where each holder has a direct obligation to the beneficiary, each reporting corporation should report only its share of the syndication. *Exclude* letters of credit that are covered by pledged deposits.

Definitions for FR 2886b Instructions

The following terms are employed frequently in these instructions and are defined as follows:

Acceptances Executed by the Reporting Corporation

With the exceptions described below, the accepting corporation (i.e., the corporation on whom the draft is drawn) must report on its balance sheet the full amount of the acceptance in both (1) the liability item, “Other liabilities,” (Schedule RC, Item 18, reflecting the accepting corporation’s obligation to put the holder of the acceptance in funds (to pay the holder the full amount of the draft) at maturity, and (2) the asset item, “Other assets” (Schedule RC, Item 8), reflecting the customers’ liability to put the accepting bank in funds at maturity.

Exceptions to the mandatory reporting by the accepting corporation of the full amount of all outstanding drafts accepted by the reporting corporation in both Item 18 and Item 8 on the balance sheet occur in the following situations:

- (1) One exception occurs in situations where the accepting corporation acquires—through initial discounting or subsequent purchase—and holds its own acceptance (that is, a draft that it has itself accepted). In this case, its own acceptances that are held by it will not be reported in the liability and asset items noted above (that is, Schedule RC, Items 8 and 18). The corporation’s own acceptances held will be reported under “Loans and leases, net of unearned income” (Schedule RC, Item 4(a), and the appropriate item in Schedule RC-C).
- (2) Another exception occurs in situations where the account party anticipates its liability to the reporting corporation on an acceptance outstanding by making a payment to the corporation that reduces the customers’ liability in advance of the maturity of the acceptance. In this case, the reporting corporation will decrease “Other assets” (Schedule RC, Item 8), by

the amount of such prepayment; the prepayment will not affect “Other liabilities” (Schedule RC, Item 18), which would continue to reflect the full amount of the acceptance until the maturity date specified in the instrument. If the account party’s payment to the accepting corporation before the maturity date is not for the purpose of immediate reduction of its indebtedness to the reporting bank or if receipt of the payment does not immediately reduce or extinguish that indebtedness, such payment will not reduce “Other assets” (Schedule RC, Item 8), but should be reflected in the corporation’s deposit liabilities in Schedule RC-E.

In all situations other than these two exceptions just described, the accepting corporation must report the full amount of its acceptances in its liability item 18, and in its asset item 8. There are no other circumstances in which the accepting corporation can report as a balance sheet liability anything less than the full amount of the obligation to put the holder of the acceptance in funds at maturity. Moreover, there are no circumstances in which the reporting corporation can net its acceptance assets against its acceptance liabilities.

NOTE: The amount of a corporation’s acceptances that are subject to limitations on eligible acceptances, as set forth in Federal Reserve regulation 12 CFR 211.6(a), may differ from the required reporting of acceptances on the balance sheet, as described above. These differences are mainly attributable to ineligible acceptances, to participation in the reporting corporation’s acceptances conveyed to others, and to participation acquired by the reporter in other banks’ acceptances.

“Participations” in Acceptances

The general requirement for the accepting corporation to report on its balance sheet the full amount of the total obligation to put the holder of the acceptance in funds applies also, in particular, to any situation in which the

Definitions

accepting corporation enters into any kind of arrangement with others for the purpose of having the latter share, or participate, in the obligation to put the holder of the acceptance in funds at maturity. In any such sharing arrangement or participation agreement—regardless of its form or its contract provisions, regardless of the terminology (e.g., “funded,” “risk,” “unconditional,” or “contingent”) used to describe it and the relationships under it, regardless of whether it is described as a participation in the customer’s liability or the accepting corporation’s obligation, and regardless of the system of debits and credits used by the accepting corporation to reflect the participation arrangement—the existence of the participation or other agreement does not reduce its obligation to honor the full amount of the acceptance at maturity nor change the requirement to report the full amount of the acceptance in the liability and asset items referenced above.

The existence of such participations is not to be recorded on the balance sheet of the accepting corporation that conveys shares in its obligation to put the holder of the acceptance in funds or on the balance sheets of the other parties that acquire such participation. However, in such cases of agreements to participate, both the accepting party conveying the participation to others and the party acquiring the participation from the accepting organization, must report the amounts of such participation in the appropriate memorandum item of the report form.

Acceptances Owned by the Reporting Corporation

The treatment of acceptances owned or held by the reporting corporation (whether acquired by initial discount or subsequent purchase) depends upon whether the acceptances held have been accepted by the reporting corporation or by others.

The reporting corporation’s holdings of other banks’ acceptances are to be reported as loans to banks and included in Item 1 or 2 on Schedule RC-C. On the other hand, the corporation’s holdings of its own acceptances are to be reported according to the account party of the draft. Thus, for example, holdings of own acceptances for which the account parties are commercial or industrial enterprises are to be reported in Schedule RC-C in “Commercial and industrial loans” (Schedule RC, Item 4).

The difference in treatment between holdings of own acceptances and holdings of other banks’ acceptances

stems from the fact that, for other banks’ acceptances, the holding bank’s immediate claim is on the accepting bank, regardless of the account party or of the purpose of the loan. On the other hand, for its holdings of its own acceptances, the bank’s immediate claim is on the account party named in the accepted draft.

Addressees (Domicile)

Certain items in this report apply only to customers in the United States or to customers in foreign countries. Other items distinguish between U.S. and foreign “addressees.” Where applicable, the U.S./non-U.S. distinction should reflect the reporting corporation’s contribution to similar balances shown on its parent bank’s Consolidated (foreign and domestic) Report of Condition.

Whether a customer is “U.S.” or “foreign” shall be determined by the customer’s principal address (its domicile). “U.S.” addressees include residents of any of the 50 states of the United States, the District of Columbia, Puerto Rico, and U.S. dependencies and insular possessions (including trust territories). “Foreign” and “non-U.S.” addressees include residents of all other geographic areas. The distinction between a U.S. customer and a foreign (or non-U.S.) customer should be based on the principal address or domicile of the direct obligor or direct depositor regardless of the domicile of any guarantor.

In some cases, the “account address” used for correspondence, etc., is different from the customer’s principal address or domicile. In such cases, the corporation should look behind the account address to other information in its files or should make reasonable efforts to ascertain the customer’s principal address or domicile from sources outside the corporation. Only if the customer’s domicile is not readily ascertainable from the reporter’s own files, or from other sources, may the account address be used for determining whether a customer is “U.S.” or “foreign.”

Annuity

An investment product, typically underwritten by an insurance company, that pays either a fixed or variable payment stream over a specified period of time. Both proprietary and private label mutual funds and annuities are established in order to be marketed primarily to a corporation’s customers.

Commercial Banks in the U.S.

For purposes of this report, a commercial bank is any legal entity chartered as a commercial bank and/or trust

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company by the U.S. or a unit of government of the U.S., or a private or industrial bank engaged in banking, and located in the U.S. (exclude any foreign branches thereof). For this report, include (unless specified separately) (1) U.S. agencies and branches of foreign banks; (2) Edge and agreement corporations that are organized under provisions of Section 25 or 25(a) of the Federal Reserve Act; and (3) investment companies engaged in banking and chartered under Article XII by the State of New York that are majority-owned by one or more foreign banks or by foreign official institutions.

Federal Funds Transactions

Provided below are definitions of various terms that are used in the instructions for Schedule RC, Item 3 and Item 13.

Immediately Available Funds

Funds that the purchasing corporation can either use or dispose of on the same business day that the transaction giving rise to the receipt of the funds is executed (or, in the case of lending resulting from previous commitments to lend, when the transaction giving rise to the disposal of funds is effective).

One-day Transactions

Transactions made on one business day to mature on the next business day, including those made on Friday to mature on Monday, and those made on the last business day prior to a holiday (for either or both parties to the transaction) that mature on the first business day after the holiday.

Continuing Contracts

Agreements, regardless of the terminology used, that remain in effect for more than one business day but that have no specified maturity and do not require advance notice of the lender or borrower to terminate. Such contracts may also be known as “roll-overs” or as “open-ended agreements.”

Foreign

According to Federal Reserve Regulation K, “foreign” or “foreign country” refers to one or more foreign nations, and includes the overseas territories, dependencies, and insular possessions of those nations and of the United States, and the Commonwealth of Puerto Rico.

Mutual Fund

The common name for an open-end investment company whose shares are sold to the investing public.

Offsetting

Offsetting is the reporting of assets and liabilities on a net basis in Schedule RC. Reporting corporations are permitted to offset assets and liabilities recognized in the balance sheet when a “right of setoff” exists. Under FASB Interpretation No. 39, “Offsetting of Amounts Related to Certain Contracts,” a right of setoff exists when all of the following conditions are met:

- (1) Each of two parties owes the other determinable amounts. Thus, only bilateral netting is permitted.
- (2) The reporting party has the right to set off the amount owed with the amount owed by the other party.
- (3) The reporting party intends to set off. This condition does not have to be met for fair value amounts recognized for conditional or exchange contracts that have been executed with the same counterparty under a master netting arrangement.
- (4) The right of setoff is enforceable at law. Legal constraints should be considered to determine whether the right of setoff is enforceable. Accordingly, the right of setoff should be upheld in bankruptcy (or receivership). Offsetting is appropriate only if the available evidence, both positive and negative, indicates that there is a reasonable assurance that the right of setoff would be upheld in bankruptcy (or receivership).

According to Interpretation No. 39, for forward, interest rate swap, currency swap, option, and other conditional and exchange contracts, a master netting arrangement exists if the reporting corporation has multiple contracts, whether for the same type of conditional or exchange contract or for different types of contracts, with a single counterparty that are subject to a contractual agreement that provides for the net settlement of all contracts through a single payment in a single currency in the event of default or termination of any one contract.

Offsetting the assets and liabilities recognized for conditional or exchange contracts outstanding with a single counterparty results in the net position between the two counterparties being reported as an asset or a liability on the balance sheet. The reporting entity’s choice to

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offset or not to offset assets and liabilities recognized for conditional or exchange contracts must be applied consistently.

Offsetting of assets and liabilities is also permitted by other accounting pronouncements identified in Interpretation No. 39. These pronouncements apply to such items as leveraged leases, pension plan and other postretirement benefit plan assets and liabilities, and deferred tax assets and liabilities. In addition, FASB Interpretation No. 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements," describes the circumstances in which amounts recognized as payables under repurchase agreements may be offset against amounts recognized as receivables under reverse repurchase agreements and reported as a net amount in the balance sheet. The reporting entity's choice to offset or not to offset payables and receivables under Interpretation No. 41 must be applied consistently. See also "reciprocal balances" below.

Participation

The issue of appropriate reporting treatment (i.e., as a sale or as a borrowing) arises particularly in the case of participation. No single statement can be made about the required reporting treatment of "participation" in general, since the term "participation" is used in connection with a number of quite different arrangements. For example, it may refer to shares in a single loan, shares in a single financing, shares in a pool of similar loans, shares in a pool of dissimilar loans, or shares in liabilities, or risks, etc. Refer to the FFIEC 031 Glossary entry for "Transfers of Financial Assets" for further information.

Reciprocal Balances

Reciprocal balances arise when two depository institutions maintain deposit accounts with each other; that is, when a reporting corporation has both a due to and a due from balance with another depository institution.

For purposes of the balance sheet, reciprocal balances between the reporting bank and other depository institutions may be reported on a net basis when a right of setoff exists. See the definition of "offsetting" above for the conditions that must be met for a right of setoff to exist.

Related Organizations

For purposes of this report, include (1) any organization that directly or indirectly holds the majority of the voting

shares of, or otherwise controls the reporting organization, and (2) any organization the majority of whose shares are held, directly or indirectly, or any organization that is otherwise controlled by, the reporter's ultimate parent organization. However, any organization consolidated in the reporting Edge corporation's financial statements should not be included.

Sale of Assets

Refer to the FFIEC 031 Glossary entry for Transfers of Financial Assets. In addition, refer to the FFIEC 031 Glossary entry for Sales of Assets for Risk-Based Capital Purposes for guidance for determining whether sales of loans, securities, receivables, and other assets are subject to risk-based capital requirements and are reportable in Schedule RC-R, Risk-Based Capital, and Schedule RC-L, Derivatives and Off-Balance-Sheet Items.

Subsidiaries

The treatment of subsidiaries is the same as provided in the FFIEC 031 report and depends upon the degree of ownership held by the reporting corporation.

A majority-owned subsidiary of the reporting corporation is a subsidiary in which the parent corporation directly or indirectly owns more than 50 percent of the outstanding voting stock.

A significant subsidiary of the reporting corporation is a majority-owned subsidiary that meets any one or more of the following tests:

- (1) The corporation's direct or indirect investment in and advances to the subsidiary equals five percent or more of the total equity capital of the parent corporation.

Note: for the purposes of this test, the amount of direct and indirect investments and advances is either (a) the amount carried on the books of the parent corporation or (b) the parent's proportionate share in the total equity capital of the subsidiary, whichever is greater.

- (2) The parent corporation's proportional share (based on equity ownership) of the subsidiary's gross operating income or revenue amounts to five percent or more of the gross operation income or revenue of the consolidated parent corporation.

Definitions

- (3) The subsidiary's income or loss before income taxes amounts to five percent or more of the parent corporation's income or loss before income taxes.
- (4) The subsidiary is, in turn, the parent of one or more subsidiaries which, when consolidated with the subsidiary, constitute a significant subsidiary as defined in one or more of the above tests.

The equity ownership in majority-owned subsidiaries that are not consolidated by the reporting organization (for example, subsidiaries that are Edge and agreement corporations) are to be accounted for using the equity method of accounting and are reported in Schedule RC, Items 9 or 10, and in Schedule RC-M.

Syndications

A syndication is a participation, usually involving shares in a single loan, in which several participants agree to enter into an extension of credit under a bona fide binding agreement that provides that, regardless of any event, each participant shall be liable only up to a specified percentage of the total extension of credit or up to a specified dollar amount. In a syndication, the participants agree to the terms of the participation prior to the execution of the final agreement and the contract is executed by the obligor and by all the participants, although there is usually a lead institution organizing or managing the operation. Large commercial and industrial loans, large loans to finance companies, and large foreign loans may be handled through such syndicated participation. Each participant in the syndicate, including the lead party, records its own share of the participated loan and the total amount of the loan is not entered on the books of one party to be shared through transfers of loans. Refer to the FFIEC 031 Glossary entry for "Transfers of Financial Assets" for further information.

Participation Other than Syndications

Such participation may involve shares in a single loan or in a pool of loans or receivables. They may be prearranged, with a lead institution originating the transaction and—simultaneously (as prearranged with other participants) or at a later date—selling shares to others. The seller may acquire or accumulate assets for the express purpose of issuing participation or it may participate out loans or receivables it has acquired over time in the

regular course of its credit operations. In any case, the assets subject to the participation are, in contrast to the situation in the case of the syndicated participation, usually recorded on the books of the originator prior to the distribution of shares in them. Refer to the FFIEC 031 Glossary entry for "Transfers of Financial Assets" for further information.

Treatment of Pass-through Reserve Balances

A nonmember depository institution may hold its federally required reserve balances (in excess of vault cash) with a Federal Reserve Bank either directly or it may hold them indirectly, by passing its reserve balances through another depository institution. When an Edge corporation passes its reserve balance to the Federal Reserve through another institution, it is referred to as a "respondent." When it passes them to the Federal Reserve for another nonmember depository institution, it is referred to as a "correspondent."

As was explained in the Federal Financial Institutions Examination Council's letter to all insured commercial banks in the United States in December 1980, this pass-through reserve relationship is legally and for supervisory purposes considered to constitute an asset/debt relationship between the respondent and the correspondent, and an asset/debt relationship between the correspondent and the Federal Reserve. The required reporting of the "pass-through reserve balances" reflects this structure of asset/debt relationship.

In the balance sheet of the respondent, the pass-through reserve balances are to be treated as a claim on the correspondent (not as a claim on the Federal Reserve) and, as such, are to be reflected in Schedule RC-A, Item 2, "Balances due from depository institutions in the U.S."

In the balance sheet of the correspondent bank, the pass-through reserve balances are to be treated as balances due to respondents and, to the extent that the balances have actually been passed through to the Federal Reserve, as balances due from the Federal Reserve. The balances due to respondents are to be reflected in Schedule RC-E, Item 2, "Deposits of commercial banks and other depository institutions in the U.S. (including their IBFs)." Balances due from the Federal Reserve are to be reflected in Schedule RC-A, Item 4, "Balances due from Federal Reserve Banks."