Supporting Statement for the
Consolidated Reports of Condition and Income
(FFIEC 031, FFIEC 041, and FFIEC 051; OMB No. 7100-0036)

Summary

The Board of Governors of the Federal Reserve System (Board) requests approval from the Office of Management and Budget (OMB) to extend for three years, with revision, the Federal Financial Institutions Examination Council (FFIEC) Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031, FFIEC 041, and FFIEC 051; OMB No. 7100-0036). With respect to the Board, these reports are required of state member banks and are filed on a quarterly basis. The revisions to the Call Reports that are the subject of this request have been approved by the FFIEC.

The Board uses the information collected on the Call Reports to fulfill its statutory obligation to supervise state member banks. State member banks are required to file detailed schedules of assets, liabilities, and capital accounts in the form of a condition report and summary statement as well as detailed schedules of operating income and expense, sources and disposition of income, and changes in equity capital.

The Board, Federal Deposit Insurance Corporation (FDIC) and Office of the Comptroller of the Currency (OCC) (together, the agencies) are jointly revising the Call Reports for depository institutions under their supervision, subject to approval by OMB.[1] The changes generally address the revised accounting for credit losses under the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13). This proposal also includes regulatory capital reporting changes related to implementing the agencies' recent final rule on the implementation and capital transition for the current expected credit losses methodology (CECL). In addition, this proposal includes other revisions to the Call Reports resulting from two sections of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) that were effective upon enactment on May 24, 2018, and were effective for the June 30, 2018, report date. These items affect the information reported in the Call Reports and for which the agencies submitted emergency review requests to OMB that OMB approved. The proposed revisions related to ASU 2016-13 would begin to take effect March 31, 2019, with later effective dates for certain respondents.

The agencies previously sought public comment on this proposal, and received comments from two entities. In response to these comments, the agencies made minor alterations to the initial proposal, as described below. The current annual burden for the Call Reports is estimated to be 159,200 hours and the proposed revisions are estimated to increase the annual burden by 350 hours.

[1] The FDIC and OCC have separately submitted a similar request for OMB review to request this information from banks under their supervision.

Background and Justification

State banks that are members of the Federal Reserve System are required by section 9(6) of the Federal Reserve Act (12 U.S.C. 324) to file reports of condition with the Board. The Board, acting in concert with the other federal banking supervisory agencies through the FFIEC since 1979, requires state member banks to submit on the quarterly Call Reports such financial data as are needed by the Federal Reserve System to supervise and regulate banks through monitoring of their financial condition, ensuring the continued safety of the public's monies and the overall soundness of the nation's financial structure, and for the proper discharge of the Federal Reserve's monetary policy responsibilities. The data, which generally is made publicly available by the agencies, is used not only by the federal government, but also by state and local governments, the banking industry, securities analysts, and the academic community.

Description of Information Collection

The Call Reports, which consist of the Reports of Condition and Income, collect basic financial data from commercial banks in the form of a balance sheet, income statement, and supporting schedules. The Report of Condition contains supporting schedules that provide detail on assets, liabilities, and capital accounts. The Report of Income contains supporting schedules that provide detail on income and expenses.

Within the Call Report information collection system as a whole, there are three reporting forms that apply to different categories of state member banks: (1) banks that have foreign offices or that have total consolidated assets of $100 billion or more (FFIEC 031), (2) banks with domestic offices only and total consolidated assets of less than $100 billion but more than $1 billion (FFIEC 041), and (3) banks with domestic offices only and total assets less than $1 billion (FFIEC 051).[2]

There is no other series of reporting forms that collect this information from all commercial and savings banks. Although there are other information collections that are similar to certain items on the Call Reports, the information they collect would be of limited value as a replacement for the Call Reports. For example, the Board collects various data in connection with its measurement of monetary aggregates, bank credit, and flow of funds. Reporting banks supply the Board with detailed information relating to balance sheet accounts such as balances due from depository institutions, loans, and deposit liabilities. These collections of information, however, are frequently obtained on a sample basis rather than from all insured banks. Moreover, these reports are often prepared as of dates other than the last business day of each quarter, which would seriously limit their comparability. Additionally, institutions below a certain size are exempt entirely from some Board reporting requirements.

[2] Prior to March 2001, there were four categories of banks and four reporting forms. The FFIEC 031 was filed by banks with domestic and foreign offices and the FFIEC 032, FFIEC 033, and FFIEC 034 were filed by banks with domestic offices only according to the asset size of the bank. Between March 2001 and March 2017, there were two categories of banks and two reporting forms. The FFIEC 031 was filed by banks with domestic and foreign offices and the (2) the FFIEC 041 was filed by banks with domestic offices only.

The Board also collects financial data from bank holding companies on a regular basis. Such data frequently are presented for the holding company on a consolidated basis, including its banking and nonbanking subsidiaries, and on a parent-company-only basis. Data collected from bank holding companies on a consolidated basis reflect aggregate amounts for all subsidiaries within the organization, including banking and nonbanking subsidiaries, so that the actual dollar amounts applicable to any banking subsidiary would not be determinable from the holding company reporting information. Hence, these reporting forms are not a viable replacement for even a significant portion of the Call Reports since the Board, in its role as supervisor of insured state member banks, would lack the data necessary to assess the financial condition of individual banks to determine whether there had been any deterioration in their condition.

Banks are required to transmit their Call Report data electronically. Banks do not have to submit hard copy Call Reports to any federal bank supervisory agency unless specifically requested to do so.

Proposed Revisions

General Discussion of Proposed Call Report Revisions

ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"

Banks are generally required to follow U.S. generally accepted accounting principles (U.S. GAAP) when completing the Call Reports.[3] In June 2016, the FASB issued ASU 2016-13, which introduced CECL for estimating allowances for credit losses and added Topic 326, Credit Losses, to the Accounting Standards Codification (ASC). The new credit losses standard changes several aspects of existing U.S. GAAP as follows:

- *Introduction of a new credit loss methodology*. The new accounting standard developed by the FASB has been designed to replace the existing incurred loss methodology in U.S. GAAP. Under CECL, the allowance for credit losses is an estimate of the expected credit losses on financial assets measured at amortized cost, which is measured using relevant information about past events, including historical credit loss experience on financial assets with similar risk characteristics, current conditions, and reasonable and supportable forecasts that affect the collectability of the remaining cash flows over the contractual term of the financial assets. In concept, an allowance will be created upon the origination or acquisition of a financial asset measured at amortized cost. At subsequent reporting dates, the allowance will be reassessed for a level that is appropriate as determined in accordance with CECL. The allowance for credit losses under CECL is a valuation account, measured as the difference between the financial assets' amortized cost basis and the amount expected to be collected on the financial assets, i.e., lifetime expected credit losses.

- *Reduction in the number of credit impairment models.* Impairment measurement under existing U.S. GAAP has often been considered complex because it encompasses five credit

[3] See 12 USC 1831n(a) (stating that the accounting principles applicable to reports required to be filed with federal banking agencies shall be uniform and consistent with generally accepted accounting principles).

impairment models for different financial assets.[4] In contrast, CECL introduces a single measurement objective to be applied to all financial assets measured at amortized cost, including loans held-for-investment (HFI) and held-to-maturity (HTM) debt securities. CECL does not, however, specify a single method for measuring expected credit losses; rather, it allows any reasonable approach, as long as the estimate of expected credit losses achieves the objective of the FASB's new accounting standard. Under the existing incurred loss methodology, institutions use various methods, including historical loss rate methods, roll-rate methods, and discounted cash flow methods, to estimate credit losses. CECL allows the continued use of these methods; however, certain changes to these methods will need to be made in order to estimate lifetime expected credit losses.

- *Purchased credit-deteriorated (PCD) financial assets.* CECL introduces the concept of PCD financial assets, which replaces purchased credit-impaired (PCI) assets under existing U.S. GAAP. The differences in the PCD criteria compared to the existing PCI criteria will result in more purchased loans HFI, HTM debt securities, and available-for-sale (AFS) debt securities being accounted for as PCD financial assets. In contrast to the existing accounting for PCI assets, the new standard requires the estimate of expected credit losses embedded in the purchase price of PCD assets to be estimated and separately recognized as an allowance as of the date of acquisition. This is accomplished by grossing up the purchase price by the amount of expected credit losses at acquisition, rather than being reported as a credit loss expense. As a result, as of the acquisition date, the amortized cost basis of a PCD financial asset is equal to the principal balance of the asset less the non-credit discount, rather than equal to the purchase price as is currently recorded for PCI loans.

- *AFS debt securities.* The new accounting standard also modifies the existing accounting practices for impairment on AFS debt securities. Under this new standard, institutions will recognize a credit loss on an AFS debt security through an allowance for credit losses, rather than a direct write-down as is required by current U.S. GAAP. The recognized credit loss is limited to the amount by which the amortized cost of the security exceeds fair value. A write-down of an AFS debt security's amortized cost basis to fair value, with any incremental impairment reported in earnings, would be required only if the fair value of an AFS debt security is less than its amortized cost basis and either (1) the institution intends to sell the debt security, or (2) it is more likely than not that the institution will be required to sell the security before recovery of its amortized cost basis.

Although the measurement of credit loss allowances is changing under CECL, the FASB's new accounting standard does not address when a financial asset should be placed in nonaccrual status. Therefore, institutions should continue to apply the agencies' nonaccrual policies that are currently in place. In addition, the FASB retained the existing write-off guidance in U.S. GAAP, which requires an institution to write off a financial asset in the period the asset is deemed uncollectible.

[4] Current U.S. GAAP includes five different credit impairment models for instruments within the scope of CECL: ASC Subtopic 310-10, Receivables-Overall; ASC Subtopic 450-20, Contingencies-Loss Contingencies; ASC Subtopic 310-30, Receivables-Loans and Debt Securities Acquired with Deteriorated Credit Quality; ASC Subtopic 320-10, Investments-Debt and Equity Securities - Overall; and ASC Subtopic 325-40, Investments-Other-Beneficial Interests in Securitized Financial Assets.

Institutions must apply ASU 2016-13 in their Call Report submissions in accordance with the effective dates set forth in the ASU. For institutions that are public business entities (PBE) and also are Securities and Exchange Commission (SEC) filers, as both terms are defined in U.S. GAAP, the new credit losses standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Thus, for an SEC filer that has a calendar year fiscal year, the standard is effective January 1, 2020, and the institution must first apply the new credit losses standard in its Call Report for the quarter ended March 31, 2020, if the institution is required to file these forms.

For a PBE that is not an SEC filer, the credit losses standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Thus, for a PBE that is not an SEC filer and has a calendar year fiscal year, the standard is effective January 1, 2021, and the institution must first apply the new credit losses standard in its Call Report for the quarter ended March 31, 2021, if the institution is required to file these forms.

For an institution that is not a PBE, the credit losses standard is effective for fiscal years beginning after December 15, 2020, and for interim period financial statements for fiscal years beginning after December 15, 2021.[5] Thus, an institution with a calendar year fiscal year that is not a PBE must first apply the new credit losses standard in its Call Report for December 31, 2021, if the institution is required to file these forms.[6] However, such an institution would include the ASU 2016-13 credit loss provisions for the entire year ended December 31, 2021, in the income statement in its Call Report for year-end 2021. The institution would also recognize in its year-end 2021 Call Report a cumulative-effect adjustment to the beginning balance of retained earnings as of January 1, 2021, resulting from the adoption of the new standard as of the beginning of the 2021 fiscal year.

For regulatory reporting purposes, early application of the new credit losses standard will be permitted for all institutions for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The following table provides a summary of the effective dates for ASU 2016-13.

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[5] On August 20, 2018, the FASB issued a proposed ASU that would amend the transition and effective date provisions in ASU 2016-13 for entities that are not PBEs (non-PBEs) so that the credit losses standard would be effective for non-PBEs for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years.

[6] If the FASB issues a final Accounting Standards Update amending the transition and effective date provisions in ASU 2016-13 as described in footnote 3, a non-PBE with a calendar year fiscal year would first apply the new credit losses standard in its reports for March 31, 2022, if an institution is required to file these report forms.

Effective Dates for ASU 2016-13		
	U.S. GAAP Effective Date	**Regulatory Report Effective Date**[7]
PBEs That Are SEC Filers	Fiscal years beginning after 12/15/2019, including interim periods within those fiscal years	3/31/2020
Other PBEs (Non-SEC Filers)	Fiscal years beginning after 12/15/2020, including interim periods within those fiscal years	3/31/2021
Non-PBEs	Fiscal years beginning after 12/15/2020, and interim periods for fiscal years beginning after 12/15/2021	12/31/2021
Early Application	Early application permitted for fiscal years beginning after 12/15/2018, including interim periods within those fiscal years	First calendar quarter-end after effective date of early application of the ASU

EGRRCPA

On May 24, 2018, EGRRCPA amended various statutes administered by the agencies.[8] Two of the amendments made by EGRRCPA, as described below, changed the regulatory treatment of certain information that is reported on the Call Reports. Following a request by the agencies for emergency review, the OMB authorized the agencies, under the auspices of the FFIEC to revise, without seeking public comment, the reporting of information in the Call Reports on certain high volatility commercial real estate (HVCRE) exposures and reciprocal deposits, effective for the June 30, 2018, report date. As a result of OMB's emergency approval, the expiration date of these collections is now February 28, 2019. The agencies are now undertaking the regular PRA process for revising and extending these information collections for three years.

- *HVCRE Exposures.* Section 214 of EGRRCPA modified the Federal Deposit Insurance Act (FDI Act) to add a new section 51 governing the risk-based capital requirements for certain acquisition, development, or construction (ADC) loans. EGRRCPA provides that, effective upon enactment, the agencies may only require a depository institution to assign a heightened risk weight to an HVCRE exposure if such exposure is an "HVCRE ADC Loan," as defined in section 214 of EGRRCPA. Accordingly, the agencies revised the Call Reports to permit depository institutions to use the EGRRCPA definition of HVCRE ADC Loan in place of the definition of HVCRE loan found in the Call Report instructions when reporting HVCRE exposures held for sale, held for investment, and held for trading on Schedule RC-R, Regulatory Capital, Part II, Risk-Weighted Assets.

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[7] For institutions with calendar fiscal year-ends and reports with quarterly report dates.

[8] See Pub. L. No. 115-174, 132 Stat. 1296 (2018).

- *Reciprocal Deposits.* Section 29 of the FDI Act (12 U.S.C. 1831f), as amended by section 202 of EGRRCPA, excepts a capped amount of reciprocal deposits from treatment as brokered deposits for qualifying institutions, effective upon enactment. The current Call Report instructions, consistent with the law prior to the enactment of EGRRCPA, treat all reciprocal deposits as brokered deposits. The agencies revised the Call Reports to permit institutions to apply the newly defined terms and other provisions of section 202 to determine whether they and their reciprocal deposits are eligible for the statutory exclusion and report as brokered deposits in Schedule RC-E, and reciprocal brokered deposits in Schedule RC-O, only those reciprocal deposits that are considered brokered deposits under the new law.

ASU 2016-13 Proposed Call Report Revisions

In response to the changes in accounting for credit losses under ASU 2016-13, the agencies are proposing revisions to the manner in which data on credit losses is reported in the Call Report. These changes are necessary to align the information reported in the Call Report with the new accounting standard as it relates to the credit losses for loans and leases, including off-balance sheet credit exposures. The revisions also address the broader scope of financial assets for which an allowance for credit losses must be established and maintained, and the elimination of the existing model for PCI assets.

In developing these proposed Call Report revisions, the agencies followed the guiding principles for evaluating potential additions and deletions of Call Report data items and other revisions to the Call Report. In general, data items collected in the Call Report must meet three guiding principles: (1) the data items serve a long-term regulatory or public policy purpose by assisting the FFIEC member entities in fulfilling their shared missions of ensuring the safety and soundness of financial institutions and the financial system and the protection of consumer financial rights, as well as agency-specific missions affecting national and state-chartered institutions, (2) the data items to be collected maximize practical utility and minimize, to the extent practicable and appropriate, burden on financial institutions, and (3) equivalent data items are not readily available through other means. In following these principles, the agencies sought to limit the number of data items being added to the Call Report to address the changes in accounting for credit losses. The majority of the proposed changes address the broader scope of assets subject to an allowance for credit losses assessment under ASU 2016-13. Throughout the Call Report, the agencies generally propose to request credit loss information on loans and leases, HTM debt securities, and AFS debt securities given the materiality of these asset types to institutions' overall balance sheets as well as the potential materiality of the allowances for credit losses on these assets.

The existing Call Report schedules impacted by ASU 2016-13 and included in the development of this proposal are:

- Schedule RI – Income Statement
- Schedule RI-B – Charge-offs and Recoveries on Loans and Leases and Changes in Allowance for Loan and Lease Losses
- Schedule RI-C – Disaggregated Data on the Allowance for Loan and Lease Losses (FFIEC 031 and FFIEC 041 only)
- Schedule RI-D – Income from Foreign Offices (FFIEC 031 only)

- Schedule RI-E – Explanations
- Schedule RC – Balance Sheet
- Schedule RC-B – Securities
- Schedule RC-C – Loans and Lease Financing Receivables
- Schedule RC-F – Other Assets
- Schedule RC-G – Other Liabilities
- Schedule RC-H – Selected Balance Sheet Items for Domestic Offices (FFIEC 031 only)
- Schedule RC-K – Quarterly Averages
- Schedule RC-N – Past Due and Nonaccrual Loans, Leases, and Other Assets
- Schedule RC-R – Regulatory Capital
- Schedule RC-V – Variable Interest Entities (FFIEC 031 and FFIEC 041 only)
- Schedule SU – Supplemental Information (FFIEC 051 only)

As noted previously, ASU 2016-13 broadens the scope of financial assets for which allowances for credit losses must be estimated. CECL is applicable to all financial instruments measured at amortized cost (including loans held for investment and HTM debt securities, as well as trade and reinsurance receivables and receivables that relate to repurchase agreements and securities lending agreements), net investments in leases, and off-balance-sheet credit exposures not accounted for as insurance, including loan commitments, standby letters of credit, and financial guarantees. In addition, under ASU 2016-13, institutions will record credit losses on AFS debt securities through an allowance for credit losses rather than as a write-down through earnings for other-than-temporary impairment (OTTI). The broader scope of financial assets for which allowances must be estimated under ASU 2016-13 results in the proposed reporting of additional allowances, and related charge-off and recovery data, in the Call Report and proposed changes to the terminology used to describe allowances for credit losses within the Call Report. To address the broader scope of assets that will have allowances under ASU 2016-13, the agencies propose to change the allowance nomenclature to consistently use "allowance for credit losses" followed by the specific asset type as relevant, e.g., "allowance for credit losses on loans and leases" and "allowance for credit losses on HTM debt securities."

By broadening the scope of financial assets for which the need for allowances for credit losses must be assessed to include HTM and AFS debt securities, the new standard eliminates the existing OTTI model for such securities. Subsequent to an institution's adoption of ASU 2016-13, the concept of OTTI will no longer be relevant and information on OTTI will no longer be captured in the Call Report.

The new standard also eliminates the separate impairment model for PCI loans and debt securities. Under CECL, credit losses on PCD financial assets measured at amortized cost are subject to the same credit loss measurement standard as all other financial assets measured at amortized cost. Subsequent to an institution's adoption of ASU 2016-13, information on PCI loans will no longer be captured in the Call Report.

While the standard generally does not change the scope of off-balance sheet credit exposures subject to an allowance for credit loss assessment, the standard does change the period over which an institution should estimate expected credit losses. For off-balance-sheet credit exposures, an institution will estimate expected credit losses over the contractual period in which it is exposed to credit risk via a present contractual obligation to extend credit. For the period of exposure, the estimate of expected credit losses should consider both the likelihood that funding will occur and the amount expected to be funded over the estimated remaining life of the commitment or other off-balance-sheet exposure. In contrast to existing practices, the FASB decided that no credit losses should be recognized on off-balance-sheet credit exposures that are unconditionally cancellable by the issuer. Therefore, the Call Report instructions would be clarified to the effect that upon adoption of the new standard, unconditionally cancellable off-balance sheet exposures would be excluded from the allowance for credit losses assessment .

The agencies also note that, because of the different effective dates for ASU 2016-13 for PBEs that are SEC filers, other PBEs (non-SEC filers), and all other entities, as well as the option for early adoption and the varying fiscal years across the population of institutions that file Call Reports, the period over which institutions may be implementing this ASU ranges from the first quarter of 2019 through the fourth quarter of 2022. December 31, 2022, will be the first quarter-end Call Report date as of which all institutions would be required to prepare their Call Reports in accordance with ASU 2016-13. As a result, the agencies are proposing revisions to the reporting of information on credit losses in response to the ASU that would be introduced in the Call Report effective March 31, 2019, but would not be fully phased in until the Call Report for December 31, 2022.[9]

As of the new accounting standard's effective date for an individual institution, the institution will apply the standard based on the characteristics of financial assets as follows:

- **Financial assets measured at amortized cost** (that are not PCD assets) and net investments in leases: A cumulative-effect adjustment for the changes in the allowances for credit losses on these assets will be recognized in retained earnings, net of applicable taxes, as of the beginning of the fiscal year in which the new standard is adopted. The cumulative-effect adjustment to retained earnings should be reported in Call Report Schedule RI-A, item 2, "Cumulative effect of changes in accounting principles and corrections of material accounting errors," and explained in Schedule RI-E, item 4.a, for which a preprinted caption, "Adoption of Current Expected Credit Losses Methodology – ASC Topic 326," will be provided in the text field for this item.
- **Purchased credit-deteriorated financial assets**: Financial assets classified as PCI assets prior to the effective date of the new standard will be classified as PCD assets as of the effective date. For all financial assets designated as PCD assets as of the effective date, an institution will be required to gross up the balance sheet amount of the financial asset by the amount of its allowance for expected credit losses as of the effective date, resulting in an adjustment to the amortized cost basis of the asset to reflect the addition of the allowance for credit losses as of that date. For loans held for investment and held-to-maturity debt securities, this allowance gross-up as of the effective date of ASU 2016-13 should be reported in the appropriate columns of Schedule RI-B, Part II, item 6, "Adjustments," and should be included in the amount reported in Schedule RI-E, item 6.b, for which a preprinted caption, "Effect of adoption of current expected credit losses methodology on allowances for credit losses on loans and leases held for investment and held-to-maturity debt securities," will be provided in the text field for this

[9] See CECL FAQs, question 36, for examples of how and when institutions with non-calendar fiscal years must incorporate the new credit losses standard into their regulatory reports.

item. Subsequent changes in the allowances for credit losses on PCD financial assets will be recognized by charges or credits to earnings through provisions for credit losses. The institution will accrete the noncredit discount or premium to interest income based on the effective interest rate on the PCD financial assets determined after the gross-up for the CECL allowance as of the effective date, except for PCD financial assets in nonaccrual status.

- **AFS and HTM debt securities**: A debt security on which OTTI had been recognized prior to the effective date of the new standard will transition to the new guidance prospectively (i.e., with no change in the amortized cost basis of the security). The effective interest rate on such a debt security before the adoption date will be retained and locked in. Amounts previously recognized in accumulated other comprehensive income related to cash flow improvements will continue to be accreted to interest income over the remaining life of the debt security on a level-yield basis. Recoveries of amounts previously written off relating to improvements in cash flows after the date of adoption will be recognized in income in the period received.

EGRRCPA Proposed Call Report Revisions

This proposal addresses the changes to the reporting of reciprocal deposits and HVCRE exposures in the Call Report resulting from EGRRCPA. The guiding principles, noted above, were applied in determining these proposed changes to the Call Report.

The existing Call Report schedules impacted by EGRRCPA and for which revisions are included in this proposal are:

- Schedule RC-E – Deposit Liabilities
- Schedule RC-O – Other Data for Deposit Insurance and FICO Assessments
- Schedule RC-R – Regulatory Capital: Part II. Risk-Weighted Assets

Detail of Specific Proposed Call Report Revisions

The proposed Call Report revisions are consistent across the FFIEC 031, FFIEC 041, and FFIEC 051 reporting forms to the extent that the same schedule and data items within these schedules currently exist within each reporting form. Throughout this detailed discussion of specific proposed Call Report revisions, for each schedule discussed, the agencies have included the affected form numbers next to the schedule name. Unless otherwise stated, all changes relating to a particular schedule apply to all forms listed.

ASU 2016-13 Proposed Call Report Revisions

Due to the staggered effective dates, ASU 2016-13 will not be implemented by all institutions until December 2022. It is expected that the majority of institutions will implement the standard in the first or fourth quarter of 2021. Therefore, the proposed revisions to schedule titles or specific data item captions resulting from the change in nomenclature upon the adoption of CECL generally would not be reflected in the reporting forms until March 31, 2021, as outlined in the following schedule-by-schedule descriptions of the proposed changes to the affected Call Report schedules. Effective for the March 31, 2021, report date, unless otherwise indicated, the schedule titles or specific data item captions referencing the “provision for loan and lease losses” and the “allowance for loan and lease losses” would be changed to the “provision for credit losses” and the “allowance for credit losses on loans and leases,” respectively.

From March 31, 2019, through December 31, 2020, the reporting form and instructions for each schedule title or data item impacted by the change in nomenclature would include guidance stating how institutions that have adopted ASU 2016-13 would report the data items related to the “provision for credit losses” and “allowance for credit losses,” as applicable. For the transition period from March 31, 2021, through December 31, 2022, the reporting form and instructions for each impacted schedule title or data item would be updated to include guidance stating how institutions that have not adopted ASU 2016-13 would report the “provision for loan and lease losses” or the “allowance for loan and lease losses,” as applicable.

Schedule RI (FFIEC 031, FFIEC 041, and FFIEC 051)

To address the broader scope of financial assets for which provisions will be calculated under ASU 2016-13, the agencies propose to revise Schedule RI, item 4, from “Provision for loan and lease losses” to “Provisions for credit losses on financial assets,” effective March 31, 2021. To address the elimination of the concept of OTTI by ASU 2016-13, effective December 31, 2022, the agencies propose to remove Schedule RI, Memorandum item 14, “Other-than-temporary impairment losses on held-to-maturity and available-for-sale debt securities recognized in earnings.” Under the new standard, institutions will recognize credit losses on HTM and AFS debt securities through an allowance for credit losses, and the agencies propose to collect information on the allowance for credit losses on these two categories of debt securities in Schedule RI-B as described below. From March 31, 2019, through September 30, 2022, the reporting form and instructions for Memorandum item 14 will include guidance stating that Memorandum item 14 is to be completed only by institutions that have not adopted ASU 2016-13.

Schedule RI-B (FFIEC 031, FFIEC 041, and FFIEC 051)

To address the broader scope of financial assets for which allowances will be calculated under ASU 2016-13 and for which charge-offs and recoveries will be applicable, the agencies propose to change the title of Schedule RI-B effective March 31, 2019, from “Charge-offs and Recoveries on Loans and Leases and Changes in Allowance for Loan and Lease Losses” to “Charge-offs and Recoveries on Loans and Leases and Changes in Allowances for Credit Losses.”

In addition, for the FFIEC 031 and FFIEC 041 only, effective March 31, 2021, to address the change in allowance nomenclature arising from the broader scope of allowances under ASU 2016-13, the agencies propose to revise Schedule RI-B, Part I, Memorandum item 4, from “Uncollectible retail credit card fees and finance charges reversed against income (i.e., not included in charge-offs against the allowance for loan and lease losses)” to “Uncollectible retail credit card fees and finance charges reversed against income (i.e., not included in charge-offs against the allowance for credit losses on loans and leases).”

To further address the broader scope of financial assets for which allowances will be calculated under ASU 2016-13, the agencies propose to revise Schedule RI-B, Part II, to also include changes in the allowances for credit losses on HTM and AFS debt securities. Effective March 31, 2019, the agencies propose to change the title of Schedule RI-B, Part II, from "Changes in Allowance for Loan and Lease Losses" to "Changes in Allowances for Credit Losses."

In addition, effective March 31, 2019, Schedule RI-B, Part II, would be expanded from one column to a table with three columns titled:

- Column A: Loans and leases held for investment
- Column B: Held-to-maturity debt securities
- Column C: Available-for-sale debt securities

From March 31, 2019, through September 30, 2022, the reporting form and instructions for Schedule RI-B, Part II, would include guidance stating that Columns B and C are to be completed only by institutions that have adopted ASU 2016-13.

In addition, effective March 31, 2019, Schedule RI-B, Part II, item 4, will be revised from "Less: Write-downs arising from transfers of loans to a held-for-sale account" to "Less: Write-downs arising from transfers of financial assets" to capture changes in allowances from transfers of loans from held-to-investment to held-for-sale and from transfers of securities between categories, e.g., from the AFS to the HTM category. Further, effective March 31, 2019, Schedule RI-B, Part II, item 5, will be revised from "Provision for loan and lease losses" to "Provisions for credit losses" to capture the broader scope of financial assets included in the schedule.

Effective March 31, 2019, or the first quarter in which an institution reports its adoption of ASU 2016-13, whichever is later, Schedule RI-B, Part II, item 6, "Adjustments," would be used to capture the initial impact of applying ASU 2016-13 as of the effective date in the period of adoption, including the initial allowance gross-up for PCD assets as of the effective date. Item 6 also would be used to report the allowance gross-up upon the acquisition of PCD assets on or after the effective date. These adjustments would be explained in items for which preprinted captions would be provided in place of the existing text fields in Schedule RI-E, items 6.a and 6.b, respectively, as proposed below.

In the memorandum section of Schedule RI-B, Part II, on the FFIEC 031 and the FFIEC 041, to address the change in allowance nomenclature arising from the broader scope of allowances under ASU 2016-13, the agencies propose to revise the caption for Memorandum item 3, effective March 31, 2021, from "Amount of allowance for loan and lease losses attributable to retail credit card fees and finance charges" to "Amount of allowance for credit losses on loans and leases attributable to retail credit card fees and finance charges." Also in the memorandum section of Schedule RI-B, Part II, on the FFIEC 031 and the FFIEC 041, effective December 31, 2022, the agencies propose to remove existing Memorandum item 4, "Amount of allowance for post-acquisition credit losses on purchased credit impaired loans accounted for in accordance with FASB ASC 310-30," as ASU 2016-13 eliminates the concept of PCI loans and the separate credit impairment model for such loans. From March 31, 2019, through September 30, 2022, the reporting form and instructions for Schedule RI-B, Part II, Memorandum item 4, would specify that this item should be completed only by institutions that have not yet adopted ASU 2016-13.

Given that the scope of ASU 2016-13 is broader than the three financial asset types proposed to be included in the table in Schedule RI-B, Part II, effective March 31, 2019, the agencies propose to also add new Memorandum item 5, "Provisions for credit losses on other financial assets measured at amortized cost," and Memorandum item 6, "Allowance for credit losses on other financial assets measured at amortized cost," to Schedule RI-B, Part II, at the same time. For purposes of Memorandum items 5 and 6, other financial assets would include all financial assets measured at amortized cost other than loans and leases held for investment and held-to-maturity debt securities. From March 31, 2019, through September 30, 2022, the reporting form and instructions for Schedule RI-B, Part II, would include guidance stating that Memorandum items 5 and 6 are to be completed only by institutions that have adopted ASU 2016-13.

Schedule RI-C (FFIEC 031 and FFIEC 041)

Schedule RI-C currently requests allowance information for specified categories of loans held for investment that is disaggregated on the basis of three separate credit impairment models, and the amounts of the related recorded investment, from institutions with $1 billion or more in total assets. ASU 2016-13 eliminates these separate credit impairment models and replaces them with CECL for all financial assets measured at amortized cost. As a result of this change, effective March 31, 2021, the agencies propose to change the title of Schedule RI-C from "Disaggregated Data on the Allowance for Loan and Lease Losses" to "Disaggregated Data on Allowances for Credit Losses."

To capture disaggregated data on allowances for credit losses from institutions that have adopted ASU 2016-13, the agencies propose to create Schedule RI-C, Part II, "Disaggregated Data on Allowances for Credit Losses," effective March 31, 2019. The existing table in Schedule RI-C, which includes items 1 through 6 and columns A through F, would be renamed "Part I. Disaggregated Data on the Allowance for Loan and Lease Losses." From March 31, 2019, through September 30, 2022, the reporting form and instructions for Schedule RI-C, Part I, would include guidance stating that only those institutions that have not adopted ASU 2016-13 should complete Schedule RI-C, Part I.

The proposed Part II of this schedule would contain the same six loan portfolio categories and the unallocated category for which data are currently collected in existing Schedule RI-C along with the following portfolio categories for which allowance information would begin to be reported for HTM debt securities:

1. Securities issued by states and political subdivisions in the U.S.
2. Total mortgage-backed securities (MBS) (including CMOs, REMICs, and stripped MBS)
3. Asset-backed securities and structured financial products
4. Other debt securities
5. Total

For each category of loans in Part II of Schedule RI-C, institutions would report the amortized cost and the related allowance balance in Columns A and B, respectively. The amortized cost amounts to be reported would exclude any accrued interest receivable that is reported in "Other assets" on the balance sheet. For each category of HTM debt securities in Part II of Schedule RI-C, institutions would report only the related allowance balance. The amortized cost and allowance information on loans and the allowance information on HTM debt securities would be reported quarterly only by institutions with $1 billion or more in total assets, as is currently done with existing Part I of Schedule RI-C.

The agencies will use the securities-related information gathered in proposed Part II of the schedule to monitor the allowance levels and changes in these levels for the categories of HTM debt securities specified above, which would serve as a starting point for assessing the appropriateness of these levels. Further, with the proposed removal of the Call Report item for OTTI losses recognized in earnings (Schedule RI, Memorandum item 14), proposed Schedule RI-C, Part II, will become another source of information regarding credit losses on HTM debt securities, in addition to data proposed to be reported in Schedule RI-B, Part II. From March 31, 2019, through September 30, 2022, the reporting form and instructions for Schedule RI-C, Part II, would include guidance stating that only those institutions with $1 billion or more in total assets that have adopted ASU 2016-13 should complete Schedule RI-C, Part II.

In addition, effective December 31, 2022, the agencies propose to remove the existing Schedule RI-C, Part I. Schedule RI-C, Part II, would then be the only table remaining within this schedule and the "Part II" designation would be removed.

Schedule RI-D (FFIEC 031)

To address the broader scope of financial assets for which provisions will be calculated under ASU 2016-13, effective March 31, 2021, the agencies propose to revise Schedule RI-D, item 3, from "Provision for loan and lease losses in foreign offices" to "Provisions for credit losses in foreign offices."

Schedule RI-E (FFIEC 031, FFIEC 041, and FFIEC 051)

Institutions use item 4 of Schedule RI-E to itemize and describe amounts included in Schedule RI-A, item 2, "Cumulative effect of changes in accounting principles and corrections of material accounting errors." Effective March 31, 2019, the agencies propose to replace the existing text field for Schedule RI-E, item 4.a, with a preprinted caption that would be titled "Adoption of Current Expected Credit Losses Methodology – ASC Topic 326." Institutions will use this item to report the cumulative-effect adjustment (net of applicable income taxes) recognized in retained earnings for the changes in the allowances for credit losses on financial assets and off-balance sheet credit exposures as of the beginning of the fiscal year in which the institution adopts ASU 2016-13. Providing a preprinted caption for this data item, rather than allowing each institution to enter its own description for this cumulative-effect adjustment in the text field for item 4.a, will enhance the agencies' ability to compare the impact of the adoption of ASU 2016-13 across institutions. From March 31, 2019, through December 31, 2022, the reporting form and instructions for Schedule RI-E, item 4.a, would specify that this item is to be completed only in the quarter-end Call Reports for the remainder of the calendar year in which an institution adopts ASU 2016-13. The agencies anticipate that the preprinted caption for Schedule RI-E, item 4.a, would be removed after all institutions have adopted ASU 2016-13.

For Schedule RI-E, item 6, to address the broader scope of financial assets for which allowances will be maintained under ASU 2016-13, effective March 31, 2019, the agencies propose to revise this item from "Adjustments to allowance for loan and lease losses" to "Adjustments to allowances for credit losses." In addition, effective March 31, 2019, the agencies propose to replace the existing text field for Schedule RI-E, item 6.a, with a preprinted caption that would be titled "Initial allowances for credit losses recognized upon the acquisition of purchased credit-deteriorated assets on or after the effective date of ASU 2016-13." Also, effective March 31, 2019, the agencies propose to replace the existing text field for Schedule RI-E, item 6.b, with a preprinted caption that would be titled "Effect of adoption of current expected credit losses methodology on allowances for credit losses on loans and leases held for investment and held-to-maturity debt securities." Item 6.b would be used to capture the change in the amount of allowances from initially applying ASU 2016-13 to these two categories of assets as of the effective date of the accounting standard in the period of adoption, including the initial allowance gross-up for any PCD assets held as of the effective date. From March 31, 2019, through September 30, 2022, the reporting form and instructions for Schedule RI-E, items 6.a and 6.b, would specify that these items are to be completed only by institutions that have adopted ASU 2016-13. The instructions for item 6.b would further state that this item is to be completed only in the quarter-end Call Reports for the remainder of the calendar year in which an institution adopts ASU 2016-13. The agencies anticipate that the preprinted caption for Schedule RI-E, item 6.b, would be removed after all institutions have adopted ASU 2016-13.

Schedule RC (FFIEC 031, FFIEC 041, and FFIEC 051)

To address the broader scope of financial assets for which allowances will be estimated under ASU 2016-13, the agencies propose revisions to the reporting form and instructions to specify which asset categories should be reported net of an allowance for credit losses on the Call Report balance sheet and which asset categories should be reported gross of such an allowance. The agencies determined that the only financial asset category for which separate (i.e., gross) reporting of the amortized cost[10] and the allowance is needed on Schedule RC continues to be item 4.b, "Loans and leases held for investment," because of the large size and overall importance of this asset category and its related allowances in comparison to the total assets reported on the balance sheet by most institutions. For other financial assets within the scope of CECL, the agencies propose that institutions report these assets at amortized cost net of the related allowance for credit losses on Schedule RC.

Effective March 31, 2021, the agencies propose to revise Schedule RC, item 2.a, from "Held-to-maturity securities" to "Held-to-maturity securities, net of allowance for credit losses." From March 31, 2019, through December 31, 2020, the agencies propose to add a footnote to Schedule RC, item 2.a, specifying that institutions should "report this amount net of any applicable allowance for credit losses." Additionally, for Schedule RC, item 3.b, "Securities purchased under agreements to resell," and Schedule RC, item 11, "Other assets," effective

[10] Amortized cost amounts to be reported by asset category would exclude any accrued interest receivable on assets in that category that is reported in "Other assets" on the Call Report balance sheet.

March 31, 2019, the agencies propose to add a footnote to these items specifying that institutions should "report this amount net of any applicable allowance for credit losses." From March 31, 2019, through September 30, 2022, the reporting form and instructions for Schedule RC, items 2.a, 3.b, and 11, would specify that reporting such items net of any related allowances for credit losses is applicable only to those institutions that have adopted ASU 2016-13. Given that AFS debt securities are reported on Schedule RC at fair value, the agencies are not proposing any changes to Schedule RC, item 2.b, "Available-for-sale securities," and instead propose reporting allowances for credit losses on AFS debt securities only in Schedule RI-B, Part II.

In addition, to address the change in allowance nomenclature under ASU 2016-13, the agencies propose to revise Schedule RC, item 4.c, from "LESS: Allowance for loan and lease losses" to "LESS: Allowance for credit losses on loans and leases" effective March 31, 2021.

Schedule RC-B (FFIEC 031, FFIEC 041, and FFIEC 051)

Effective March 31, 2019, the agencies propose to revise the instructions to Schedule RC-B to clarify that for institutions that have adopted ASU 2016-13, allowances for credit losses should not be deducted from the amortized cost amounts reported in columns A and C of this schedule.[11] In other words, institutions should continue reporting the amortized cost of HTM and AFS debt securities in these two columns of Schedule RC-B gross of their related allowances for credit losses.

Schedule RC-C (FFIEC 031, FFIEC 041, and FFIEC 051)

Effective March 31, 2021, to address the change in allowance nomenclature, the agencies propose to revise the reporting form and instructions for Schedule RC-C by replacing references to the allowance for loan and lease losses in statements indicating that the allowance should not be deducted from the loans and leases reported in this schedule with references to the allowance for credit losses. Thus, loans and leases will continue to be reported gross of any related allowances or allocated transfer risk reserve in Schedule RC-C, Part I.

In addition, to address the elimination of PCI assets by ASU 2016-13, the agencies propose to remove Schedule RC-C, Part I, Memorandum items 7.a and 7.b, in which institutions report the outstanding balance and balance sheet amount, respectively, of PCI loans held for investment effective December 31, 2022. The agencies determined that these items were not needed after the transition to PCD loans under ASU 2016-13 because the ASU eliminates the separate credit impairment model for PCI loans and applies CECL to all loans held for investment measured at amortized cost. From March 31, 2019, through September 30, 2022, the reporting form and instructions for Schedule RC-C, Part I, Memorandum items 7.a and 7.b, would specify that these items should be completed only by institutions that have not yet adopted ASU 2016-13.

Additionally, since ASU 2016-13 supersedes ASC 310-30, the agencies propose to revise

[11] Amortized cost amounts to be reported by securities category in Schedule RC-B would exclude any accrued interest receivable on the securities in that category that is reported in "Other assets" on the Call Report balance sheet.

Schedule RC-C, Part I, Memorandum item 12, "Loans (not subject to the requirements of FASB ASC 310-30 (former AICPA Statement of Position 03-3)) and leases held for investment that were acquired in business combinations with acquisition dates in the current calendar year," effective December 31, 2022. As revised, the loans held for investment to be reported in Memorandum item 12 would be those not considered purchased credit deteriorated per ASC 326. From March 31, 2019, through September 30, 2022, the agencies propose to revise the reporting form and instructions for Schedule RC-C, Part I, by adding a statement explaining that, subsequent to adoption of ASU 2016-13, an institution should report only loans held for investment not considered purchased credit deteriorated per ASC 326 in Schedule RC-C, Part I, Memorandum item 12.

Schedule RC-F (FFIEC 031, FFIEC 041, and FFIEC 051)

To address the broader scope of financial assets for which allowances will be applicable under ASU 2016-13, the agencies propose to specify that assets within the scope of the ASU that are included in Schedule RC-F should be reported net of any applicable allowances for credit losses. Effective March 31, 2019, the agencies propose to revise the reporting form and the instructions for Schedule RC-F by adding a statement explaining that, subsequent to adoption of ASU 2016-13, an institution should report asset amounts in Schedule RC-F net of any applicable allowances for credit losses.

In addition, effective March 31, 2019, the agencies propose to add a footnote to item 1, "Accrued interest receivable," on the reporting form and a statement to the instructions for item 1 that specify that institutions should exclude from this item any accrued interest receivable that is reported elsewhere on the balance sheet as part of the related financial asset's amortized cost.

Schedule RC-G (FFIEC 031, FFIEC 041, and FFIEC 051)

To address ASU 2016-13's exclusion of off-balance sheet credit exposures that are unconditionally cancellable from the scope of off-balance sheet credit exposures for which allowances for credit losses should be measured, the agencies propose to revise the reporting form and instructions for Schedule RC-G, item 3, "Allowance for credit losses on off-balance-sheet credit exposures," effective March 31, 2019. As revised, the reporting form and instructions would state that institutions that have adopted ASU 2016-13 should report in item 3 the allowance for credit losses on those off-balance-sheet credit exposures that are not unconditionally cancellable.

Schedule RC-H (FFIEC 031)

Effective March 31, 2019, the agencies propose to revise the instructions to Schedule RC-H to clarify that institutions that have adopted ASU 2016-13 should report Schedule RC-H, item 3, "Securities purchased under agreements to resell," at amortized cost net of any related allowance for credit losses, which would be consistent with the proposed reporting of this asset category in Schedule RC – Balance Sheet. Also effective March 31, 2019, the agencies propose to revise the instructions to items 10 through 17 of Schedule RC-H to clarify that, for institutions that have adopted ASU 2016-13, allowances for credit losses should not be deducted from the amortized cost amounts reported for HTM debt securities in column A.[12] This proposed reporting treatment for HTM debt securities is consistent with proposed reporting of the cost amounts of such securities in Schedule RC-B, column A.

Schedule RC-K (FFIEC 031, FFIEC 041, FFIEC 051)

Effective March 31, 2019, the agencies propose to revise the instructions to Schedule RC-K to clarify that, for institutions that have adopted ASU 2016-13, allowances for credit losses should not be deducted from the related amortized cost amounts when calculating the quarterly averages for all debt securities.

Schedule RC-N (FFIEC 031, FFIEC 041, and FFIEC 051)

To address the elimination of PCI assets by ASU 2016-13, the agencies propose to remove Schedule RC-N, Memorandum items 9.a and 9.b, in which institutions report the outstanding balance and balance sheet amount, respectively, of past due and nonaccrual PCI loans effective December 31, 2022. The agencies determined that these items were not needed for PCD loans under ASU 2016-13 given that the ASU eliminates the separate credit impairment model for PCI loans and applies CECL to PCD loans and all other loans held for investment measured at amortized cost. From March 31, 2019, through September 30, 2022, the reporting form and the instructions for Schedule RC-N, Memorandum items 9.a and 9.b, would specify that these items should be completed only by institutions that have not yet adopted ASU 2016-13.

Schedule RC-R (FFIEC 031, FFIEC 041, and FFIEC 051)

In connection with the agencies' recently approved final rule on the implementation of CECL and the related transition for regulatory capital (CECL Rule),[13] the agencies are proposing a number of revisions to Schedule RC-R to incorporate new terminology and the approved optional regulatory capital transition. The proposed reporting changes to Schedule RC-R would be tied to the revisions in the CECL Rule. Unless otherwise indicated, the proposed revisions to Schedule RC-R discussed below would take effect March 31, 2019 (or the first quarter-end report date thereafter following the effective date on any final rule) and would apply to those institutions that have adopted CECL.

The CECL Rule introduces a newly defined regulatory capital term, allowance for credit losses (ACL), which replaces the term ALLL, as defined under the existing capital rules, for institutions that have adopted CECL. The CECL Rule also provides that credit loss allowances for PCD assets held by these institutions should be netted when determining the carrying value, as defined in the CECL Rule, and, therefore, only the resulting net amount is be subject to risk-weighting. In addition, in the CECL Rule, the agencies have provided each institution the option to phase in the day-one regulatory capital effects that may result from the adoption of ASU 2016-

[12] Amortized cost amounts to be reported by securities category in Schedule RC-H would exclude any accrued interest receivable on the securities in that category that is reported in "Other assets" on the Call Report balance sheet.

[13] See https://www.federalreserve.gov/newsevents/pressreleases/bcreg20181221a.htm.

13 over the three-year period beginning with the institution's CECL effective date.[14]

Allowances for Credit Losses Definition and Treatment of Purchased Credit Deteriorated Assets

In general, under the CECL Rule, institutions that have adopted CECL will be required to report ACL amounts instead of ALLL amounts that are currently reported. Effective December 31, 2022, the agencies are proposing to remove references to ALLL and replace them with references to ACL on the reporting form for Schedule RC-R. From March 31, 2019, through September 30, 2022, the agencies are proposing to revise the instructions to Schedule RC-R to direct institutions that have adopted CECL to use ACL amounts instead of ALLL amounts in calculating regulatory capital. The revisions to the instructions would affect Schedule RC-R, Part I. Regulatory Capital Components and Ratios, item 30 (FFIEC 051) and item 30.a (FFIEC 031 and FFIEC 041), "Allowance for loan and lease losses includable in tier 2 capital"; and Schedule RC-R, Part II. Risk-Weighted Assets, item 6, "LESS: Allowance for loan and lease losses"; item 26, "Risk-weighted assets base for purposes of calculating the allowance for loan and lease losses 1.25 percent threshold"; item 28, Risk-weighted assets before deductions for excess allowance for loan and lease losses and allocated transfer risk reserve"; and item 29, "LESS: Excess allowance for loan and lease losses".

In addition, consistent with the CECL Rule, assets and off-balance sheet credit exposures for which any related credit loss allowances are eligible for inclusion in regulatory capital should be calculated and reported in Schedule RC-R, Part II. Risk-Weighted Assets, on a gross basis. Therefore, the agencies are proposing to revise the instructions for Schedule RC-R, Part II, Risk-Weighted Assets, item 2.a, "Held-to-maturity securities"; item 3.b, "Securities purchased under agreements to resell"; item 5.a, "Residential mortgage exposures" held for investment; item 5.b, "High volatility commercial real estate exposures" held for investment; item 5.c, Held-for-investment "Exposures past due 90 days or more or on nonaccrual"; item 5.d, "All other exposures" held for investment; item 8, "All other assets," and item 9.a, "On-balance sheet securitization exposures: Held-to-maturity securities"; to explain that institutions that have adopted CECL should report and risk weight their loans and leases held for investment, HTM securities, and other financial assets measured at amortized cost gross of their credit loss allowances, but net of any associated allowances on PCD assets.[15]

In addition, effective March 31, 2019, the agencies propose to add a new Memorandum item 4 to Schedule RC-R, Part II that would collect data by asset category on the "Amount of allowances for credit losses on purchased credit-deteriorated assets." The amount of such allowances for credit losses would be reported separately for "Loans and leases held for

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[14] A non-PBE with a calendar year fiscal year that does not early adopt CECL would first report under CECL as of December 31, 2021, even though the non-PBE's CECL effective date is January 1, 2021. Thus, under the CECL Rule, such a non-PBE should use the phase-in percentage applicable to the first year of the three-year transition period only for the December 31, 2021, report date (i.e., one quarter), not the four quarters that begin with the first report under CECL. The non-PBE may use the applicable phase-in percentages for all four quarters of the second and third years after the CECL effective date (i.e., 2022 and 2023). The same principle would apply to the optional phase-in by a non-PBE with a non-calendar fiscal year.

[15] Amortized cost amounts to be reported by asset category in Schedule RC-R, Part II, would exclude any accrued interest receivable on assets in that category that is reported in "Other assets" on the Call Report balance sheet.

investment" in Memorandum item 4.a, "Held-to-maturity debt securities" in Memorandum item 4.b, and, "Other financial assets measured at amortized cost" in Memorandum item 4.c. The instructions for Schedule RC-R, Part II, Memorandum item 4, would specify that these items should be completed only by institutions that have adopted ASU 2016-13.

The agencies also would include footnotes for the affected Schedule RC-R items on the reporting forms to highlight the revised treatment of those items for institutions that have adopted CECL.

CECL Transition Provision

Under the CECL Rule, an institution that experiences a reduction in retained earnings as of the effective date of CECL for the institution as a result of the institution's adoption of CECL may elect to phase in the regulatory capital impact of adopting CECL (electing institution). As described in the CECL Rule, an electing institution should indicate in its Call Report whether it has elected to use the CECL transition provision beginning in the quarter that it first reports its credit loss allowances as measured under CECL. To identify which institutions are electing institutions, the agencies are proposing to revise Schedule RC-R, Part I. Regulatory Capital Components and Ratios, by adding a new item 2.a in which an institution that has adopted CECL would report whether it has or does not have a CECL transition election in effect as of the quarter-end report date. Each institution would complete item 2.a beginning in the Call Report for its first reporting period under CECL and in each subsequent Call Report thereafter until item 2.a is removed from the report. Until an institution has adopted CECL, it would leave item 2.a blank. Effective March 31, 2025, the agencies propose to remove item 2.a from Schedule RC-R, Part I, because the optional three-year phase-in period will have ended for all electing institutions by the end of the prior calendar year. If an individual electing institution's three-year phase-in period ends before item 2.a is removed (e.g., its phase-in period ends December 31, 2022), the institution would change its response to item 2.a and report that it does not have a CECL transition election in effect as of the quarter-end report date.

During the CECL transition period, an electing institution would need to make adjustments to its retained earnings, temporary difference deferred tax assets (DTAs), ACL, and average total consolidated assets for regulatory capital purposes. An advanced approaches electing institution also would need to make an adjustment to its total leverage exposure. These adjustments are described in detail in the CECL Rule.

The agencies are proposing to revise the instructions to Schedule RC-R, Part I. Regulatory Capital Components and Ratios, item 2, "Retained earnings"; items 30 (FFIEC 051) and 30.a (FFIEC 031 and FFIEC 041), "Allowance for loan and lease losses includable in tier 2 capital"; item 36, "Average total consolidated assets"; and item 45.a (FFIEC 031 and FFIEC 041), "Total leverage exposure"; and Schedule RC-R, Part II. Risk-Weighted Assets, item 8, "All other assets," consistent with the adjustments to these items for the applicable transitional amounts as described in the CECL Rule for the reporting by electing institutions of the adjusted amounts. The agencies also propose to include footnotes on the reporting forms to highlight the changes to these items for electing institutions.

Schedule RC-V (FFIEC 031 and FFIEC 041)

The agencies propose to clarify in the instructions effective March 31, 2019, that all assets of consolidated variable interest entities should be reported net of applicable allowances for credit losses by institutions that have adopted ASU 2016-13. Net reporting on Schedule RC-V by such institutions is consistent with the proposed changes to Schedules RC and RC-F. Similarly, effective March 31, 2019, the reporting form for Schedule RC-V will also specify that institutions that have adopted ASU 2016-13 should report assets net of applicable allowances.

Schedule SU (FFIEC 051)

To address the change in allowance nomenclature arising from the broader scope of allowances under ASU 2016-13, the agencies propose to revise Schedule SU, item 8.c, effective March 31, 2021, from "Amount of allowance for loan and lease losses attributable to retail credit card fees and finance charges" to "Amount of allowance for credit losses on loans and leases attributable to retail credit card fees and finance charges."

EGRRCPA Proposed Call Report Revisions

As described above, effective beginning with the June 30, 2018, report date, the agencies implemented emergency revisions to the Call Reports regarding the reporting of HVCRE exposures and reciprocal deposits in order to reflect statutory amendments made by sections 202 and 214 of EGRRCPA. To assist institutions in preparing their Call Reports for that report date, the Call Report Supplemental Instructions for June 2018 included information regarding the reporting of HVCRE exposures and reciprocal deposits. The agencies are now undertaking the regular PRA process for revising and extending these information collections for three years.

In amending section 29 of the FDI Act to except a capped amount of reciprocal deposits from treatment as brokered deposits for qualifying institutions, section 202 defines "reciprocal deposits" to mean "deposits received by an agent institution through a deposit placement network with the same maturity (if any) and in the same aggregate amount as covered deposits placed by the agent institution in other network member banks." The terms "agent institution," "deposit placement network," "covered deposit," and "network member bank," all of which are used in the definition of "reciprocal deposit," also are defined in section 202.

In particular, an "agent institution" is an FDIC-insured depository institution that meets at least one of the following criteria:

- The institution is well-capitalized <u>and</u> has a composite condition of "outstanding" or "good" when most recently examined under section 10(d) of the FDI Act (12 U.S.C. 1820(d)),
- The institution has obtained a waiver from the FDIC to accept, renew, or roll over brokered deposits pursuant to section 29(c) of the FDI Act (12 U.S.C. 1831f(c)), or
- The institution does not receive reciprocal deposits in an amount that is greater than a "special cap" (discussed below).

Under the "general cap" set forth in section 202, an agent institution may classify reciprocal deposits up to the lesser of the following amounts as non-brokered reciprocal deposits:

- $5 billion, or
- An amount equal to 20 percent of the agent institution's total liabilities.

Any amount of reciprocal deposits in excess of the "general cap" would be treated as, and should be reported in the Call Report as, brokered deposits.

A "special cap" applies if an agent institution is either not "well-rated" or not well capitalized. In this situation, the institution may classify reciprocal deposits as non-brokered in an amount up to the lesser of the "general cap" or the average amount of reciprocal deposits held by the agent institution on the last day of each of the four calendar quarters preceding the calendar quarter in which the agent institution was found to not have a composite condition of "outstanding" or "good" or was determined to be not well capitalized.

Section 51 of the FDI Act, as added by section 214 of EGRRCPA, governs the risk-based capital requirements for HVCRE ADC Loans and defines this term. Under section 214, the assignment of a heightened risk weight to HVCRE exposures may be required only if the exposure meets the statutory definition of an HVCRE ADC Loan.

Schedule RC-E (FFIEC 031, FFIEC 041, and FFIEC 051)

To address the change in the treatment of certain reciprocal deposits under section 202 of EGRRCPA in the Call Report, the agencies, through the issuance of Call Report Supplemental Instructions for June 2018, explained how institutions could report certain data on brokered deposits in accordance with EGRRCPA or based on the reporting instructions in effect prior to passage of EGRRCPA. The agencies explained that institutions that chose to report based on the new law should include in Memorandum items 1.b through 1.d only those reciprocal deposits that are still considered brokered deposits under section 202. The agencies reissued these Supplemental Instructions for September 2018. Revised instructions for Memorandum item 1.b will be incorporated into the Call Report instruction books at a future date.

In addition, the agencies added a new Memorandum item 1.g to Schedule RC-E in which institutions report their "Total reciprocal deposits" (as of the report date) in accordance with the definition of this term in section 202, starting with the September 30, 2018, Call Report. The new Memorandum item 1.g of Schedule RC-E is used in determining an institution's "special cap" if the institution were found to not have a composite condition of "outstanding" or "good" or was determined not to be well capitalized. The measurement of an institution's "special cap" is the average of reciprocal deposits held on the last day of each of the four calendar quarters preceding the calendar quarter in which the institution was found to not have a composite condition of "outstanding" or "good" or was determined not to be well capitalized.

From a supervisory perspective, a funding concentration could arise if a significant amount of an institution's deposits comes from reciprocal deposits obtained through a single deposit placement network, regardless of whether the reciprocal deposits are treated as brokered under section 202. Examiners review funding concentrations on an institution-by-institution basis. The Memorandum item for "Total reciprocal deposits" enable the agencies to identify significant changes in the reported amounts of such deposits at institutions for appropriate supervisory follow-up.

Schedule RC-O (FFIEC 031, FFIEC 041, and FFIEC 051)

To address the change in the treatment of certain reciprocal deposits under section 202 of EGRRCPA, the agencies, through the Supplemental Instructions for June 2018, explained that institutions that chose to report based on the new law should include in items 9, "Reciprocal brokered deposits," and 9.a, "Fully consolidated reciprocal brokered deposits," only those reciprocal deposits that are still considered brokered deposits after application of Section 202 of the new law. The agencies reissued these Supplemental Instructions for September 2018. Revised instructions for items 9 and 9.a will be incorporated into the Call Report instructions at a future date.

Schedule RC-R (FFIEC 031, FFIEC 041, and FFIEC 051)

To address the EGRRCPA change that applies to the reporting of HVCRE exposures for risk-based capital purposes, the agencies revised the instructions to Schedule RC-R, Part II, through the Call Report Supplemental Instructions for June 2018. The revised instructions explain that, pending further action by the agencies, when reporting HVCRE exposures in Schedule RC-R, Part II, institutions may use available information to reasonably estimate and report only "HVCRE ADC Loans" held for sale, held for investment, and held for trading in Schedule RC-R, Part II, items 4.b, 5.b and 7, respectively. The portion of any "HVCRE ADC Loan" that is secured by collateral or has a guarantee that qualifies for a risk weight lower than 150 percent may continue to be assigned a lower risk weight when completing Schedule RC-R, Part II. Pending further agency action, institutions may refine their estimates of "HVCRE ADC Loans" in good faith as they obtain additional information, but they will not be required to amend Call Reports previously filed for report dates on or after June 30, 2018, as these estimates are adjusted. Alternatively, institutions may continue to report and risk weight HVCRE exposures in a manner consistent with the current Call Report instructions for Schedule RC-R, Part II, until the agencies take further action. The agencies will incorporate the instructions for these items, currently in the Supplemental Instructions for June 2018, into the Call Report instruction books at a future date.

Time Schedule for Information Collection and Publication

The Call Reports are collected quarterly as of the end of the last calendar day of March, June, September, and December, although certain information is collected on a semiannual or annual basis, as described in the Call Report instructions. Less frequent collection of Call Reports would reduce the Board's ability to identify on a timely basis those banks that are experiencing adverse changes in their condition so that appropriate corrective measures can be implemented to restore their safety and soundness. State member banks generally must submit the Call Reports to the appropriate Federal Reserve Bank within 30 calendar days following the as-of date, except that banks with more than one foreign office must submit the call Reports within 35 calendar days following the as-of date.

Aggregate data are published in the *Federal Reserve Bulletin* and the *Annual Statistical Digest*. Additionally, data are used in the *Uniform Bank Performance Report (UBPR)* and the *Annual Report of the FFIEC*. Individual respondent data, excluding confidential information, are available to the public from the National Technical Information Service in Springfield, Virginia, upon request approximately twelve weeks after the report date. Data are also available from the FFIEC Central Data Repository Public Data Distribution (CDR PDD) website (https://cdr.ffiec.gov/public/). Data for the current quarter are made available, shortly after a bank's submission, beginning the first calendar day after the report date. Updated or revised data may replace data already posted at any time thereafter.

Legal Status

The Board is authorized to collect information on the Call Reports from state member banks pursuant to section 9 of the Federal Reserve Act, which requires state member banks to file reports of condition and of the payment of dividends with the Federal Reserve (12 U.S.C. 324). The obligation for state member banks to respond is mandatory.

Most of the information provided on the Call Reports is made public. However, the following items are confidential: (1) the FDIC deposit insurance assessment information reported in response to item 2.g on schedule RI-E, (2) the prepaid deposit insurance assessments information reported in response to item 6.f on schedule RC-F, and (3) the information regarding other data for deposit insurance and FICO assessments reported in response to memorandum items 6-9, 14-15, and 18 on schedule RC-O. It is possible to determine an institution's confidential Capital, Asset Quality, Management, Earnings, Liquidity, and Sensitivity (CAMELS) rating based on the data reported under the FDIC deposit insurance assessment data item and the prepaid deposit insurance assessments data item. As a result, this information is exempt from disclosure under (b)(8), which specifically exempts from disclosure information "contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions" (5 U.S.C. 552(b)(8)). Additionally, this information can be kept confidential under section (b)(4) of the Freedom of Information Act (5 U.S.C. 552(b)(4)). The release of this information and information regarding other data for deposit insurance and FICO assessments reported in response to memorandum items 6-9, 14-15, and 18 on schedule RC-O would likely cause substantial harm to the competitive position of the institution from whom the information was obtained if it was released.

Public Comments and Response

On September 28, 2018, the agencies, under the auspices of the FFIEC, published an initial notice in the *Federal Register* (83 FR 49160) requesting public comment for 60 days on the extension, with revision, of the Call Reports. The comment period for this notice expired on November 27, 2018. The agencies received comments from two entities: a bankers' association and a bank. The commenters requested clarification regarding certain statements made in the *Federal Register* notice, recommended that the Board alter certain proposed language in the reporting instructions or reporting forms for clarification, and recommended certain other organizational and substantive changes to the proposal.

One commenter requested clarification regarding whether losses caused by interest rate movement, which currently is included as part of OTTI, will be considered credit losses after the adoption of CECL, under which the concept of OTTI will no longer be relevant. The commenter appears to be seeking an interpretation of how the new credit losses accounting standard, ASU 2016-13, applies to securities (because inventory is not within the scope of ASU 2016-13) compared to how the previous accounting standards on OTTI applied to securities. This request for interpretation of ASU 2016-13 should be directed to the Financial Accounting Standards Board.

One commenter asked whether footnote 3 to Schedule RC should refer to institutions that have not adopted ASU 2016-13, instead of institutions that have done so. Schedule RC footnote 3 has been corrected to refer to institutions that have not adopted ASU 2016-13. The commenter also requested clarification regarding the proposed footnote 2 to the reporting form for Schedule RC-F, Other assets, item 1. Specifically, the commenter asked whether a reporter has a choice between reporting accrued interest receivable as part of the financial asset's amortized cost and reporting it on this Line on Schedule RC-F and whether the footnote creates a distinction in the treatment of interest accrued on assets at amortized cost versus those held for sale or under the fair value option. Schedule RC-F, footnote 2 has been corrected to remove the reference to "financial asset's amortized cost."

One commenter noted that the instructions provided in the proposed footnote 2 to the reporting form for Schedule RC-R, Regulatory Capital Part II. Risk-Weighted Assets, line 5, would incorrectly cause column A to not equal the sums of columns B through R. Schedule RC-R, Part II, footnote 2 has been corrected. Similarly, the commenter noted that the instructions provided in Schedule RC-R – Regulatory Capital Part II. Risk-Weighted Assets lines 2a, 3b, 8, and 9a, footnote 3 (9a, footnote 2), would incorrectly cause column A to not equal the sums of columns B through R. This comment reflects an incorrect understanding of the risk-based capital rules and how they are applied when reporting under the standardized approach in Schedule RC-R, Part II. The comment is based on a view that assets are risk weighted net of the allowance when the allowance is includable in tier 2 capital, which is incorrect because assets are risk weighted gross of the allowance when the allowance is includable in tier 2 capital.

A commenter suggested that it would be appropriate to collect the proposed new Memorandum item "Amount of allowances for credit losses on purchased credit-deteriorated assets" as part of Schedule RI-C – Part II. Disaggregated Data on the Allowance for Credit Losses, rather than Schedule RC-R, Part II. Risk-Weighted Assets, as originally proposed. Since Schedule RI-C, Part II, is completed only by institutions with greater than $1 billion in total consolidated assets and therefore not collected on the FFIEC 051, the memorandum item was retained on Schedule RC-R, Part II.

The agencies also reevaluated the proposed portfolio categories for which disaggregated allowance information would begin to be reported by institutions after adoption of ASU 2016-13 for held-to-maturity (HTM) debt securities on Schedule RI-C, Part II, on the FFIEC 031 and FFIEC 041. The agencies determined that separate reporting of allowances on HTM mortgage-backed securities issued or guaranteed by U.S. government agencies or sponsored agencies and other HTM mortgage-backed securities, which had been proposed in the September 2018 notice, is not needed because, at present, the former category of mortgage-backed securities could have zero expected credit losses based on historical credit loss information, adjusted for current conditions and reasonable and supportable forecasts. As a result, the agencies propose to combine these portfolio categories and collect only one data item, rather than two data items, for the total allowances on an institution's HTM mortgage-backed securities.

In addition, in December 2018, the agencies approved the CECL Rule. The final rule included revised terminology for the allowance balance eligible for inclusion in regulatory capital. The agencies have made a conforming terminology revision regarding the allowance balance eligible for inclusion in regulatory capital to the reporting to the reporting instructions for Schedule RC-R.

After considering these comments, the agencies are adopting the revisions proposed in the September 2018 notice to the FFIEC 031, FFIEC 041, and FFIEC 051 as originally proposed, with the modifications noted above.

On February 14, 2019, the agencies published a final notice in the *Federal Register* (84 FR 4131).

Consultation outside the Agency

There has been no consultation outside of the Federal Reserve System.

Estimate of Respondent Burden

The current annual reporting burden for the Call Report is estimated to be 159,200 hours and would increase to 159,550 hours as shown in the following table. The average estimated hours per response for Board Call Report filers would increase from 50.00 hours to 50.11 hours due to the proposed changes. The estimated average burden hours collectively reflect the estimates for the FFIEC 031, FFIEC 041, and FFIEC 051 reports. When the estimates are calculated by type of report across the agencies, the estimated average burden hours per quarter are 95.47 (FFIEC 031), 55.71 (FFIEC 041), and 39.77 (FFIEC 051). The estimated burden per response for the quarterly filings of the Call Report is an average that varies by agency because of differences in the composition of the banks and savings associations under each agency's supervision (e.g., size distribution of such institutions, types of activities in which they are engaged, and existence of foreign offices). These reporting requirements represent 1.4 percent of the total Federal Reserve paperwork burden.

FFIEC 031, FFIEC 041, and FFIEC 051	*Number of respondents*[16]	*Annual frequency*	*Estimated average hours per response*	*Estimated annual burden hours*
Current	796	4	50.00	159,200
Proposed	796	4	50.11	159,550
Change				350

The current total annual cost to all state member banks is estimated to be $8,923,160 and with the proposed revisions would increase to $8,942,778.[17] This estimate represents costs associated with recurring salary and employee benefits, and expenses associated with software, data processing, and bank records that are not used internally for management purposes but are necessary to complete the Call Reports.

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The current cost to the Federal Reserve System for collecting and processing the FFIEC 031, FFIEC 041, and FFIEC 051 is estimated to be $1,871,500 per year.

[16] Of these respondents, 529 are considered small entities as defined by the Small Business Administration (i.e., entities with less than $550 million in total assets), www.sba.gov/document/support--table-size-standards.
[17] Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at $18, 45% Financial Managers at $69, 15% Lawyers at $68, and 10% Chief Executives at $94). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2017*, published March 30, 2018, www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.