Draft Revisions to the Call Report Instructions for Proposed Revisions to the FFIEC 031 and FFIEC 041 Call Reports with Proposed Effective Dates Beginning with March 31, 2020

These draft instructions, which are subject to change, present the pages in the FFIEC 031-FFIEC 041 instruction book proposed to be revised beginning with the March 31, 2020, report date (subject to approval by the U.S. Office of Management and Budget). These proposed revisions are described in the federal banking agencies' final Paperwork Reduction Act (PRA) *Federal Register* notice published on January 27, 2020, which is available on the FFIEC's web page for the FFIEC 031 Call Report and on the FFIEC's web page for the FFIEC 041 Call Report. These proposed revisions would implement changes to the capital rule that the agencies have finalized. Draft instructions for certain other proposed revisions outlined in the final PRA *Federal Register* notice are included as well.

Draft as of March 9, 2020*

*In response to comments received on the final PRA *Federal Register* notice, the instructions for the following items have been updated since the draft as of February 6, 2020, was posted to the FFIEC 031 and FFIEC 041 web pages: 1) items 20 and 21 of Schedule RC-R, Part II (pages 202 and 206) and 2) Memorandum items 2 and 3 of Schedule RC-R, Part II (pages 216 and 218).

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[1] The revisions to the Schedule RC-R instructions to implement the capital simplifications rule, the community bank leverage ratio rule, and the tailoring final rule will be effective March 31, 2020, and will be included in the FFIEC 031-FFIEC 041 Call Report instruction book update for that report date. The revisions to the Schedule RC-R instructions to implement the custodial bank supplementary leverage ratio final rule, the standardized approach for counterparty credit risk final rule, and the high volatility commercial real estate exposures final rule will be effective June 30, 2020, and will be included in the FFIEC 031-FFIEC 041 Call Report instruction book update for that report date.

Questions concerning these draft revisions to the Call Report forms and instructions, which are subject to change, may be submitted to the FFIEC by going to https://www.ffiec.gov/contact/default.aspx, clicking on “Reporting Forms” under the “Reports” caption on the Web page, and completing the Feedback Form.

Note: The changes to Schedule RC-C, Schedule RC-G, Schedule RC-L, Schedule RC-M, and Schedule RC-O, on pages 4 through 18 are effective as of the March 31, 2020, report date.

Part I. (cont.)

Item No. **Caption and Instructions**

1.b (cont.) Exclude loans for farm property construction and land development purposes (report in Schedule RC-C, part I, item 1.a).

1.c **Secured by 1-4 family residential properties**. Report in the appropriate subitem (on the FFIEC 041, in column B; on the FFIEC 031, in columns A and B for large institutions and highly complex institutions – as defined for assessment purposes – with foreign offices, and in column B for all other institutions with foreign offices) open-end and closed-end loans secured by real estate as evidenced by mortgages (FHA, FmHA, VA, or conventional) or other liens on:

(1) Nonfarm property containing 1-to-4 dwelling units (including vacation homes) or more than four dwelling units if each is separated from other units by dividing walls that extend from ground to roof (e.g., row houses, townhouses, or the like).

(2) Mobile homes where (a) state laws define the purchase or holding of a mobile home as the purchase or holding of real property and where (b) the loan to purchase the mobile home is secured by that mobile home as evidenced by a mortgage or other instrument on real property.

(3) Individual condominium dwelling units and loans secured by an interest in individual cooperative housing units, even if in a building with five or more dwelling units.

(4) Housekeeping dwellings with commercial units combined where use is primarily residential and where only 1-to-4 family dwelling units are involved.

Reverse 1-4 family residential mortgages should be reported in the appropriate subitem based on whether they are closed-end or open-end mortgages. A reverse mortgage is an arrangement in which a homeowner borrows against the equity in his/her home and receives cash either in a lump sum or through periodic payments. However, unlike a traditional mortgage loan, no payment is required until the borrower no longer uses the home as his or her principal residence. Cash payments to the borrower after closing, if any, and accrued interest are added to the principal balance. These loans may have caps on their maximum principal balance or they may have clauses that permit the cap on the maximum principal balance to be increased under certain circumstances. Homeowners generally have one of the following options for receiving tax free loan proceeds from a reverse mortgage: (1) one lump sum payment; (2) a line of credit; (3) fixed monthly payments to homeowner either for a specified term or for as long as the homeowner lives in the home; or (4) a combination of the above.

Reverse mortgages that provide for a lump sum payment to the borrower at closing, with no ability for the borrower to receive additional funds under the mortgage at a later date, should be reported as closed-end loans in Schedule RC-C, part I, item 1.c.(2). Normally, closed-end reverse mortgages are first liens and would be reported in Schedule RC-C, part I, item 1.c.(2)(a). Reverse mortgages that are structured like home equity lines of credit in that they provide the borrower with additional funds after closing (either as fixed monthly payments, under a line of credit, or both) should be reported as open-end loans in Schedule RC-C, part I, item 1.c.(1). Open-end reverse mortgages also are normally first liens. Where there is a combination of both a lump sum payment to the borrower at closing and payments after the closing of the loan, the reverse mortgage should be reported as an open-end loan in Schedule RC-C, part I, item 1.c.(1).

Part I. (cont.)

Item No. **Caption and Instructions**

1 A home equity line of credit (HELOC) is a revolving open-end line of credit secured by a lien on a 1-to-4 family residential property that generally provides a draw period followed by a repayment period. During the draw period, a borrower has revolving access to unused amounts under a specified line of credit. During the repayment period, the borrower can no longer draw on the line of credit and the outstanding principal is either due immediately in a balloon payment or repaid over the remaining term through monthly payments. HELOCs in the draw period or in the repayment period should be reported in Schedule RC-C, Part I, item 1.c.(1).[1] Revolving open-end lines of credit that are no longer in the draw period and have converted to non-revolving closed-end status also should be reported in Schedule RC-C, part I, Memorandum item 16.

Exclude loans for 1-to-4 family residential property construction and land development purposes (report in Schedule RC-C, part I, item 1.a.(1)). Also exclude loans secured by vacant lots in established single-family residential sections or in areas set aside primarily for 1-to-4 family homes (report in Schedule RC-C, part I, item 1.a.(2)).

1.c.(1) **Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit**. Report (on the FFIEC 041, in column B; on the FFIEC 031, in columns A and B for large institutions and highly complex institutions – as defined for assessment purposes – with foreign offices, and in column B for all other institutions with foreign offices) the amount outstanding under revolving, open-end lines of credit secured by 1-to-4 family residential properties, i.e., HELOCs.~~. These lines of credit, commonly known as home equity lines, are typically secured by a junior lien and are usually accessible by check or credit card~~

Include revolving, open-end lines of credit secured by 1-to-4 family residential properties for which the draw periods have ended and the loans have converted to non-revolving closed-end status.[1] After their conversion, such loans should also be reported in Schedule RC-C, Part I, Memorandum item 16 beginning March 31, 2021.

Also include amounts drawn on a HELOC during its draw period that the borrower has converted to a closed-end loan before the end of this period (sometimes referred to as a HELOC flex product).

1.c.(2) **Closed-end loans secured by 1-4 family residential properties**. Report in the appropriate subitem (on the FFIEC 041, in column B; on the FFIEC 031, in columns A and B for large institutions and highly complex institutions – as defined for assessment purposes – with foreign offices, and in column B for all other institutions with foreign offices) the amount of all closed-end loans secured by 1-to-4 family residential properties (i.e., closed-end first mortgages and junior liens).

Exclude loans that were extended under revolving, open-end lines of credit secured by 1-to-4 family residential properties for which the draw periods have ended and the loans have converted to non-revolving closed-end status (report in Schedule RC-C, Part I, item 1.c.(1) above).[1]

[1] All HELOCs that convert to non-revolving, closed-end status on or after January 1, 2021, must be reported as open-end loans in item 1.c.(1). An institution that, as of March 31, 2020, reports HELOCs that convert to non-revolving, closed-end status as closed-end loans in Schedule RC-C, Part I, item 1.c.(2)(a) or 1.c.(2)(b), as appropriate, may continue to report HELOCs that convert on or before December 31, 2020, as closed-end loans in Call Reports for report dates after that date. Alternatively, the institution may choose to begin reporting some or all of these closed-end HELOCs as open-end loans in item 1.c.(1) as of the March 31, 2020, or any subsequent report date, provided this reporting treatment is consistently applied.

SCHEDULE RC-G – OTHER LIABILITIES

General Instructions

Complete this schedule for the fully consolidated bank. Eliminate all intrabank transactions between offices of the consolidated bank.

Item Instructions

Item No.	Caption and Instructions
1.a	**Interest accrued and unpaid on deposits (in domestic offices).** Report the amount of interest on deposits (in domestic offices) accrued through charges to expense during the current or prior periods, but not yet paid or credited to a deposit account. For savings banks, include in this item "dividends" accrued and unpaid on deposits. On the FFIEC 031, exclude from this item interest accrued and unpaid on deposits in foreign offices (report such accrued interest in Schedule RC-G, item 1.b below).
1.b	**Other expenses accrued and unpaid.** Report the amount of income taxes, interest on nondeposit liabilities (and, on the FFIEC 031, deposits in foreign offices), and other expenses accrued through charges to expense during the current or prior periods, but not yet paid. Exclude interest accrued and unpaid on deposits in domestic offices (report such accrued interest in Schedule RC-G, item 1.a above).
2	**Net deferred tax liabilities.** Report the net amount after offsetting deferred tax assets (net of valuation allowance) and deferred tax liabilities measured at the report date for a particular tax jurisdiction if the net result is a credit balance. If the result for a particular tax jurisdiction is a net debit balance, report the amount in Schedule RC-F, item 2, "Net deferred tax assets." If the result for each tax jurisdiction is a net debit balance, enter a zero in this item. (A bank may report a net deferred tax debit, or asset, for one tax jurisdiction, such as for federal income tax purposes, and also report at the same time a net deferred tax credit, or liability, for another tax jurisdiction, such as for state or local income tax purposes.) For further information on calculating deferred taxes for different tax jurisdictions, see the Glossary entry for "income taxes."
3	**Allowance for credit losses on off-balance sheet credit exposures.** Report the amount of any allowance for credit losses on off-balance sheet credit exposures established in accordance with generally accepted accounting principles. Institutions that have adopted FASB Accounting Standards Update No. 2016-13, which governs the accounting for credit losses, should exclude off-balance sheet credit exposures that are unconditionally cancellable by the institution when estimating expected credit losses.
4	**All other liabilities.** Report the amount of all other liabilities (other than those reported in Schedule RC-G, items 1, 2, and 3, above) that cannot properly be reported in Schedule RC, items 13 through 19. Disclose in items 4.a through 4.~~g~~h each component of all other liabilities, and the dollar amount of such component, that is greater than $100,000 and exceeds 25 percent of the amount reported for this item. For each component of all other liabilities that exceeds this disclosure threshold for which a preprinted caption has not been provided in Schedule RC-G, items 4.a through 4.~~d~~e, describe the component with a clear but concise caption in Schedule RC-G, items 4.~~e~~f through 4.~~g~~h. These descriptions should not exceed 50 characters in length (including spacing between words).

Item No.	Caption and Instructions

4 (cont.)

Include as all other liabilities:

(1) Accounts payable (other than expenses accrued and unpaid). (Report the amount of accounts payable in Schedule RC-G, item 4.a, if this amount is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule RC-G, item 4.)

(2) Deferred compensation liabilities. (Report the amount of such liabilities in Schedule RC-G, item 4.b, if this amount is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule RC-G, item 4.)

(3) Dividends declared but not yet payable, i.e., the amount of cash dividends declared on limited-life preferred, perpetual preferred, and common stock on or before the report date but not payable until after the report date. (Report the amount of such dividends in Schedule RC-G, item 4.c, if this amount is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule RC-G, item 4.) (Report dividend checks outstanding as deposit liabilities in Schedule RC-E, item 1, column A, and item 7, column B.)

(4) Derivative instruments that have a negative fair value that the reporting bank holds for purposes other than trading. For further information, see the Glossary entry for "derivative contracts." (Report this negative fair value in Schedule RC-G, item 4.d, if this amount is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule RC-G, item 4.)

(5) For institutions that have adopted FASB Accounting Standards Update No. 2016-02 on accounting for leases, lease liabilities for operating leases. (Report the amount of such liabilities in Schedule RC-G, item 4.e, if this amount is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule RC-G, item 4.)

(6) Deferred gains from sale-leaseback transactions.

(~~6~~7) Unamortized loan fees, other than those that represent an adjustment of the interest yield, if material (refer to the Glossary entry for "loan fees" for further information).

(~~7~~8) Bank's liability for deferred payment letters of credit.

(~~8~~9) Recourse liability accounts arising from asset transfers with recourse that are reported as sales.

(~~9~~10) Unearned insurance premiums, claim reserves and claims adjustment expense reserves, policyholder benefits, contractholder funds, and "separate account liabilities" of the reporting bank's insurance subsidiaries.

(1~~0~~1) The *full* amount (except as noted below) of the liability represented by drafts and bills of exchange that have been accepted by the reporting bank, or by others for its account, and that are outstanding. The bank's liability on acceptances executed and outstanding should be reduced prior to the maturity of such acceptances only when the reporting bank acquires and holds its own acceptances, i.e., only when the acceptances are not outstanding. See the Glossary entry for "bankers acceptances" for further information.

(1~~1~~2) Servicing liabilities.

(1~~2~~3) The negative fair value of unused loan commitments (not accounted for as derivatives) that the bank has elected to report at fair value under a fair value option.

Item No.	Caption and Instructions
4 (cont.)	(1~~3~~4) C sh payments and other consideration received in connection with transfers of the reporting institution's other real estate owned that have been financed by the institution and do not qualify for sale accounting, which applicable accounting standards describe as a "liability," a "deposit," or a "deposit liability." See the Glossary entry for "foreclosed assets" for further information.

Exclude from all other liabilities (report in appropriate items of Schedule RC-E, Deposit Liabilities):

(1) Proceeds from sales of U.S. savings bonds.

(2) Withheld taxes, social security taxes, sales taxes, and similar items.

(3) Mortgage and other escrow funds (e.g., funds received for payment of taxes or insurance), sometimes described as mortgagors' deposits or mortgage credit balances.

(4) Undisbursed loan funds for which borrowers are liable and on which they pay interest. The amounts of such undisbursed funds should be included in both loans and deposits.

(5) Funds held as dealer reserves (see the Glossary entry for "dealer reserve accounts" for the definition of this term).

(6) Payments collected by the bank on loans secured by real estate and other loans serviced for others that have not yet been remitted to the owners of the loans.

(7) Credit balances on credit cards and other revolving credit plans as a result of customers' overpayments.

Also exclude from all other liabilities due bills or similar instruments representing the bank's receipt of payment and the bank's liability on capital lease obligations (report in Schedule RC, item 16, "Other borrowed money").

5 **Total.** Report the sum of items 1 through 4. This amount must equal Schedule RC, item 20, "Other liabilities."

Item No.	Caption and Instructions

4 **Commercial and similar letters of credit.** Report the amount outstanding and unused as of the report date of issued or confirmed commercial letters of credit, travelers' letters of credit not issued for money or its equivalent, and all similar letters of credit, but excluding standby letters of credit (which are to be reported in Schedule RC-L, items 2 and 3, above). (See the Glossary entry for "letter of credit.") Legally binding commitments to issue commercial letters of credit are to be reported in this item.

Travelers' letters of credit and other letters of credit issued for money or its equivalent by the reporting bank or its agents should be reported as demand deposit liabilities in Schedule RC-E.

5 Not applicable.

6 **Securities lent and borrowed:**

6.a **Securities lent.** Report the appropriate amount of all securities lent against collateral or on an uncollateralized basis. Report the fair value as of the report date of bank-owned trading and available-for-sale securities and the amortized cost as of the report date of bank-owned held-to-maturity securities that have been lent. In addition, for customers who have been indemnified against any losses by the reporting bank or its consolidated subsidiaries, report the fair value as of the report date of such customers' securities, including customers' securities held in the reporting bank's trust department, that have been lent. If the reporting bank or its consolidated subsidiaries have indemnified their customers against any losses on their securities that have been lent by the bank or its subsidiaries, the commitment to indemnify – either through a standby letter of credit or other means – should not be reported in any other item on Schedule RC-L.

6.b **Securities borrowed.** Report the appropriate amount of all securities borrowed by the bank against collateral or on an uncollateralized basis. For borrowed securities that are fully collateralized by similar securities of equivalent value, report the fair value of the borrowed securities at the time they were borrowed. For other borrowed securities, report their fair value as of the report date.

7 **Credit derivatives.** In general, credit derivatives are arrangements that allow one party (the "protection purchaser" or "beneficiary") to transfer the credit risk of a "reference asset" or "reference entity" to another party (the "protection seller" or "guarantor"). Banks should report the notional amounts of credit derivatives by type of instrument in Schedule RC-L, items 7.a.(1) through 7.a.(4). Banks should report the gross positive and negative fair values of all credit derivatives in Schedule RC-L, items 7.b.(1) and 7.b.(2). For both the notional amounts and gross fair values, report credit derivatives for which the bank is the protection seller in column A, "Sold Protection," and those on which the bank is the protection purchaser in column B, "Purchased Protection." Banks should report the notional amounts of credit derivatives by regulatory capital treatment in Schedule RC-L, items 7.c.(1)(a) through 7.c.(2)(c). Banks should report the notional amounts of credit derivatives by remaining maturity in Schedule RC-L, items 7.d.(1)(a) through 7.d.(2)(b). All notional amounts to be reported in items 7.a.(1) through 7.a.(4), 7.c.(1)(a) through 7.c.(2)(c), and 7.d.(1)(a) through 7.d.(2)(b) should be based on the notional amount definition in U.S. generally accepted accounting principles.

Exclude notional amounts for credit derivatives that have matured, but have associated unsettled receivables or payables that are reported as assets or liabilities, respectively, on the balance sheet as of the quarter-end report date.

All credit derivative transactions within the consolidated bank should be reported on a net basis, i.e., intrabank transactions should not be reported in this item. No other netting of

Item No. **Caption and Instructions**

11 (cont.) An agent bank with risk is a bank that, by agreement, participates in another bank's merchant credit card acceptance program. An agent bank with risk assumes liability for chargebacks for all or a portion of the loss for the merchants' sales activity.

For purposes of items 11.a and 11.b, banks should include credit card sales transactions involving bank credit cards, e.g., MasterCard and Visa.

For banks with total assets of $10 billion or more, the year-to-date sales volume may be reported to the nearest million dollars, with zeros reported for the thousands, rather than to the nearest thousand dollars.

11.a **Sales for which the reporting bank is the acquiring bank.** Report the year-to-date volume of sales (in U.S. dollars) generated through the bank's merchant processing activities where the reporting bank is the acquiring bank. This will include amounts processed for merchants contracted directly by the acquiring bank, amounts processed for agent banks with risk, and amounts processed for third parties (e.g., independent sales organizations and member service providers). Banks that are required to report sales data to the credit card associations of which they are members (e.g., MasterCard and Visa) should measure sales volume in the same manner for purposes of this item.

11.b **Sales for which the reporting bank is the agent bank with risk.** Report the year-to-date volume of sales (in U.S. dollars) generated through the bank's merchant processing activities where the reporting bank is acting as an agent bank with risk. Include all sales transactions for which the acquiring bank with whom the reporting bank contracted may hold the bank responsible.

12 **Gross amounts (e.g., notional amounts) of derivatives.** Report in the appropriate column and subitem the gross par value (stated in U.S. dollars) (e.g., for futures, forwards, and option contracts) or the notional amount (stated in U.S. dollars) (e.g., for forward rate agreements and swaps), as appropriate, of all contracts that meet the definition of a derivative and must be accounted for in accordance with ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended). Include both freestanding derivative contracts and embedded derivatives that must be accounted for separately from their host contract under ASC Topic 815. Report each contract according to its underlying risk exposure: (a) interest rate, (b) foreign exchange, (c) equity, or (d) commodity and other. Contracts with multiple risk characteristics should be classified based upon the predominant risk characteristics at the origination of the derivative. However, exclude from Schedule RC-L, items 12 through 15, all credit derivatives, which should be reported in Schedule RC-L, item 7, above.

Also exclude notional amounts or par values for the derivatives that have matured, but have associated unsettled receivables or payables that are reported as assets or liabilities, respectively, on the balance sheet as of the quarter-end report date.

All notional amounts or par values to be reported in Schedule RC-L, items 12 through 15, should be based on the notional amount definition in U.S. generally accepted accounting principles.

The notional amount or par value to be reported for a derivative contract with a multiplier component is the contract's effective notional amount or par value. For example, a swap contract with a stated notional amount of $1,000,000 whose terms called for quarterly settlement of the difference between 5% and LIBOR multiplied by 10 has an effective notional amount of $10,000,000.

Item No.	Caption and Instructions

5.a.(1)(b) **Over one year through three years.** Report the amount of:

- fixed rate Federal Home Loan Bank advances with a remaining maturity of over one year through three years, and
- floating rate Federal Home Loan Bank advances with a next repricing date occurring in over one year through three years.

5.a.(1)(c) **Over three years through five years.** Report the amount of:

- fixed rate Federal Home Loan Bank advances with a remaining maturity of over three years through five years, and
- floating rate Federal Home Loan Bank advances with a next repricing date occurring in over three years through five years.

5.a.(1)(d) **Over five years.** Report the amount of:

- fixed rate Federal Home Loan Bank advances with a remaining maturity of over five years, and
- floating rate Federal Home Loan Bank advances with a next repricing date occurring in over five years.

5.a.(2) **Advances with a remaining maturity of one year or less.** Report all Federal Home Loan Bank advances with a remaining maturity of one year or less. Include both fixed rate and floating rate advances with a remaining maturity of one year or less.

The fixed rate advances that should be included in this item will also have been reported by remaining maturity in Schedule RC-M, item 5.a.(1)(a), above. The floating rate advances that should be included in this item will also have been reported by next repricing date in Schedule RC-M, item 5.a.(1)(a), above. However, exclude those floating rate advances included in Schedule RC-M, item 5.a.(1)(a), with a next repricing date of one year or less that have a remaining maturity of over one year.

5.a.(3) **Structured advances.** Report the amount of structured Federal Home Loan Bank advances outstanding. Structured advances are advances containing options. Structured advances include (1) callable advances, i.e., fixed rate advances that the Federal Home Loan Bank has the option to call after a specified amount of time, (2) convertible advances, i.e., fixed rate advances that the Federal Home Loan Bank has the option to convert to floating rate after a specified amount of time, and (3) puttable advances, i.e., fixed rate advances that the bank has the option to prepay without penalty on a specified date or dates. Any other advances that have caps, floors, or other embedded derivatives should also be reported as structured advances.

5.b **Other borrowings.** Report in the appropriate subitem the specified information about amounts borrowed by the consolidated bank:

(1) on its promissory notes;

(2) on notes and bills rediscounted (including commodity drafts rediscounted):

Item No.	Caption and Instructions

5.b (cont.)

(3) on financial assets (other than securities) sold under repurchase agreements that have an original maturity of more than one business day and sales of participations in pools of loans that have an original maturity of more than one business day;

(4) by transferring financial assets in exchange for cash or other consideration (other than beneficial interests in the transferred assets) in transactions that do not satisfy the criteria for sale treatment under ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,” as amended) (see the Glossary entry for "transfers of financial assets" for further information);

(5) by the creation of due bills representing the bank's receipt of payment and similar instruments, whether collateralized or uncollateralized (see the Glossary entry for "due bills");

(6) from Federal Reserve Banks;

(7) by overdrawing "due from" balances with depository institutions, except overdrafts arising in connection with checks or drafts drawn by the reporting bank 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 or drafts drawn in the normal course of business during the period until the amount of the checks or drafts is remitted to the other depository institution (in which case, report the funds received or held in connection with such checks or drafts as deposits in Schedule RC-E until the funds are remitted);

(8) on purchases of so-called "term federal funds" (as defined in the Glossary entry for "federal funds transactions");

(9) on notes and debentures issued by consolidated subsidiaries of the reporting bank;

(10) through mortgages, liens, or other encumbrances on bank premises and other real estate owned;

(11) ~~and~~for institutions that have not adopted FASB Accounting Standards Update No. 2016-02 (ASU 2016-02) on accounting for leases, through obligations under capital~~ized~~ leases, and for institutions that have adopted ASU 2016-02, through lease liabilities for finance leases;

(1~~1~~2) by borrowing immediately available funds in foreign offices that have an original maturity of one business day or roll over under a continuing contract that are not securities repurchase agreements; and

(1~~2~~3) on any other obligation for the purpose of borrowing money not reported elsewhere on Schedule RC, Balance Sheet, or in Schedule RC-M, item 5.a, “Federal Home Loan Bank advances.”

Also include any borrowings by an Employee Stock Ownership Plan (ESOP) that the reporting bank must report as a borrowing on its own balance sheet in accordance with generally accepted accounting principles. For further information, see ASC Subtopic 718-40, Compensation-Stock Compensation – Employee Stock Ownership Plans (formerly AICPA Statement of Position 93-6, Employers' Accounting for Employee Stock Ownership Plans”).

Item No. **Caption and Instructions**

5.b (cont.) Exclude from other borrowings:

(1) federal funds purchased (in domestic offices) and securities sold under agreements to repurchase (report in Schedule RC, items 14.a and 14.b, respectively);

(2) liability for short positions (report in Schedule RC, item 15);

(3) subordinated notes and debentures (report in Schedule RC, item 19); and~~.~~

(4) for institutions that have adopted FASB Accounting Standards Update No. 2016-02 on accounting for leases, lease liabilities for operating leases (report in Schedule RC-G, item 4, "All other liabilities").

5.b.(1) **Other borrowings with a remaining maturity or next repricing date of.** Report the amount of the bank's fixed rate other borrowings in the appropriate subitems according to the amount of time remaining until their final contractual maturities. Report the amount of the bank's floating rate other borrowings in the appropriate subitems according to their next repricing dates.

5.b.(1)(a) **One year or less.** Report the amount of:

- fixed rate "Other borrowings" with a remaining maturity of one year or less, and
- floating rate "Other borrowings" with a next repricing date occurring in one year or less.

Include in this item those overdrawn "due from" balances with depository institutions that are reportable as "Other borrowed money," as described in the instructions to Schedule RC-M, item 5.b, above.

5.b.(1)(b) **Over one year through three years.** Report the amount of:

- fixed rate "Other borrowings" with a remaining maturity of over one year through three years, and
- floating rate "Other borrowings" with a next repricing date occurring in over one year through three years.

5.b.(1)(c) **Over three years through five years.** Report the amount of:

- fixed rate "Other borrowings" with a remaining maturity of over three years through five years, and
- floating rate "Other borrowings" with a next repricing date occurring in over three years through five years.

5.b.(1)(d) **Over five years.** Report the amount of:

- fixed rate "Other borrowings" with a remaining maturity of over five years, and
- floating rate "Other borrowings" with a next repricing date occurring in over five years.

5.b.(2) **Other borrowings with a remaining maturity of one year or less.** Report all "Other borrowings" with a remaining maturity of one year or less. Include both fixed rate and floating rate borrowings with a remaining maturity of one year or less.

The fixed rate borrowings that should be included in this item will also have been reported by remaining maturity in Schedule RC-M, item 5.b.(1)(a), above. The floating rate borrowings that should be included in this item will also have been reported by next repricing date in Schedule RC-M, item 5.b.(1)(a), above. However, exclude those floating rate borrowings included in Schedule RC-M, item 5.b.(1)(a), with a next repricing date of one year or less that have a remaining maturity of over one year.

Item No. **Caption and Instructions**

10 (cont.) To meet the business conduct test, which is set forth in Section 327.5(b)(3) of the FDIC's regulations, a bank must conduct 50 percent or more of its business with entities other than its parent holding company or entities other than those controlled either directly or indirectly by its parent holding company. Control has the same meaning as in Section 3(w)(5) of the Federal Deposit Insurance Act (12 U.S.C. 1813(w)(5)).

10.a **Banker's bank deduction.** A qualifying banker's bank is eligible to have the FDIC deduct certain assets from its assessment base, subject to a limit. Report in this item on an unconsolidated single FDIC certificate number basis the banker's bank deduction, which equals the sum of a qualifying banker's bank's average balances due from Federal Reserve Banks plus its average federal funds sold. These averages should be calculated on a daily or weekly basis consistent with the qualifying banker's bank's calculation of its average consolidated total assets in Schedule RC-O, item 4 (and as reported in Schedule RC-O, item 4.a).

Balances due from Federal Reserve Banks include the total balances due from Federal Reserve Banks, including the qualifying banker's bank's own reserves and other balances as well as reserve balances actually passed through to a Federal Reserve Bank by the banker's bank on behalf of its respondent depository institutions (as described in the instructions for Schedule RC-A, item 4, "Balances due from Federal Reserve Banks"). For a qualifying banker's bank that is a respondent in a pass-through reserve relationship with a correspondent bank, balances due from Federal Reserve Banks include the reserve balances the correspondent bank has passed through to a Federal Reserve Bank for the respondent banker's bank. Balances due from Federal Reserve Banks also include the qualifying banker's bank's excess balance accounts, which are limited-purpose accounts at Federal Reserve Banks for maintaining an institution's excess balances that are eligible to earn interest on their Federal Reserve balances. See the Glossary entry for "pass-through reserve balances."

Federal funds sold are defined in the instructions for Schedule RC, item 3.a, "Federal funds sold." See also the Glossary entry for "federal funds transactions."

10.b **Banker's bank deduction limit.** A qualifying banker's bank is eligible to have the FDIC deduct certain assets from its assessment base, subject to a limit. Report in this item on an unconsolidated single FDIC certificate number basis the banker's bank deduction limit, which equals the sum of a qualifying banker's bank's average deposits of commercial banks and other depository institutions in the U.S. plus its average federal funds purchased. These averages should be calculated on a daily or weekly basis consistent with the qualifying banker's bank's calculation of its average consolidated total assets in Schedule RC-O, item 4 (and as reported in Schedule RC-O, item 4.a).

Deposits of commercial banks and other depository institutions in the U.S. are defined in the instructions for Schedule RC-E, item 4.

Federal funds purchased are defined in the instructions for Schedule RC, item 14.a, "Federal funds purchased." See also the Glossary entry for "federal funds transactions."

11 **Custodial bank certification: Does the reporting institution meet the definition of a custodial bank set forth in FDIC regulations?** If the reporting institution meets the custodial bank definition on an unconsolidated single FDIC certificate number basis, it should answer "Yes" to item 11 and complete Schedule RC-O, items 11.a and 11.b. However, if a custodial bank's deduction limit as reported in item 11.b is zero, the custodial bank may leave item 11.a blank.

Item No.	Caption and Instructions

11 (cont.) If the reporting institution does not meet the custodial bank definition, it should answer "No" to item 11 and it should not complete Schedule RC-O, items 11.a and 11.b.

A custodial bank, as defined in Section 327.5(c)(1) of the FDIC's regulations, is an insured depository institution that had:

(1) "Fiduciary and custody and safekeeping assets" (the sum of item 10, columns A and B, plus item 11, column B, in Schedule RC-T – Fiduciary and Related Services) of $50 billion or more as of the end of the previous calendar year, or

(2) Income from fiduciary activities (Schedule RI, item 5.a) that was more than 50 percent of its total revenue (interest income plus noninterest income, which is the sum of items 1.h and 5.m of Schedule RI) during the previous calendar year.

11.a **Custodial bank deduction.** An institution that meets the definition of a custodial bank is eligible to have the FDIC deduct certain assets from its assessment base, subject to the limit reported in Schedule RC-O, item 11.b. If a custodial bank's deduction limit as reported in Schedule RC O, item 11.b, is zero, the custodial bank may leave this item 11.a blank.

Report in this item on an unconsolidated single FDIC certificate number basis the custodial bank deduction, which equals average qualifying low-risk liquid assets.[1] Qualifying low-risk liquid assets are determined without regard to the maturity of the assets. Average qualifying low-risk liquid assets equals the sum of the following amounts, all on an unconsolidated single FDIC certificate number basis:

(1) The average amount of cash and balances due from depository institutions with a standardized approach risk weight for risk-based capital purposes of zero percent (as defined for Schedule RC-R, Part II, item 1, column C) plus 50 percent of the average amount of cash and balances due from depository institutions with a standardized approach risk weight of 20 percent (as defined for Schedule RC-R, Part II, item 1, column G);
(2) The average amount of held-to-maturity securities with a standardized approach risk weight for risk-based capital purposes of zero percent (as defined for Schedule RC-R, Part II, item 2.a, column C) plus 50 percent of the average amount of held-to-maturity securities with a standardized approach risk weight of 20 percent (as defined for Schedule RC-R, Part II, item 2.a, column G);
(3) The average amount of available-for-sale securities with a standardized approach risk weight for risk-based capital purposes of zero percent (as defined for Schedule RC-R, Part II, item 2.b, column C) plus 50 percent of the average amount of available-for-sale securities with a standardized approach risk weight of 20 percent (as defined for Schedule RC-R, Part II, item 2.b, column G);
(4) The average amount of federal funds sold with a standardized approach risk weight for risk-based capital purposes of zero percent (as defined for Schedule RC-R, Part II, item 3.a, column C) plus 50 percent of the average amount of federal funds sold with a standardized approach risk weight of 20 percent (as defined for Schedule RC-R, Part II, item 3.a, column G);
(5) The average amount of securities purchased under agreements to resell (as defined for Schedule RC, item 3.b) that would qualify for a standardized approach risk weight for risk-based capital purposes of zero percent plus 50 percent of the average amount of securities purchased under agreements to resell (as defined for Schedule RC, item 3.b) that would qualify for a standardized approach risk weight of 2 percent, 4 percent, or 20 percent; and

[1] An institution that has a community bank leverage ratio (CBLR) framework election in effect as of the quarter-end report date, as reported in Schedule RC-R, Part I, item 31.a (and further described in the General Instructions for Schedule RC-R, Part I) that meets the definition of a custodial bank is not required to separately report its risk-weighted assets in Schedule RC-R, Part II, in order to use the deduction.

Item No.	Caption and Instructions
11.a (cont.)	(6) Fifty percent of the average amount of balances due from depository institutions, held-to-maturity securities, available-for-sale securities, federal funds sold, and securities purchased under agreements to resell (as defined for Schedule RC, items 1, 2.a, 2.b, 3.a, and 3.b, respectively) that qualify as on-balance sheet securitization exposures (as defined for Schedule RC-R, Part II, item 9, column A) and have a standardized approach risk weight for risk-based capital purposes of exactly 20 percent.
	These averages should be calculated on a daily or weekly basis consistent with the custodial bank's calculation of its average consolidated total assets in Schedule RC-O, item 4 (and as reported in Schedule RC-O, item 4.a).
11.b	**Custodial bank deduction limit.** An institution that meets the definition of a custodial bank is eligible to have the FDIC deduct certain assets from its assessment base, subject to a limit. Report in this item on an unconsolidated single FDIC certificate number basis the custodial bank deduction limit, which equals the average amount of the institution's transaction account deposit liabilities identified by the institution as being directly linked to a fiduciary, custodial, or safekeeping account reported in Schedule RC-T – Fiduciary and Related Services. The titling of a transaction account or specific references in the deposit account documents should clearly demonstrate the link between the transaction account and a fiduciary, custodial, or safekeeping account.
	For deposits in domestic offices, the term "transaction account" is defined in Federal Reserve Regulation D and in the Glossary entry for "deposits" and such deposits are reported in Schedule RC-E, (part I,) item 7, column A. In general, a transaction account 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, a remote service unit, or another electronic device, including by debit card. For purposes of reporting the custodial bank deduction limit in this item, a custodial bank with deposits in foreign offices should include foreign office deposit liabilities (reported in Schedule RC-E, part II) with the characteristics of a transaction account that are linked to a fiduciary, custody, or safekeeping account reported in Schedule RC-T – Fiduciary and Related Services.
	Exclude from this item escrow accounts, Interest on Lawyers Trust Accounts, and other trust and custody-related deposit accounts related to commercial bank services, or otherwise offered outside a custodial bank's fiduciary business unit or another distinct business unit devoted to institutional custodial services. Also exclude all nontransaction account deposit liabilities (i.e., savings and time deposits).
	This average should be calculated on a daily or weekly basis consistent with the custodial bank's calculation of its average consolidated total assets in Schedule RC-O, item 4 (and as reported in Schedule RC-O, item 4.a).

General Instructions for Schedule RC-O, Memorandum items 6 through 18

Memorandum items 6 through 18 are applicable only to large institutions and/or highly complex institutions as defined below. Amounts reported in Memorandum items 6 through 9, 14, 15, and 18 will not be made available to the public on an individual institution basis. Large institutions and highly complex institutions should complete Memorandum items 6 through 18, as appropriate, on a fully consolidated basis. Thus, when a large institution or highly complex institution owns another FDIC-insured institution as a subsidiary, it should complete Memorandum items 6 through 18, as appropriate, on a fully consolidated basis.

According to Section 327.8(f) of the FDIC's regulations, a large institution is an FDIC-insured bank or savings association that reported total assets of $10 billion or more as of December 31, 2006, that does not meet the definition of a highly complex institution. After December 31, 2006, if a bank or savings association classified as a small institution in accordance with Section 327.8(e) of the FDIC's regulations reports total assets of $10 billion or more for four consecutive quarters, the bank or savings association will be classified as a large institution beginning the following quarter. In the Consolidated Reports of Condition and Income, an FDIC-insured depository institution's total assets are reported in Schedule RC, item 12.

An institution that has a community bank leverage ratio (CBLR) framework election in effect as of the quarter-end report date, as reported in Schedule RC-R, Part I, item 31.a (and further described in the General Instructions for Schedule RC-R, Part I), shall be classified as a small institution for deposit insurance assessments, even if that institution otherwise would be classified as a large institution.[1]

[1] An institution that has a CBLR framework election in effect as of the quarter-end report date that meets the definition of an established depository institution under 12 CFR 327.8(k), generally one that has been federally insured for at least five years, will be assessed as an established small institution. An institution that has a CBLR framework election in effect as of the quarter-end report date that has been federally insured for less than five years will be assessed as a new small institution under 12 CFR 327.8(w). An institution that has a CBLR framework election in effect as of the quarter-end report date with assets between $5 and $10 billion cannot request to be treated as a large institution for deposit insurance assessments under 12 CFR 327.16(f).

Memoranda

General Instructions for Schedule RC-O, Memorandum items 6 through 18 (cont.)

According to Section 327.8(g) of the FDIC's regulations, a highly complex institution is an FDIC-insured bank or savings association (excluding a credit card bank[1]) that:

(1) Has had $50 billion or more in total assets for at least four consecutive quarters that either is controlled by a U.S. parent holding company that has had $500 billion or more in total assets for four consecutive quarters, or is controlled by one or more intermediate U.S. parent holding companies that are controlled by a U.S. holding company that has had $500 billion or more in total assets for four consecutive quarters; or

(2) Is a processing bank or trust company that has had $10 billion or more in total assets for at least four consecutive quarters. According to Section 327.8(s) of the FDIC's regulations, a processing bank or trust company is "an institution whose last three years' non-lending interest income, fiduciary revenues, and investment banking fees, combined, exceed 50 percent of total revenues (and its last three years fiduciary revenues are non-zero), and whose total fiduciary assets total $500 billion or more."

If, after December 31, 2010, a bank or savings association classified as a highly complex institution falls below $50 billion in total assets for four consecutive quarters, or its parent company or companies fall below $500 billion in total assets for four consecutive quarters, or a processing bank or trust company falls below $10 billion in total assets for four consecutive quarters, the FDIC will reclassify the bank or savings association as a large institution or a small institution, as appropriate,[2] beginning the quarter after the fourth consecutive quarter.

Amounts Guaranteed or Insured by the U.S. Government, its Agencies, or its Government-Sponsored Agencies – The instructions for Schedule RC-O, Memorandum items 6, 11, and 16 refer to amounts recoverable from, or guaranteed or insured by, the U.S. government, its agencies, or its government-sponsored agencies under guarantee or insurance provisions. Examples include guarantees or insurance (or reinsurance) provided by the Department of Veterans Affairs, the Federal Housing Administration, the Small Business Administration (SBA), the Department of Agriculture Rural Development Loan Program, and the Department of Education for individual loans as well as coverage provided by the FDIC under loss-sharing agreements. For loan securitizations and securities, examples include those guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac) as well as SBA Guaranteed Loan Pool Certificates and securities covered by FDIC loss-sharing agreements. However, if an institution holds securities backed by mortgages it has transferred to Fannie Mae or Freddie Mac with recourse or other transferor-provided credit enhancements, these securities should not be considered guaranteed to the extent of the institution's maximum contractual credit exposure arising from the credit enhancements.

Amounts Guaranteed or Insured by the U.S. Government – The instructions for Schedule RC-O, Memorandum items 7 through 10, 13, and 18 refer to the maximum amounts recoverable from the U.S. Government. Amounts recoverable from the U.S. government do *not* include amounts recoverable from government-sponsored agencies (also known as government-sponsored enterprises) including the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal Home Loan Banks, and the Farm Credit System.

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[1] As defined in Section 327.8(t) of the FDIC's regulations, a credit card bank is "a bank for which credit card receivables plus securitized receivables exceed 50 percent of assets plus securitized receivables."
[2] An institution that has a community bank leverage ratio (CBLR) framework election in effect as of the quarter-end report date, as reported in Schedule RC-R, Part I, item 31.a (and further described in the General Instructions for Schedule RC-R, Part I), shall be classified as a small institution, even if that institution otherwise would be classified as a large institution.

Note: The changes to Schedule RC-R, Part I and Part II, on pages 20 through 220 are effective as of the March 31, 2020, and June 30, 2020, Report Dates.

SCHEDULE RC-R – REGULATORY CAPITAL

General Instructions for Schedule RC-R

The instructions for Schedule RC-R should be read in conjunction with the regulatory capital rules issued by the primary federal supervisory authority of the reporting bank or saving association (collectively, banks): for national banks and federal savings associations, 12 CFR Part 3; for state member banks, 12 CFR Part 217; and for state nonmember banks and state savings associations, 12 CFR Part 324.

Part I. Regulatory Capital Components and Ratios

Contents – Part I. Regulatory Capital Components and Ratios

Schedule RC-R, Part I. Regulatory Capital Components and Ratios

General Instructions for Schedule RC-R, Part I.

~~Unless otherwise indicated, references to Schedule RC-R item numbers in the instructions for Schedule RC-R, Part I, are to items in Part I, not to items in Part II of Schedule RC-R.~~

~~***Transition Provisions:*** Transition provisions apply to the minimum regulatory capital ratios, the capital conservation buffer, the regulatory capital adjustments and deductions, and non-qualifying capital instruments. For example, transition provisions for the regulatory capital adjustments and deductions specify that certain items that were deducted from tier 1 capital previously will be deducted from common equity tier 1 capital under the regulatory capital rules, with the amount of the deduction changing each calendar year until the transition period ends. For some regulatory capital deductions and adjustments, the non-deducted portion of the item is either risk-weighted for the remainder of the transition period or deducted from additional tier 1 capital, as described in the instructions for the applicable items below. NOTE: For institutions that are not advanced approaches institutions (as described in footnote 1), the transition provisions applicable during 2017 under the banking agencies' regulatory capital rules have been extended indefinitely for certain regulatory capital deductions and risk weights as well as certain minority interest requirements. The Schedule RC-R instructions reflect the extension of the regulatory capital treatment of these capital deductions, risk weights, and minority interest requirements applicable to non-advanced approaches institutions during 2017.~~

In the FFIEC 031, Schedule RC-R, Part I, has two columns for items 11 through 19. Except as noted in the following sentence, column A is to be completed by non-advanced approaches institutions and column B is to be completed by advanced approaches institutions.[1] On the FFIEC 031 for the March 31, 2020, report date only, non-advanced approaches institutions that elect to wait to adopt the capital simplifications rule on April 1, 2020, should complete column B for items 11 through 19 and should not complete column A for these items.

In the FFIEC 041, Schedule RC-R, Part I, has only one column for items 11 through 19 because advanced approaches institutions are required to complete the FFIEC 031.

Community Bank Leverage Ratio Framework:

Opting into the Community Bank Leverage Ratio (CBLR) framework:

A qualifying institution may opt into the CBLR framework. A qualifying institution opts into and out of the framework through its reporting in Call Report Schedule RC-R. A qualifying institution that opts into the CBLR framework (CBLR electing institution) must complete Schedule RC-R, Part I, items 1 through 38 and can make that election on Schedule RC-R, Part I, item 31.a. A qualifying institution can opt out of the CBLR framework by completing Schedule RC-R, Parts I and II, excluding Schedule RC-R, Part I, items 32 through 38.

In general, an institution may qualify for the CBLR framework if it has a leverage ratio greater than 9 percent (as reported in Schedule RC-R, Part I, item 31); has less than $10 billion in total consolidated assets (Schedule RC-R, Part I, item 32); is not an advanced approaches institution; has total trading assets and trading liabilities of 5 percent or less of total consolidated assets (Schedule RC-R, Part I, item 33); and has total off-balance sheet exposures (excluding derivatives other than sold credit derivatives and unconditionally cancelable commitments) of 25 percent or less of total consolidated

[1] An advanced approaches institution as defined in the federal supervisor's regulatory capital rules is (i) a subsidiary of a global systemically important bank holding company, as identified pursuant to 12 CFR 217.402; (ii) a Category II institution; (iii) a subsidiary of a depository institution that uses the advanced approaches pursuant to subpart E of 12 CFR part 3 (OCC), 12 CFR part 217 (Board), or 12 CFR part 324 (FDIC) to calculate its risk-based capital requirements; (iv) a subsidiary of a bank holding company or savings and loan holding company that uses the advanced approaches pursuant to subpart E of 12 CFR part 217 to calculate its risk-based capital requirements; or (v) an institution that elects to use the advanced approaches to calculate its risk-based capital requirements.

assets (Schedule RC-R, Part I, item 34). However, the primary federal supervisory authority may disallow an otherwise qualifying institution's use of the CBLR framework based on the supervisory authority's evaluation of the risk profile of the institution.

A qualifying institution with a leverage ratio that exceeds 9 percent and opts into the CBLR framework shall be considered to have met: (i) the generally applicable risk-based and leverage capital requirements in the agencies' capital rules; (ii) the capital ratio requirements to be considered well capitalized under the agencies' prompt corrective action (PCA) framework (in the case of insured depository institutions); and (iii) any other applicable capital or leverage requirements.[2]

[2] See 12 CFR 3 (OCC); 12 CFR 217 (Board); 12 CFR 324 (FDIC).

Ceasing to have a CBLR greater than 9 percent or failing to meet any of the qualifying criteria:

A qualifying institution that temporarily fails to meet any of the qualifying criteria, including the greater than 9 percent leverage ratio requirement, generally would still be deemed well-capitalized so long as the institution maintains a leverage ratio greater than 8 percent. At the end of the grace period (see below), the institution must meet all qualifying criteria to remain in the community bank leverage ratio framework or otherwise must apply and report under the generally applicable rule. Similarly, an institution with a leverage ratio of 8 percent or less is not eligible for the grace period and must comply with the generally applicable rule, i.e., for the calendar quarter in which the institution reports a leverage ratio of 8 percent or less, by completing all of Schedule RC-R, Parts I and II, excluding Schedule RC-R, Part I, items 32 through 38.

Under the CBLR framework, the grace period will begin as of the end of the calendar quarter in which the CBLR electing institution ceases to satisfy any of the qualifying criteria and will end after two consecutive calendar quarters. For example, if the CBLR electing institution no longer meets one of the qualifying criteria as of February 15, and still does not meet the criteria as of the end of that quarter, the grace period for such an institution will begin as of the end of the quarter ending March 31. The institution may continue to use the community bank leverage ratio framework as of June 30, but will need to comply fully with the generally applicable rule (including the associated reporting requirements) as of September 30, unless the institution once again meets all qualifying criteria of the CBLR framework, including a leverage ratio of greater than 9 percent, before that time.

Advanced approaches institutions:[3] Advanced approaches institutions may use the amounts reported in Schedule RC-R, Part I, to complete the FFIEC 101, Schedule A, as applicable. As described in the General Instructions for the FFIEC 101, an institution must begin reporting on the FFIEC 101, Schedule A, except for a few specific line items, at the end of the quarter after the quarter in which the institution triggers one of the threshold criteria for applying the advanced approaches rule or elects to use the advanced approaches rule (an opt-in institution),[4] and it must begin reporting data on the remaining schedules of the FFIEC 101 at the end of the first quarter in which it has begun its parallel run period.

Advanced approaches institutions must continue to file Schedule RC-R, Regulatory Capital, as well as the FFIEC 101.

~~An institution that is subject to the advanced approaches rule remains subject to the rule unless its primary federal supervisor determines in writing that application of the rule is not appropriate in light of the institution's asset size, level of complexity, risk profile, or scope of operations.~~

~~[3] An advanced approaches institution as defined in the federal supervisor's regulatory capital rules (i) has consolidated total assets (excluding assets held by an insurance underwriting subsidiary) on its most recent year-end regulatory report equal to $250 billion or more; (ii) has consolidated total on-balance sheet foreign exposure on its most recent year-end regulatory report equal to $10 billion or more (excluding exposures held by an insurance underwriting subsidiary), as calculated in accordance with FFIEC 009; (iii) is a subsidiary of a depository institution that uses the advanced approaches pursuant to subpart E of 12 CFR part 3 (OCC), 12 CFR part 217 (Board), or 12 CFR part 324 (FDIC) to calculate its total risk-weighted assets; (iv) is a subsidiary of a bank holding company or savings and loan holding company that uses the advanced approaches pursuant to 12 CFR part 217 to calculate its total risk-weighted assets; or (v) elects to use the advanced approaches to calculate its total risk-weighted assets. As described in section 121 of the regulatory capital rules, an institution must adopt a written implementation plan no later than 6 months after the institution meets the criteria above and work with its primary federal supervisor on implementing the parallel run process.~~

[4] An institution is deemed to have elected to use the advanced approaches rule on the date that its primary federal supervisor receives from the institution a board-approved implementation plan pursuant to section 121(b)(2) of the regulatory capital rules. After that date, in addition to being required to report on the FFIEC 101, Schedule A, the institution may no longer apply the AOCI opt-out election in section 22(b)(2) of the regulatory capital rules and it becomes subject to the supplementary leverage ratio in section 10(c)(4) of the rules and its associated transition provisions.

Item Instructions for Schedule RC-R, Part I.

Item No. Caption and Instructions

Common Equity Tier 1 Capital

1 **Common stock plus related surplus, net of treasury stock and unearned employee stock ownership plan (ESOP) shares.** Report the sum of Schedule RC, items 24, 25, and 26.c, as follows:

(1) Common stock: Report the amount of common stock reported in Schedule RC, item 24, provided it meets the criteria for common equity tier 1 capital based on the regulatory capital rules of the institution's primary federal supervisor. Include capital instruments issued by mutual banking organizations that meet the criteria for common equity tier 1 capital.

(2) Related surplus: Adjust the amount reported in Schedule RC, item 25 as follows: include the net amount formally transferred to the surplus account, including capital contributions, and any amount received for common stock in excess of its par or stated value on or before the report date; exclude adjustments arising from treasury stock transactions.

(3) Treasury stock, unearned ESOP shares, and any other contra-equity components: Report the amount of contra-equity components reported in Schedule RC, item 26.c. Because contra-equity components reduce equity capital, the amount reported in Schedule RC, item 26.c, is a negative amount.

2 **Retained earnings.** Report the amount of the institution's retained earnings as reported in Schedule RC, item 26.a.

An institution that has adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), and has elected to apply the CECL transition provision (CECL electing institution) should also include in this item its applicable CECL transitional amount, in accordance with section 301 of the regulatory capital rules. Specifically, ~~an~~a CECL electing institution includes 75 percent of its CECL transitional amount during the first year of the transition period, 50 percent of its CECL transitional amount during the second year of the transition period, and 25 percent of its CECL transitional amount during the third year of the transition period.

~~An~~A CECL electing advanced approaches institution (1) that has completed the parallel run process and has received notification from its primary federal regulator pursuant to section 121(d) under subpart E of the regulatory capital rules, (2) whose amount of expected credit loss exceeded its eligible credit reserves immediately prior to the adoption of CECL, and (3) would have an increase in CET1 capital as of the beginning of the fiscal year in which it adopts CECL after including the first year portion of the CECL transitional amount must decrease its CECL transitional amount by its DTA transitional amount.

Example and a worksheet calculation:

Assumptions:

- For example, consider an institution that elects to apply the CECL transition and that has a CECL effective date of January 1, 2020, and a 21 percent tax rate.
- On the closing balance sheet date immediately prior to adopting CECL (i.e., December 31, 2019), the CECL electing institution has $10 million in retained earnings and $1 million in the allowance for loan and lease losses. On the opening balance sheet date immediately

Part I. (cont.)

Item No. **Caption and Instructions**

2 after adopting CECL (i.e., January 1, 2020), the CECL electing institution has $1.2 million in

(cont.) allowances for credit losses (ACL), which also equals $1.2 million of adjusted allowances for credit losses (AACL), as defined in the regulatory capital rules.

- The CECL electing institution recognizes the effect of the adoption of CECL as of January 1, 2020, by recording an increase in its ACL of $200,000 (credit), with an offsetting increase in temporary difference deferred tax assets (DTAs) of $42,000 (debit) and a reduction in beginning retained earnings of $158,000 (debit).
- For each of the quarterly reporting periods in year 1 of the transition period (i.e., 2020), the CECL electing institution increases both retained earnings and average total consolidated assets by $118,500 ($158,000 x 75 percent), decreases temporary difference DTAs by $31,500 ($42,000 x 75 percent), and decreases AACL by $150,000 ($200,000 x 75 percent) for purposes of calculating its regulatory capital ratios. The remainder of the CECL transition provision of the CECL electing institution is transitioned into regulatory capital according to the schedule provided in Table X below.

Table X

Dollar Amounts in Thousands	Transitional Amounts	Transitional Amounts Applicable During Each Year of the Transition Period		
		Year 1 at 75%	Year 2 at 50%	Year 3 at 25%
	Column A	Column B	Column C	Column D
1. Increase retained earnings and average total consolidated assets by the CECL transitional amount	CECL transitional amount = $158	$118.50	$79	$39.50
2. Decrease temporary difference DTAs by the DTA transitional amount	DTA transitional amount = $42	$31.50	$21	$10.50
3. Decrease AACL by the AACL transitional amount	AACL transitional amount = $200	$150	$100	$50

2.a **To be completed only by institutions that have adopted ASU 2016-13: Does your institution have a CECL transition election in effect as of the quarter-end report date?**
An institution may make a one-time election to use the CECL transition provision, as described in section 301 of the regulatory capital rules. Such an institution is required to begin applying the CECL transition provision as of the institution's CECL adoption date. An institution must indicate its election to use the CECL transition provision beginning in the quarter that it first reports its credit loss allowances in the Call Report as measured under CECL. An institution that does not elect to use the CECL transition provision in the quarter that it first reports its credit loss allowances in the Call Report as measured under CECL would not be permitted to make an election in subsequent reporting periods. For example, an institution that adopts CECL as of January 1, 2020, and does not elect to use the CECL transition provision in its Call Report for the March 31, 2020, report date would not be permitted to use the CECL transition provision in any subsequent reporting period.

An institution that has adopted CECL and has elected to apply the CECL transition provision must enter "1" for "Yes" in item 2.a for each quarter in which the institution uses the transition provisions. An institution that has adopted CECL and has elected not to use the CECL transition provision must enter a "0" for "No" in item 2.a. An institution that has not adopted CECL must not complete item 2.a.

Part I. (cont.)

Item No.	**Caption and Instructions**
2.a (cont.)	Each institution should complete item 2.a beginning in the quarter that it first reports its credit loss allowances in the Call Report as measured under CECL and in each subsequent Call Report thereafter until item 2.a is removed from the report. Effective December 31, 2025, item 2.a will be removed from Schedule RC-R, Part I, because the optional three-year phase-in period will have ended for all CECL electing institutions. If an individual CECL 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 report "0" in item 2.a to indicate that it no longer has a CECL transition election in effect.
3	**Accumulated other comprehensive income (AOCI).** ~~For institutions that have made the AOCI opt-out election in item 3.a below, report~~Report the amount of AOCI as reported under U.S. generally accepted accounting principles (GAAP) that is included in Schedule RC, item 26.b. ~~For institutions that have not made or cannot make the AOCI opt-out election in item 3.a below, report the amount of AOCI as reported under U.S. GAAP included in Schedule RC, item 26.b, subject to the transition provisions described in section (ii) of the instructions for item 3.a below.~~
3.a	**AOCI opt-out election.**

(i) All institutions, except advanced approaches institutions

An institution that is not an advanced approaches institution may make a one-time election to become subject to the AOCI-related adjustments in Schedule RC-R, Part I, items 9.a through 9.e. That is, such an institution may opt out of the requirement to include most components of AOCI in common equity tier 1 capital (with the exception of accumulated net gains and losses on cash flow hedges related to items that are not recognized at fair value on the balance sheet). An institution that makes an AOCI opt-out election must enter "1" for "Yes" in ~~item 3.a. There are no transition provisions applicable to reporting Schedule RC-R, item 3, if an institution makes an AOCI opt-out election.~~this item 3.a.

Each institution (except an advanced approaches institution) in existence as of March 31, 2015, made its AOCI opt-out election on the institution's March 31, 2015, Call Report. For an institution that comes into existence after March 31, 2015, or becomes a non-advanced approaches institution, the institution must make its AOCI opt-out election on the institution's first Call Report. After an institution initially makes its AOCI opt-out election, the institution must report its election in each quarterly Call Report thereafter. Each of the institution's depository institution subsidiaries, if any, must elect the same option as the institution. With prior notice to its primary federal supervisor, an institution resulting from a merger, acquisition, or purchase transaction may make a new AOCI opt-out election, as described in section 22(b)(2) of the regulatory capital rules.

(ii) Institutions that do not make an AOCI opt-out election and all advanced approaches institutions:

An institution that does not make an AOCI opt-out election and enters "0" for "No" in this item 3.a and all advanced approaches institutions are subject to the AOCI-related adjustment in Schedule RC-R, ~~item 9.f. In addition, through the December 31, 2017, report date, advanced approaches institutions and all other institutions that report "No" in item 3.a must report Schedule RC-R, item 3, subject to the following transition provisions:~~Part I, item 9.f.

~~**Part I. (cont.)**~~

~~**Item No. Caption and Instructions**~~

~~**3.a (cont.)**~~ ~~***Transition provisions:*** Report AOCI adjusted for the transition AOCI adjustment amount in Schedule RC-R, item 3, as described below. AOCI components must be reported net of deferred tax effects, as reported under GAAP:~~

~~(i) Determine the aggregate amount of the following items:~~

~~(1) Net unrealized gains on available-for-sale securities that are preferred stock classified as an equity security under GAAP and available-for-sale equity exposures, plus~~

~~(2) Net unrealized gains (losses) on available-for-sale securities that are not preferred stock classified as an equity security under GAAP or available-for-sale equity exposures (i.e., available-for-sale debt securities reported in Schedule RC-B, items 1 through 6, columns C and D) and net unrealized gains (losses) on those assets not reported in Schedule RC-B, that the bank accounts for like available-for-sale debt securities in accordance with applicable accounting standards (e.g., negotiable certificates of deposit and nonrated industrial development obligations), plus~~

~~(3) Any amounts recorded in AOCI attributed to defined benefit postretirement plans resulting from the initial and subsequent application of the relevant GAAP standards that pertain to such plans (excluding, at the reporting institution's option, the portion relating to pension assets deducted in Schedule RC-R, item 10.b.(2)), plus~~

~~(4) Accumulated net gains (losses) on cash flow hedges related to items that are reported on the balance sheet at fair value included in AOCI, plus~~

~~(5) Net unrealized gains (losses) on held-to-maturity securities that are included in AOCI.~~

~~*(ii)* Multiply the amount calculated in step (i) by the appropriate percentage in Table 1 below. This amount is the calendar-year transition AOCI adjustment amount.~~

~~(iii) Report in Schedule RC-R, item 3, the amount of AOCI reported in Schedule RC, item 26.b, minus the calendar-year transition AOCI adjustment amount calculated in step (ii). If the amount in step (ii) is negative, the result of step (ii) will be added to the amount from Schedule RC, item 26.b, since subtracting a negative number is equivalent to adding a number in step (iii).~~

~~**Table 1 – Percentage of the transition AOCI adjustment amount to be applied to common equity tier 1 capital**~~

~~Transition period~~	~~Percentage of the transition AOCI adjustment amount to be applied to common equity tier 1 capital~~
~~Calendar year 2015~~	~~60~~
~~Calendar year 2016~~	~~40~~
~~Calendar year 2017~~	~~20~~
~~Calendar year 2018 and thereafter~~	~~0~~

Part I. (cont.)

Item No. Caption and Instructions

4 Common equity tier 1 minority interest includable in common equity tier 1 capital. Report the aggregate amount of common equity tier 1 minority interest, calculated as described below and in section 21 of the regulatory capital rules. Common equity tier 1 minority interest is the portion of common equity tier 1 capital in a reporting institution's subsidiary not attributable, directly or indirectly, to the parent institution. Note that a bank may only include common equity tier 1 minority interest if: (a) the subsidiary is a depository institution or a foreign bank; and (b) the capital instruments issued by the subsidiary meet all of the criteria for common equity tier 1 capital (qualifying common equity tier 1 capital instruments).

(i) All institutions, except advanced approaches institutions

In order to complete this item 4, institutions need to complete items 6 to 10 of Schedule RC-R, Part I. Non-advanced approaches institutions are able to include common equity tier 1 minority interest up to 10 percent of the parent banking organization's common equity tier 1 capital. The 10 percent limitation is measured before the inclusion of any minority interest and after the deductions from and adjustments to the regulatory capital of the parent banking organization described in sections 22(a) and (b) of the regulatory capital rules.

Example and a worksheet calculation: Calculate common equity tier 1 minority interest includable at the reporting institution's level as follows:

Assumptions:

- The parent banking organization's common equity tier 1 capital is $100 and has two subsidiaries (subsidiary A and subsidiary B) and has $10 of common equity tier 1 capital adjustments and deductions;
- Subsidiary A has $7 of common equity tier 1 minority interest (that is, owned by minority shareholders).
- Subsidiary B has $5 of common equity tier 1 minority interest (that is, owned by minority shareholders).

(1)	Common Equity Tier 1 Capital Elements Before Minority Interest and Adjustments and Deductions = Schedule RC-R, Part I, sum of items 1, 2, and 3	*$100*
(2)	Common Equity Tier 1 Capital: Adjustments and Deductions = Schedule RC-R, Part I, sum of items 6, 7, 8, 9.a through 9.f, 10.a, and 10.b	*$10*
(3)	Subtract the amount in step (2) from the amount in step (1). This is the base to calculate the 10 percent limitation.	*$100-$10 = $90*
(4)	Multiply step (3) by 10 percent. This is the maximum includable common equity tier 1 minority interest from all subsidiaries.	*$90 x 10% = $9*
(5)	Determine the lower of (4) and the total common equity tier 1 minority interest from all subsidiaries. This is the "common equity tier 1 minority interest includable at the reporting institution's level" to be included in Schedule RC-R, Part I, item 4.	*Minimum of ($9 from Step 4 or $12 ($7+$5) from the assumptions) = $9*

(ii) Advanced approaches institutions:

In general, the minority interest limitation applies only if a subsidiary has a surplus common equity tier 1 capital (that is, in excess of the subsidiary's minimum capital requirements and the applicable capital conservation buffer).

Example and a worksheet calculation: For each consolidated subsidiary that is a depository institution or a foreign bank, calculate common equity tier 1 minority interest includable at the reporting institution's level as follows:

Assumptions:

- For this example, assume that risk-weighted assets of the consolidated subsidiary are the same as the risk-weighted assets of the institution that relate to the subsidiary ($1,000);
- The subsidiary's common equity tier 1 capital is $80;
- The subsidiary's common equity tier 1 minority interest (that is, owned by minority shareholders) is $24.

(1)	Determine the risk-weighted assets of the subsidiary.	*$1,000*
(2)	Using the standardized approach, determine the risk-weighted assets of the reporting institution that relate to the subsidiary depository institution. Note that the amount in this step (2) may differ from the amount in step (1) due to intercompany transactions and eliminations in consolidation.	*$1,000*
(3)	Determine the lower of (1) or (2), and multiply that amount by 7.0~~%.~~ percent.[5]	*$1,000 x 7% = $70*
(4)	Determine the dollar amount of the subsidiary's common equity tier 1 capital (assumed $80 in this example). If this amount is less than step (3), include common equity tier 1 minority interest (assumed to be $24 in this example) in Schedule RC-R, Part I, item 4. Otherwise, continue to step (5).	*$80*
(5)	Subtract the amount in step (3) from the amount in step (4). This is the "surplus common equity tier 1 capital of the subsidiary."	*$80 - $70 = $10*
(6)	Determine the percent of the subsidiary's common equity tier 1 capital owned by third parties (the minority shareholders).	*$24/$80 = 30%*
(7)	Multiply the percentage from step (6) by the dollar amount in step (5). This is the "surplus common equity tier 1 minority interest of the subsidiary," subject to the transition provisions below.	*30% x $10 = $3*
(8)	Subtract the amount in step (7) from the subsidiary's common equity tier 1 minority interest.	*$24 - $3 = $21*
(9)	This is the "common equity tier 1 minority interest includable at the reporting institution's level" to be included in Schedule RC-R, Part I, item 4, for this subsidiary.	*$21*

[5] The percentage multiplier in step (3) is the capital ratio necessary for the depository institution to avoid restrictions on distributions and discretionary bonus payments. Advanced approaches institutions must adjust this percentage to account for all the applicable buffers.

Part I. (cont.)

Item No. Caption and Instructions

~~**4 (cont.)**~~ ~~***Transition provisions for surplus minority interest or non-qualifying minority interest:***~~

~~**a. Surplus minority interest:**~~

~~An institution may include in common equity tier 1 capital, tier 1 capital, or total capital the percentage of the common equity tier 1 minority interest, tier 1 minority interest and total capital minority interest outstanding as of January 1, 2014, that exceeds any common equity tier 1 minority interest, tier 1 minority interest or total capital minority interest includable under section 21 of the regulatory capital rules (surplus minority interest)~~

~~as follows:~~

~~(i) Determine the amounts of outstanding surplus minority interest (for the case of common equity tier 1, tier 1, and total capital).~~
~~(ii) For advanced approaches institutions, multiply the amounts in (i) by the appropriate percentage in Table 2 below. For non-advanced approaches institutions, multiply the amounts in (i) by 20 percent.~~
~~(iii) Include the amounts in (ii) in the corresponding line items (that is, Schedule RC-R, item 4, item 22, or item 29).~~

~~In the worksheet calculation above, the transition provisions for surplus minority interest would apply at step (7). Specifically, if the institution has $3 of surplus common equity tier 1 minority interest of the subsidiary as of January 1, 2014, it may include $1.80 (that is, $3 multiplied by 60%) in Schedule RC-R, item 4, during calendar year 2015; $1.20 during calendar year 2016; $0.60 during calendar year 2017; $0 starting on January 1, 2018, for an advanced approaches institution; and $0.60 starting on January 1, 2018, for a non-advanced approaches institution.~~

~~**b. Non-qualifying minority interest:**~~

~~An institution may include in tier 1 capital or total capital the percentage of the tier 1 minority interest and total capital minority interest outstanding as of January 1, 2014, that does not meet the criteria for additional tier 1 or tier 2 capital instruments in section 20 of the regulatory capital rules (non-qualifying minority interest). The institution must phase-out non-qualifying minority interest in accordance with Table 2, using the following steps for each subsidiary:~~

~~(i) Determine the amounts of the outstanding non-qualifying minority interest (in the form of additional tier 1 and tier 2 capital).~~
~~(ii) Multiply the amounts in (i) by the appropriate percentage in Table 2 below.~~
~~(iii) Include the amounts in (ii) in the corresponding item (that is, Schedule RC-R, item 22 or item 29).~~

~~For example, if an institution has $10 of non-qualifying minority interest that previously qualified as tier 1 capital, it may include $6 (that is, $10 multiplied by 60%) during calendar year 2015, $4 during calendar year 2016, $2 during calendar year 2017, and $0 starting on January 1, 2018.~~

~~**Part I. (cont.)**~~

~~**Item No. Caption and Instructions**~~

~~**4 (cont.)**~~ ~~**Table 2 – Percentage of the amount of surplus minority interest or non-qualifying minority interest includable in regulatory capital during the transition period**~~

~~Transition period~~	~~Percentage of the amount of surplus minority interest for advanced approaches institutions or non-qualifying minority interest for all institutions that can be included in regulatory capital during the transition period~~
~~Calendar year 2015~~	~~60~~
~~Calendar year 2016~~	~~40~~
~~Calendar year 2017~~	~~20~~
~~Calendar year 2018 and thereafter~~	~~0~~

5 **Common equity tier 1 capital before adjustments and deductions.** Report the sum of Schedule RC-R, Part I, items 1, 2, 3, and 4.

Common Equity Tier 1 Capital: Adjustments and Deductions

General Instructions for Common Equity Tier 1 Capital: Adjustments and Deductions

Note 1: As described in section 22(b) of the regulatory capital rules, regulatory adjustments to common equity tier 1 capital must be made net of associated deferred tax effects.

Note 2: As described in section 22(e) of the regulatory capital rules, netting of deferred tax liabilities (DTLs) against assets that are subject to deduction is permitted if the following conditions are met:

(i) The DTL is associated with the asset;
(ii) The DTL would be extinguished if the associated asset becomes impaired or is derecognized under GAAP; and
(iii) A DTL can only be netted against a single asset.

The amount of deferred tax assets (DTAs) that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances, and of DTAs arising from temporary differences that the institution could not realize through net operating loss carrybacks, net of any related valuation allowances, may be offset by DTLs (that have not been netted against assets subject to deduction) subject to the following conditions:

(i) Only the DTAs and DTLs that relate to taxes levied by the same taxation authority and that are eligible for offsetting by that authority may be offset for purposes of this deduction.
(ii) The amount of DTLs that the institution nets against DTAs that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances, and against DTAs arising from temporary differences that the institution could not realize through net operating loss carrybacks, net of any related valuation allowances, must be allocated in proportion to the amount of DTAs that arise from net operating loss and tax credit carryforwards (net of any related valuation allowances, but before any offsetting of DTLs) and of DTAs arising from temporary differences that the institution could not realize through net operating loss carrybacks (net of any related valuation allowances, but before any offsetting of DTLs), respectively.

Part I. (cont.)

Common Equity Tier 1 Capital: Adjustments and Deductions (cont.)

General Instructions for Common Equity Tier 1 Capital: Adjustments and Deductions (cont.)

An institution may offset DTLs embedded in the carrying value of a leveraged lease portfolio acquired in a business combination that are not recognized under GAAP against DTAs that are subject to section 22(a) of the regulatory capital rules in accordance with section 22(e).

An institution must net DTLs against assets subject to deduction in a consistent manner from reporting period to reporting period. An institution may change its DTL netting preference only after obtaining the prior written approval of the primary federal supervisor.

In addition, note that even though certain deductions may be net of associated DTLs, the risk-weighted portion of those items may not be reduced by the associated DTLs.

Item Instructions for Common Equity Tier 1 Capital: Adjustments and Deductions

Item No.	Caption and Instructions
6	**LESS: Goodwill net of associated deferred tax liabilities (DTLs).** Report the amount of goodwill included in Schedule RC-M, item 2.b. However, if the institution has a DTL that is specifically related to goodwill that it chooses to net against the goodwill, the amount of disallowed goodwill to be reported in this item should be reduced by the amount of the associated DTL. If an advanced approaches institution has significant investments in the capital of unconsolidated financial institutions in the form of common stock, the institution should report in this item goodwill embedded in the valuation of a significant investment in the capital of an unconsolidated financial institution in the form of common stock (embedded goodwill). Such deduction of embedded goodwill would apply to investments accounted for under the equity method. Under GAAP, if there is a difference between the initial cost basis of the investment and the amount of underlying equity in the net assets of the investee, the resulting difference should be accounted for as if the investee were a consolidated subsidiary (which may include imputed goodwill). ~~There are no transition provisions for this item.~~
7	**LESS: Intangible assets (other than goodwill and mortgage servicing assets (MSAs)), net of associated DTLs.** Report all intangible assets (other than goodwill and MSAs) included in Schedule RC-M, item 2.c, that do not qualify for inclusion in common equity tier 1 capital based on the regulatory capital rules of the institution's primary federal supervisor. Generally, all purchased credit card relationships (PCCRs), nonmortgage servicing assets, and all other intangibles reported in Schedule RC-M, item 2.c, do not qualify for inclusion in common equity tier 1 capital and should be included in this item. However, if the institution has a DTL that is specifically related to an intangible asset (other than goodwill and MSAs) that it chooses to net against the intangible asset for regulatory capital purposes, the amount of disallowed intangibles to be reported in this item should be reduced by the amount of the associated DTL. Furthermore, a DTL that the institution chooses to net against the related intangible reported in this item may not also be netted against DTAs that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances, and DTAs that arise from temporary differences, net of any related valuation allowances, for regulatory capital purposes.

Part I. (cont.)

Item No.	Caption and Instructions
7 (cont.)	For state member banks, if the amount reported for other intangible assets in Schedule RC-M, item 2.c, includes intangible assets that were recorded on the reporting bank's balance sheet on or before February 19, 1992, the remaining book value as of the report date of these intangible assets may be excluded from this item.

~~***Transition provisions*:**~~

~~(i) Calculate the amount as described in the instructions for this item 7.~~
~~(ii) Multiply the amount in (i) by the appropriate percentage in accordance with Table 3 below. Report the product in this item 7.~~
~~(iii) Subtract (ii) from (i), without regard to any associated DTLs, to calculate the balance amount that must be risk weighted during the transition period.~~
~~(iv) Multiply the amount in (iii) by 100 percent and report the risk-weighted assets as part of "All other assets" in Schedule RC-R, Part II, item 8.~~

~~**Table 3 – Deduction of intangible assets other than goodwill and MSAs during the transition period**~~

~~Transition period~~	~~Percentage of the deductions from common equity tier 1 capital~~
~~Calendar year 2015~~	~~40~~
~~Calendar year 2016~~	~~60~~
~~Calendar year 2017~~	~~80~~
~~Calendar year 2018 and thereafter~~	~~100~~

~~For example, in calendar year 2015, an institution will deduct 40 percent of intangible assets (other than goodwill and MSAs), net of associated DTLs, from common equity tier 1 capital. The institution must apply a 100 percent risk weight to the remaining 60 percent of the intangible assets that are not deducted.~~

8 **LESS: Deferred tax assets (DTAs) that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs.** Report the amount of DTAs that arise from net operating loss and tax credit carryforwards, net of associated valuation allowances and net of associated DTLs.

~~***Transition provisions:***~~

~~(i) Determine the amount as described in the instructions for this item 8.~~
~~(ii) Multiply the amount in (i) by the appropriate percent in column A of Table 4 below. Report this product in Schedule RC-R, Part I, item 8.~~
~~(iii) Multiply the amount in (i) by the appropriate percent in column B of Table 4 below. Report this product as part of Schedule RC-R, Part I, item 24, "Additional tier 1 capital deductions."~~

Part I. (cont.)

Item No. Caption and Instructions

~~**8** (cont.)~~ ~~**Table 4 – Deductions of DTAs that arise from net operating loss and tax credit carryforwards, net of any valuation allowances and net of DTLs; gain-on-sale in connection with a securitization exposure; defined benefit pension fund assets; changes in fair value of liabilities; and expected credit losses during the transition period**~~

~~Transition period~~	~~Column A: Percentage of the adjustment applied to common equity tier 1 capital~~	~~Column B: Percentage of the adjustment applied to additional tier 1 capital~~
~~Calendar year 2015~~	~~40~~	~~60~~
~~Calendar year 2016~~	~~60~~	~~40~~
~~Calendar year 2017~~	~~80~~	~~20~~
~~Calendar year 2018 and thereafter~~	~~100~~	~~0~~

~~Note for Table 4: An institution may only take a deduction from additional tier 1 capital up to the amount of additional tier 1 capital before deductions, as reported in Schedule RC-R, Part I, item 23, that the institution has. For example, if an institution does not have any additional tier 1 capital before deductions (i.e., the institution reports $0 in Schedule RC-R, Part I, item 23), then the entire deduction amount will be from common equity tier 1 capital. In this case, include the deduction amount that applies to additional tier 1 capital in Schedule RC-R, Part I, item 24, and also include it in Schedule RC-R, Part I, item 17, "LESS: Deductions applied to common equity tier 1 capital due to insufficient amounts of additional tier 1 capital and tier 2 capital to cover deductions."~~

9 **AOCI-related adjustments.** Institutions that entered "1" for Yes in Schedule RC-R, Part I, item 3.a, and have not adopted FASB Accounting Standards Update No. 2016-01 (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investment in mutual funds, and eliminates the concept of available-for-sale equity securities (see the Note preceding the instructions for Schedule RC, item 2.c) must complete Schedule RC-R, Part I, items 9.a through 9.e, only.

Institutions that entered "1" for Yes in Schedule RC-R, Part I, item 3.a, and have adopted ASU 2016-01 must complete Schedule RC-R, Part I, items 9.a and 9.c through 9.e, only.

Institutions that entered "0" for No in Schedule RC-R, Part I, item 3.a, must complete Schedule RC-R, Part I, item 9.f, only.

9.a **LESS: Net unrealized gains (losses) on available-for-sale securities.**

For institutions that entered "1" for Yes in Schedule RC-R, Part I, item 3.a, and have not adopted ASU 2016-01 (as referenced in the instructions for item 9, above), report the amount of net unrealized gains (losses) on available-for-sale debt and equity securities, net of applicable income taxes, that is included in Schedule RC, item 26.b, "Accumulated other comprehensive income." If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

For such institutions, include in this item net unrealized gains (losses) on available-for-sale debt and equity securities reported in Schedule RC-B, items 1 through 7, columns C and D, and on those assets not reported in Schedule RC-B, that the bank accounts for like available-for-sale debt securities in accordance with applicable accounting standards (e.g., negotiable certificates of deposit and nonrated industrial development obligations).

Part I. (cont.)

Item No. Caption and Instructions

9.a (cont.) For institutions that entered “1” for Yes in Schedule RC-R, Part I, item 3.a, and have adopted ASU 2016-01, report the amount of net unrealized gains (losses) on available-for-sale debt securities, net of applicable income taxes, that is included in Schedule RC, item 26.b, “Accumulated other comprehensive income.” If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

For such institutions, include in this item net unrealized gains (losses) on available-for-sale debt securities reported in Schedule RC-B, items 1 through 6, columns C and D, and on those assets not reported in Schedule RC-B, that the bank accounts for like available-for-sale debt securities in accordance with applicable accounting standards (e.g., negotiable certificates of deposit and nonrated industrial development obligations).

NOTE: Schedule RC-R, Part I, item 9.b is to be completed only by institutions that entered “1” for Yes in Schedule RC-R, Part I, item 3.a, and have not adopted ASU 2016-01 (as referenced in the instructions for Schedule RC-R, Part I, item 9, above).

Institutions that entered “1” for Yes in Schedule RC-R, Part I, item 3.a, and have adopted ASU 2016-01 should leave Schedule RC-R, Part I, item 9.b, blank.

9.b **LESS: Net unrealized loss on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures.** Report as a positive value the amount of any net unrealized loss on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures, net of applicable income taxes, that is included in Schedule RC, item 26.b, “Accumulated other comprehensive income.” Available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures are reported in Schedule RC-B, item 7, columns C and D, and include investments in mutual funds.

9.c **LESS: Accumulated net gains (losses) on cash flow hedges.** Report the amount of accumulated net gains (losses) on cash flow hedges, net of applicable income taxes, that is included in Schedule RC, item 26.b, “Accumulated other comprehensive income.” The amount reported in Schedule RC-R, Part I, item 9.c, should include gains (losses) on cash flow hedges that are no longer effective but included in AOCI. If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

9.d **LESS: Amounts recorded in AOCI attributed to defined benefit postretirement plans resulting from the initial and subsequent application of the relevant GAAP standards that pertain to such plans.** Report the amounts recorded in AOCI, net of applicable income taxes, and included in Schedule RC, item 26.b, “Accumulated other comprehensive income,” resulting from the initial and subsequent application of ASC Topic 715, Compensation–Retirement Benefits (formerly FASB Statement No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans”) to defined benefit postretirement plans (an institution may exclude the portion relating to pension assets deducted in Schedule RC-R, Part I, item 10.b). If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

Part I. (cont.)

Item No.	Caption and Instructions
9.e	**LESS: Net unrealized gains (losses) on held-to-maturity securities that are included in AOCI.** Report the amount of net unrealized gains (losses) on held-to-maturity securities that is not credit-related, net of applicable taxes, and is included in AOCI as reported in Schedule RC, item 26.b, "Accumulated other comprehensive income." If the amount is a net gain, report it as a positive value. If the amount is a net loss, report it as a negative value. Include (i) the unamortized balance of the unrealized gain (loss) that existed at the date of transfer of a debt security transferred into the held-to-maturity category from the available-for-sale category, net of applicable income taxes, and (ii) the unaccreted portion of other-than-temporary impairment losses on available-for-sale and held-to-maturity debt securities that was not recognized in earnings in accordance with ASC Topic 320, Investments-Debt Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities"), net of applicable income taxes.
9.f	**To be completed only by institutions that entered "0" for No in in Schedule RC-R, Part I, item 3.a:** **LESS: Accumulated net gain (loss) on cash flow hedges included in AOCI, net of applicable income taxes, that relates to the hedging of items that are not recognized at fair value on the balance sheet.** Report the amount of accumulated net gain (loss) on cash flow hedges included in AOCI, net of applicable income taxes, that relates to the hedging of items that are not recognized at fair value on the balance sheet. If the amount is a net gain, report it as a positive value. If the amount is a net loss, report it as a negative value.

Part I. (cont.)

Item No. Caption and Instructions

10 Other deductions from (additions to) common equity tier 1 capital before threshold-based deductions:

10.a LESS: Unrealized net gain (loss) related to changes in the fair value of liabilities that are due to changes in own credit risk. Report the amount of unrealized net gain (loss) related to changes in the fair value of liabilities that are due to changes in the institution's own credit risk. If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

Advanced approaches institutions only: Include the credit spread premium over the risk-free rate for derivatives that are liabilities.

~~***Transition provisions:*** Follow the transition provisions in the instructions for Schedule RC-R, item 8.~~

10.b LESS: All other deductions from (additions to) common equity tier 1 capital before threshold-based deductions. Report the amount of all other deductions from (additions to) common equity tier 1 capital that are not included in Schedule RC-R, Part I, items 1 through 9, as described below.

(1) After-tax gain-on-sale in connection with a securitization exposure. Include any after-tax gain-on-sale in connection with a securitization exposure. Gain-on-sale means an increase in the equity capital of an institution resulting from a securitization (other than an increase in equity capital resulting from the institution's receipt of cash in connection with the securitization or reporting of a mortgage servicing asset on Schedule RC).

~~***Transition provisions:*** Follow the transition provisions in the instructions for Schedule RC-R, item 8.~~

(2) Defined benefit pension fund net asset, net of associated DTLs. An institution that is not an insured depository institution should include any defined benefit pension fund net asset. This amount may be net of any associated DTLs in accordance with section 22(e) of the capital rules.

~~***Transition provisions:*** Follow the transition provisions in the instructions for Schedule RC-R, item 8.~~

(3) Investments in the institution's own shares to the extent not excluded as part of treasury stock. Include the institution's investments in (including any contractual obligation to purchase) its own common stock instruments, including direct, indirect, and synthetic exposures to such capital instruments (as defined in the regulatory capital rules), to the extent such capital instruments are not excluded as part of treasury stock, reported in Schedule RC-R, Part I, item 1.

If an institution already deducts its investment in its own shares (for example, treasury stock) from its common equity tier 1 capital elements, it does not need to make such deduction twice.

An institution may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty credit risk and all other criteria in section 22(h) of the regulatory capital rules are met.

Part I. (cont.)

Item No. Caption and Instructions

10.b (cont.) The institution must look through any holdings of index securities to deduct investments in its own capital instruments. In addition:

(i) Gross long positions in investments in an institution's own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same underlying index;
(ii) Short positions in index securities to hedge long cash or synthetic positions may be decomposed to recognize the hedge; and
(iii) The portion of the index composed of the same underlying exposure that is being hedged may be used to offset the long position only if both the exposure being hedged and the short position in the index are covered positions under the market risk rule, and the hedge is deemed effective by the institution's internal control processes.

~~***Transition provisions:*** Apply the appropriate percentage for deductions related to investments in capital instruments in Table 5 in the instructions for Schedule RC-R, Part I, item 11.~~

(4) Reciprocal cross-holdings in the capital of financial institutions in the form of common stock. Include investments in the capital of other financial institutions (in the form of common stock) that the institution holds reciprocally (this is the corresponding deduction approach). Such reciprocal crossholdings may result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's capital instruments.

~~***Transition provisions:*** Apply the appropriate percentage for deductions related to investments in capital instruments in Table 5 in the instructions for Schedule RC-R, Part I, item 11.~~

(5) Equity investments in financial subsidiaries. Include the aggregate amount of the institutions' outstanding equity investments, including retained earnings, in its financial subsidiaries (as defined in 12 CFR 5.39 (OCC); 12 CFR 208.77 (Board); and 12 CFR 362.17 (FDIC)). The assets and liabilities of financial subsidiaries may not be consolidated with those of the parent institution for regulatory capital purposes. No other deduction is required for these investments in the capital instruments of financial subsidiaries. ~~This deduction is not subject to transition provisions.~~

(6) Advanced approaches institutions only that exit parallel run.[6] Include the amount of expected credit loss that exceeds the institution's eligible credit reserves.

~~***Transition provisions:*** Follow the transition provisions in the instructions for Schedule RC-R, Part I, item 8.~~

(7) Deductions for non-includable subsidiaries. A savings association that has a non-includable subsidiary must deduct its outstanding investments (both equity and debt) in, and extensions of credit to, the subsidiary in this item 10.b. ~~This deduction is not subject to transition provisions.~~

[6] An advanced approaches institution that exits the parallel run is an advanced approaches institution that has completed the parallel run process and that has received notification from the primary federal supervisor pursuant to section 121(d) of subpart E of the regulatory capital rules.

Part I. (cont.)

Item No. Caption and Instructions

11 LESS: Non-significant investments in the capital of unconsolidated financial institutions in the form of common stock that exceed the 10 percent threshold for non-significant investments.

(i) All non-advanced approaches institutions (column A on the FFIEC 031)
Not applicable. Proceed to Schedule RC-R, Part I, item 12, (column A on the FFIEC 031,) to complete the subtotal calculation.

(ii) All advanced approaches institutions (column B on the FFIEC 031)
An institution has a non-significant investment in the capital of an unconsolidated financial institution if it owns 10 percent or less of the issued and outstanding common shares of that institution.

Report the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock that, in the aggregate, exceed the 10 percent threshold for non-significant investments, calculated as described below. The institution may apply associated DTLs to this deduction.

Example and a worksheet calculation:

Assumptions:

- Assume that an institution has a total of $200 in non-significant investments in the capital of unconsolidated financial institutions, of which $100 is in common shares. For this example, all of the $100 in common shares is in the common stock of a publicly traded financial institution.
- Assume the amount reported on Schedule RC-R, Part I, item 5 ~~(common~~, “Common equity tier 1 capital before adjustments and deductions ~~(sum of items 1 through 4)),~~,” is $1,000.
- Assume the amounts reported on Schedule RC-R, Part I, items 6 through 9.f, are all $0.

(1)	Determine the aggregate amount of non-significant investments in the capital of unconsolidated financial institutions (including in the form of common stock, additional tier 1, and tier 2 capital).	*$200*
(2)	Determine the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock.	*$100*
(3)	Subtract from Schedule RC-R, Part I, item 5, the amounts in Schedule RC-R, Part I, items 6, 7, 8, 9, and 10.	*$1,000 - $0 = $1,000*
(4)	Multiply the amount in step (3) by 10~~%.~~ percent. This is “the ten percent threshold for non-significant investments.”	*$1,000 x 10% = $100*
(5)	If (1) is greater than (4), subtract (4) from (1) and multiply the result by the ratio of (2) divided by (1). Report this amount in this Schedule RC-R, Part I, item 11. If (1) is less than (4), enter zero in this item 11.	*Line (1) is greater than line (4); therefore, $200 - $100 = $100. Then ($100 x 100/200) = $50. Report $50 in this item 11.*
(6)	Assign the applicable risk weight to the amount of non-significant investments in the capital of unconsolidated financial institutions that does not exceed the ten percent threshold for non-significant investments.	*Of the $100 in common shares, $50 are deducted in this item 11. The remaining $50 needs to be included in risk-*

		*weighted assets in Schedule RC-R, Part II. **

* In this case~~, effective January 1, 2015~~ (assuming that publicly traded equity exposures do not qualify for a 100 percent risk weight under section 52(b)(3)(iii) of the regulatory capital rules), $50 x 300~~%~~ percent risk weight for publicly traded common shares under section 52(b)(5) of the capital rules = $150 in risk weighted assets for the portion of common shares in an unconsolidated financial institution that are not deducted.

Part I. (cont.)

Item No. Caption and Instructions

12 Subtotal. ~~**11** ***Transition provisions for investments in capital instruments:***~~

~~(cont.)~~

(i)~~ Calculate the amount as described in the instructions for this item 11.~~

~~(ii) For advanced approaches institutions, multiply the amount in (i) by the appropriate percent in Table 5 below. For~~ ***All non-advanced approaches institutions***~~, multiply the amount in (i) by 80 percent. For all institutions, report this product in this item 11.~~ ***(column A on the FFIEC 031)***

~~(iii) Subtract (ii) from (i); assign it the applicable risk weight; and report it in Schedule RC-R, Part II, as part of risk-weighted assets.~~

~~**Table 5 – Deductions related to investments in capital instruments during the transition period**~~

~~Transition period~~	~~Transition deductions – percentage of the deductions from common equity tier 1 capital~~
~~Calendar year 2015~~	~~40~~
~~Calendar year 2016~~	~~60~~
~~Calendar year 2017~~	~~80~~
~~Calendar year 2018 and thereafter~~	~~100~~

~~12~~ ~~**Subtotal.**~~ Report the amount in Schedule RC-R, Part I, item 5, less the amounts in Schedule RC-R, Part I, items 6 through ~~11~~10.b.

This subtotal will be used in Schedule RC-R, Part I, items 13 through 15 on the FFIEC 041; items 13.a, 14.a, and 15.a on the FFIEC 031, to calculate the amounts of items subject to the 25 percent common equity tier 1 capital threshold deductions (threshold items):

(i) Investments in the capital of unconsolidated financial institutions, net of DTLs,
(ii) MSAs, net of associated DTLs; and
(iii) DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs.

(ii) All advanced approaches institutions (column B on the FFIEC 031)
Report the amount in Schedule RC-R, Part I, item 5, less the amounts in Schedule RC-R, Part I, items 6 through 11.

This subtotal will be used in Schedule RC-R, Part I, items 13.b, 14.b, 15.b, and 16, to calculate the amounts of items subject to the 10 and 15 percent common equity tier 1 capital threshold deductions (threshold items):

(i) Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of DTLs,
(ii) MSAs, net of associated DTLs; and
(iii) DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs.

~~13~~

Part I. (cont.)

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NOTE: On the FFIEC 041, item 13 is to be completed by all reporting institutions. On the FFIEC 031, item 13.a is to be completed only by non-advanced approaches institutions.

13 13.a LESS: Investments in the capital of unconsolidated financial institutions, net of associated DTLs, that exceed the 25 percent of item 12.

Items that are not deducted from the appropriate capital tier are risk-weighted based on the exposure in Schedule RC-R, Part II, except for institutions under the CBLR framework. Institutions have the flexibility when deciding which investments in the capital of unconsolidated financial institutions to risk weight and which to deduct.

Report the amount of investments in the capital of unconsolidated financial institutions, net of associated DTLs, that exceed the 25 percent common equity tier 1 capital deduction threshold, calculated as follows:

(1) Determine the amount of investments in the capital of unconsolidated financial institutions, net of associated DTLs.
(2) If the amount in (1) is greater than 25 percent of Schedule RC-R, Part I, item 12, (column A on the FFIEC 031), report the difference across item 13 on the FFIEC 041 or item 13.a on the FFIEC 031, as applicable; item 24; or item 45 of Schedule RC-R, Part I, depending on the tier of capital for which the investments in the capital of unconsolidated financial institutions qualify. As mentioned above, the institution can elect which investments it must deduct and which it must risk weight. The institution's election and the component of capital for which the underlying instrument would qualify will determine if the instrument will be deducted and reported in item 13 on the FFIEC 041 or item 13.a on the FFIEC 031, as applicable, or be deducted and reported in item 24 or item 45.
(3) If the amount in (1) is less than or equal to 25 percent of Schedule RC-R, Part I, item 12 (column A on the FFIEC 031), report zero in this item 13 on the FFIEC 041; item 13.a on the FFIEC 031.

If the institution included embedded goodwill in Schedule RC-R, Part I, item 6, to avoid double counting, the institution may net such embedded goodwill already deducted against the exposure amount of the investment. For example, if an institution has deducted $10 of goodwill embedded in a $100 investment in the capital of an unconsolidated financial institution, the institution would be allowed to net such embedded goodwill against the exposure amount of such investment (that is, the value of the investment would be $90 for purposes of the calculation of the amount that would be subject to deduction).

Example and a worksheet calculation:

Assumptions:
For example, assume that an institution:
- has $20 of total investments in the capital of unconsolidated financial institutions,
- of that $20, $9 are investments in common equity tier 1 capital instruments, $7 are investments in tier 1 capital instruments, and $4 are investments in tier 2 capital instruments,
- has total common equity tier 1 capital subtotal (reported in Schedule RC-R, Part I, item 12 (column A on the FFIEC 031) of $60

- has total additional tier 1 capital of $20
- has total tier 2 capital of $3

(1)	Total investments in the capital of unconsolidated financial institutions	*$20*
(2)	Multiply the total common equity tier 1 capital subtotal by 25 percent.	*$60 x 25% = $15*
(3)	Determine if (1) is greater than (2), and if so, the difference between (1) and (2) must be deducted from regulatory capital.	*$20 > $15, so the amount deducted is $20-$15 = $5*
(4)	The amount of investments deducted from regulatory capital can be deducted from the corresponding total amounts of regulatory capital held by the institution that meet each type of capital, as an institution chooses.	*Total of $5 must be deducted from regulatory capital. Of that, $3 will be deducted from the institution's $3 of tier 2 capital, and $2 will be deducted from the institution's $20 of additional tier 1 capital. No deduction from common equity tier 1 will be reported in this item 13 on the FFIEC 041; item 13.a on the FFIEC 031.*

Since the community bank leverage ratio framework does not have a total capital requirement, a CBLR electing institution is neither required to calculate tier 2 capital nor make any deductions that would have been taken from tier 2 capital under the generally applicable rule. Therefore, if a CBLR electing institution has investments in the capital instruments of an unconsolidated financial institution that would qualify as tier 2 capital of the CBLR electing institution under the generally applicable rule (tier 2 qualifying investments), and the institution's total investments in the capital of unconsolidated financial institutions exceed the threshold for deduction, the institution is not required to deduct the tier 2 qualifying investments.

Example for a CBLR electing institution and a worksheet calculation:

Assumptions:
For example, assume that an institution:
- has $20 of total investments in the capital of unconsolidated financial institutions,
- of that $20, $15 are investments in tier 1 capital instruments, and $5 are investments in tier 2 capital instruments,
- has total common equity tier 1 capital subtotal (reported in Schedule RC-R, Part I, item 12 (column A on the FFIEC 031) of $60

(1)	Total investments in the capital of unconsolidated financial institutions	*$20*
(2)	Multiply the total common equity tier 1 capital subtotal by 25 percent.	*$60 x 25% = $15*
(3)	Determine if (1) is greater than (2), and if so, the difference between (1) and (2) must be deducted from regulatory capital.	*$20 > $15, so the amount deducted is $20-$15 = $5*
(4)	The amount of investments deducted from regulatory capital can be deducted from the corresponding total amounts of	*Total of $5 must be deducted from regulatory*

	regulatory capital held by the institution that meet each type of capital, as an institution chooses.	*capital. Since institutions have the flexibility to choose which items are deducted, they can elect to allocate the tier 1 investments first. As a result, the remaining investment that exceeds the threshold would be tier 2 instruments. Therefore, since CBLR electing institutions are not required to make tier 2 deductions, no deduction is necessary.*

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NOTE: On the FFIEC 031, item 13.b is to be completed only by advanced approaches institutions. Item 13.b is not applicable to institutions that file the FFIEC 041.

- 13.b **LESS: Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold.** An institution has a significant investment in the capital of an unconsolidated financial institution when it owns more than 10 percent of the issued and outstanding common shares of that institution.

Report the amount of significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold, calculated as follows:

(1) Determine the amount of significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs.
(2) If the amount in (1) is greater than 10 percent of Schedule RC-R, Part I, item 12, column B, report the difference in this item 13.b.
(3) If the amount in (~~2~~1) is less than 10 percent of Schedule RC-R, Part I, item 12, column B, report zero in this item 13.b.

If the institution included embedded goodwill in Schedule RC-R, Part I, item 6, to avoid double counting, the institution may net such embedded goodwill already deducted against the exposure amount of the significant investment. For example, if an institution has deducted $10 of goodwill embedded in a $100 significant investment in the capital of an unconsolidated

Part I. (cont.)

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
-	13.b (cont.)	financial institution in the form of common stock, the institution would be allowed to net such embedded goodwill against the exposure amount of such significant investment (that is, the value of the investment would be $90 for purposes of the calculation of the amount that would be subject to deduction).

~~***Transition provisions for items subject to the threshold deductions:***~~

~~(i) Calculate the amount as described in the instructions for this item 13.~~

~~(ii) For advanced approaches institutions, multiply the amount in (i) by the appropriate percent in Table 6 below. For non-advanced approaches institutions, multiply the amount in (i) by 80 percent. For all institutions, report this product as this item amount. In addition:~~

~~(iii) *For report dates until January 1, 2018*: For all institutions, subtract the amount in (ii) from the amount in (i), without regard to any associated DTLs; assign it a 100 percent risk weight in accordance with transition provisions in section 300 of the regulatory capital rules. Report this amount in Schedule RC-R, Part II, item 2.b, 7, or 8, as appropriate.~~

~~(iv) *For report dates after January 1, 2018*: For advanced approaches institutions, apply~~

Apply a 250 percent risk-weight to the aggregate amount of the items subject to the 10 and 15 percent common equity tier 1 capital deduction thresholds that are not deducted from common equity tier 1 capital, without regard to any associated DTLs. ~~For non-advanced approaches institutions, continue to apply a 100 percent risk weight to these items.~~ Report this amount in Schedule RC-R, Part II, item 2.b, 7, or 8, as appropriate.

~~**Table 6 – Transition provisions for items subject to the threshold deductions**~~

~~Transition period~~	~~Percentage of the deduction~~
~~Calendar year 2015~~	~~40~~
~~Calendar year 2016~~	~~60~~
~~Calendar year 2017~~	~~80~~
~~Calendar year 2018 and thereafter~~	~~100~~

~~**14**~~NOTE: On the FFIEC 041, item 14 is to be completed by all reporting institutions. On the FFIEC 031, item 14.a is to be completed only by non-advanced approaches institutions.

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
14	14.a	**LESS: MSAs, net of associated DTLs, that exceed ~~the 10~~25 percent ~~common equity tier 1 capital deduction threshold~~of item 12.** Report the amount of MSAs included in Schedule RC-M, item 2.a, net of associated DTLs, that exceed the ~~10~~25 percent common equity tier 1 capital deduction threshold as follows:

(1) Take the amount of MSAs as reported in Schedule RC-M, item 2.a, net of associated DTLs.
(2) If the amount in (1) is greater than ~~10~~25 percent of Schedule RC-R, Part I, item 12, (column A on the FFIEC 031), report the difference in this item 14 on the FFIEC 041; item 14.a on the FFIEC 031.
(3) If the amount in (1) is less than ~~10~~or equal to 25 percent of Schedule RC-R, Part I, item 12~~,~~ (column A on the FFIEC 031), enter zero in this item 14 on the FFIEC; item 14.a on the FFIEC 031.

~~***Transition provisions:*** Follow the transition provisions in the instructions~~

All institutions must apply a 250 percent risk-weight to MSAs that are not deducted from common equity tier 1 capital, without regard to any associated DTLs, except for institutions that are subject to the community bank leverage ratio (CBLR) framework.

Example and a worksheet calculation:

Assumptions:
For example, assume that an institution:
- has $20 of MSAs, net of associated DTLs, and
- has total common equity tier 1 capital subtotal (reported in Schedule~~-~~ RC~~-~~-R, Part I, item ~~13 (that is, for~~12, (column A on the FFIEC 031) of $60.

(1)	Total amount of MSAs, net of associated DTLs	*$20*
(2)	Multiply the total common equity tier 1 capital subtotal by 25 percent.	*$60 x 25% = $15*
(3)	Determine if (1) is greater than (2), and if so, the difference between (1) and (2) must be deducted from regulatory capital.	*$20 > $15, so the amount deducted is $20-$15 = $5*

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions

NOTE: On the FFIEC 031, item 14.b is to be completed only by advanced approaches institutions~~, use Table 6 in the instructions for~~. Item 14.b is not applicable to institutions that file the FFIEC 041.

- 14.b **LESS: MSAs, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold.** Report the amount of MSAs included in Schedule RC-M, item 2.a, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold as follows:

(1) Take the amount of MSAs as reported in Schedule RC-M, item 2.a, net of associated DTLs.
(2) If the amount in (1) is greater than 10 percent of Schedule RC-R, Part I, item 12 (column B on the FFIEC 031), report the difference in this item 14.b.
(3) If the amount in (1) is less than or equal to 10 percent of Schedule RC-R, Part I, item 12 (column B on the FFIEC 031), enter zero in this item 14.b.

All institutions must apply a 250 percent risk-weight to MSAs that are not deducted from common equity tier 1 capital, without regard to any associated DTLs.

Part I. (cont.)

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~~13; for~~
NOTE: On the FFIEC 041, item 15 is to be completed by all reporting institutions. On the FFIEC 031, item 15.a is to be completed only by non-advanced approaches institutions~~, apply 80 percent of the deduction and a 100 percent risk weight to the portion of items not deducted).~~.

~~**Part I. (cont.)**~~

~~**Item No. Caption and Instructions**~~

15 15.a LESS: DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs, that exceed ~~the 10~~25 percent ~~common equity tier 1 capital deduction threshold~~of item 12.

(1) Determine the amount of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of associated DTLs (for example, DTAs resulting from the institution's allowance for loan and lease losses (ALLL) or allowances for credit losses (ACL), as applicable).

(2) If the amount in (1) is greater than ~~10~~25 percent of Schedule RC-R, Part I, item~~-~~ 12~~,~~ (column A on the FFIEC 031), report the difference in this item 15.a.

(3) If the amount in (1) is less than ~~10~~or equal to 25 percent of Schedule RC-R, Part I, item 12~~,~~ (column A on the FFIEC 031), enter zero in this item 15 on the FFIEC 041; item 15.a on the FFIEC 031.

DTAs arising from temporary differences that could be realized through net operating loss carrybacks are not subject to deduction, and instead must be assigned to a 100 percent risk-weight category. For an institution that is a member of a consolidated group for tax purposes, the amount of DTAs that could be realized through net operating loss carrybacks may not exceed the amount that the institution could reasonably expect to have refunded by its parent holding company.

~~***Transition provisions:***~~ ~~Follow~~ All institutions must apply a 250 percent risk-weight to DTAs arising from temporary differences that could not be realized through net operating loss carrybacks that are not deducted from common equity tier 1 capital, without regard to any associated DTLs, except for institutions subject to the ~~transition provisions in~~ community bank leverage ratio (CBLR) framework

NOTE: On the ~~instructions for Schedule RC-R, Part I~~FFIEC 031, item ~~13 (that~~15.b is~~, for~~ to be completed only by advanced approaches institutions~~, use Table 6~~. Item 15.b is not applicable to institutions that file the FFIEC 041

- 15.b LESS: DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold.

(1) Determine the amount of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of associated DTLs (for example, DTAs resulting from the institution's allowance for loan and lease losses (ALLL) or allowances for credit losses (ACL), as applicable).

(2) If the amount in (1) is greater than 10 percent of Schedule RC-R, Part I, item 12 (column B on the FFIEC 031), report the difference in ~~the instructions for~~ this item 15.b.

(3) If the amount in (1) is less than 10 percent of Schedule RC-R, Part I, item ~~13; for non-~~12 (column B on the FFIEC 031), enter zero in this item 15.b.

DTAs arising from temporary differences that could be realized through net operating loss carrybacks are not subject to deduction, and instead must be assigned to a 100 percent risk-weight category. For an institution that is a member of a consolidated group for tax purposes, the amount of DTAs that could be realized through net operating loss carrybacks may not exceed the amount that the institution could reasonably expect to have refunded by its parent holding company.

All advanced approaches institutions~~,~~ must apply ~~80 percent of the deduction and~~ a ~~100~~250 percent risk weight to ~~the portion of items~~DTAs arising from temporary differences that could not be realized through net operating loss carrybacks that are not deducted~~).~~ from common equity tier 1 capital, without regard to any associated DTLs

Example and a worksheet calculation:

Assumptions:
For example, assume that an institution:

- has $20 of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of associated DTLs,
- has total common equity tier 1 capital subtotal (reported in Schedule RC-R, Part I, item 12, (column B on the FFIEC 031) of $60

(1)	Total amount of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of associated DTLs,	*$20*
(2)	Multiply the total common equity tier 1 capital subtotal by 25 percent.	*$60 x 25% = $15*
(3)	Determine if (1) is greater than (2), and if so, the difference between (1) and (2) must be deducted from regulatory capital.	*$20 > $15, so the amount deducted is $20-$15 = $5*

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NOTE: On the FFIEC 031, item 16 is to be completed only by advanced approaches institutions. Item 16 is not applicable to institutions that file the FFIEC 041.

- **16** **LESS: Amount of significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs; MSAs, net of associated DTLs; and DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs; that exceeds the 15 percent common equity tier 1 capital deduction threshold.**

The aggregate amount of the threshold items (that is, significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs; MSAs, net of associated DTLs; and DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs) may not exceed 15 percent of the institution's common equity tier 1 capital, net of applicable adjustments and deductions (the 15 percent common equity tier 1 capital deduction threshold).

~~***Transition provisions:***~~

~~A. *For advanced approaches institutions for report dates until January 1, 2018, and for non-advanced approaches institutions for report dates both before and after January 1, 2018*, calculate this item 16 as follows:~~
~~(i) Calculate the aggregate amount of the threshold items before deductions:~~

~~a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs (Schedule RC-R, item 13, step 1);~~
~~b. MSAs, net of associated DTLs (Schedule RC-R, item 14, step 1); and~~
~~c. DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowance and net of DTLs (Schedule RC-R, item 15, step 1).~~

Part I. (cont.)

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~~16~~ -	16~~(cont.)~~	~~(ii) Multiply the amount in Schedule RC-R, item 12 (Subtotal) by 15 percent. This is *the 15 percent common equity deduction threshold for transition purposes.*~~
		~~(iii) Sum up the amounts that would have been reported in Schedule RC-R, items 13, 14, and 15 prior to applying the transition provisions (that is, as if the 10 percent common equity tier 1 capital deduction threshold were fully phased in).~~
		~~(iv) Deduct (iii) from (i).~~
		~~(v) Deduct (ii) from (iv). If this amount is negative, enter zero in this item 16.~~
		~~(vi) For advanced approaches institutions, multiply the amount in (v) by the percentage in Table 6 in the instructions for Schedule RC-R, item 13. For non-advanced approaches institutions, multiply the amount in (v) by 80 percent. For all institutions, report the resulting amount in this item 16.~~

Example and a worksheet calculation for ~~non-~~advanced approaches ~~institutions:~~

~~*Assume the following balance sheet amounts prior to deduction of these items:*~~

- ~~Common equity tier 1 capital subtotal amount reported in Schedule RC-R, item 12 = $100~~
- ~~Significant investments in the common shares of unconsolidated financial institutions, net of associated DTLs = $15~~
- ~~MSAs, net of associated DTLs = $7~~
- ~~DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowance and net of DTLs = $6~~
- ~~Amount of each item that exceeds the 10% common equity tier 1 capital deduction threshold (as if the amounts subject to the 10% limit were fully phased in):~~
  - ~~Significant investments in the common shares of unconsolidated financial institutions net of associated DTLs = $5 (amount that would have been reported in Schedule RC-R, item 13, if the amount were fully phased in)~~
  - ~~MSAs net of associated DTLs = $0 (amount that would have been reported in Schedule RC-R, item 14, if the amount were fully phased in)~~
  - ~~DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of DTLs = $0 (amount that would have been reported in Schedule RC-R, item 15, if the amount were fully phased in).~~

~~*Calculation steps:*~~

~~(i) Sum of the significant investments in the common shares of unconsolidated financial institutions, MSAs, and DTAs (all net of associated DTLs) before deductions: $15 + $7 + $6 = $28~~

~~(ii) 15% of the amount from Schedule RC-R, item 12: 15% x $100 = $15~~

~~(iii) Sum of the amounts that would have been reported in Schedule RC-R, items 13, 14, and 15, if the amounts subject to the 10% common equity tier 1 capital deduction threshold were fully phased in: $5~~

~~(iv) Deduct the amount in step (iii) from the amount in step (i): $28 - $5 = $23 (This is the amount of these three items that remains after the 10% deductions are taken.)~~

~~(v) Deduct the amount in step (ii) from the amount in step (iv): $23 - $15 = $8 (This is an additional deduction that must be taken).~~

~~(vi) Multiply the amount in step (v) by 80%: $8 x 80% = $6.40~~

~~Report $6.40 in this item 16.~~

~~**Part I.**~~ **(cont.)**

~~**Item No.**~~ ~~**Caption and Instructions**~~

~~**16** B. *For advanced approaches institutions only for report dates after January 1, 2018,*~~
~~**(cont.)** calculate this item 16 as follows:~~

~~***Example and a worksheet calculation for advanced approaches***~~ ***institutions:***

Assumptions:

- The amount reported in Schedule RC-R, Part I, item 12 (column B on the FFIEC 031) is \$130. (This amount is common equity tier 1 after all deductions and adjustments, except for deduction of the threshold items).
- Assume that the associated DTLs are zero; also assume the following balance sheet amounts prior to deduction of these items:
  - Significant investments in the common shares of unconsolidated financial institutions net of associated DTLs = \$10~~.~~
  - MSAs net of associated DTLs = \$20
  - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of DTLs = \$30.

Part I. (cont.)

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
-	**16** (cont.)	

(1)	**Aggregate amount of threshold items before deductions** Enter the sum of:	
	a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs (Schedule RC-R, Part I, item 13.b, step 1);	*$10*
	b. MSAs net of associated DTLs (Schedule RC-R, Part I, item 14.b, step 1); and	*$20*
	c. DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowance and net of DTLs (Schedule RC-R, Part I, item 15.b, step 1).	*$30*
	d. Total of a, b, and c:	*$60*
(2)	**The 10 percent common equity tier 1 capital deduction threshold**	
	Multiply the amount reported in Schedule RC-R, Part I, item 12, column B, by 10 percent.	*$130 x 10%=$13*
(3)	**Amount of threshold items deducted as a result of the 10 percent common equity tier 1 capital deduction threshold**	
	a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock net of associated DTLs (as reported in Schedule RC-R, Part I, item 13.b) b. MSAs net of associated DTLs (as reported in Schedule RC-R, Part I, item 14.b) c. DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs (as reported in Schedule RC-R, Part I, item 15.b)	*$0* *$20 - $13=$7* *$30 - $13=$17*
(4)	**Sum of threshold items not deducted as a result of the 10 percent common equity tier 1 capital deduction threshold** Enter the sum of:	
	a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock net of associated DTLs that are not deducted (that is, the difference between the amount in step (1)(a) of this table and step 3(a) of this table)	*$10*
	b. MSAs that are not deducted (that is, the difference between the amount in step (1)(b) of this table and step 3(b) of this table)	*$20 - $7 = $13*
	c. DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs that are not deducted (that is, the difference between the amount in step (1)(c) of this table and step (3)(c) of this table)	*$30 - $17 = $13*
	d. Total of a, b, and c	*$10 + 13 + $13 = $36*

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Part I. (cont.)

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
-	**16** (cont.)	

(5)	**The 15 percent common equity tier 1 capital deduction threshold** Calculate as follows:	
	a. Subtract the amount calculated in step (1.d) of this table from Schedule RC-R, Part I, item 12, column B; b. Multiply the resulting amount by 17.65~~%~~ percent	*($130 - $60) x 17.65%* *= $12.36* *Rounds to $12*
(6)	**Amount of threshold items that exceed the 15 percent common equity tier 1 capital deduction threshold** Report as follows:	
	a. If the amount in step (4.d) is greater than the amount in step (5), then subtract (5) from (4.d) and report this number in Schedule RC-R, Part I, item 16. (In addition, the institution must risk-weight the items that are not deducted at 250 percent in the risk-weighted asset section of this form.) b. If the amount in step (4.d) is less than the amount in step (5) amount, report zero in Schedule RC-R, Part I, item 16.	*The amount in step (4.d) ($36) is greater than the amount in step 3 ($12).* *Therefore:* *$36 - $12 = $24*
(7)	~~**Advanced approaches institutions only need to complete this calculation: if**~~**If the amount in step (6) is above zero, then pro-rate the threshold items' deductions as follows**:	
	a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock: multiply (6.a) by the ratio of (1.a) over (1.d). b. MSAs net of associated DTAs: multiply (6.a) by the ratio of (1.b) over (1.d). c. DTAs arising from temporary differences that could not be realized through net operating loss carrybacks: multiply (6.a) by the ratio of (1.c) over (1.d).	*a. $12 x (10/60) = $2* *b. $12 x (20/60) = $4* *c. $12 x (30/60) = $6.*

FFIEC 041 and FFIEC 031
Item No. Caption and Instructions

17 **LESS: Deductions applied to common equity tier 1 capital due to insufficient amounts of additional tier 1 capital and tier 2 capital to cover deductions.**

(i) All non-advanced approaches institutions (column A on the FFIEC 031)
Report the total amount of deductions related to investments in own additional tier 1 and tier~~-~~ 2 capital instruments, reciprocal cross-holdings, ~~non-significant investments in the capital of unconsolidated financial institutions, and non-common stock significant~~and investments in the capital of unconsolidated financial institutions if the reporting institution does not have a sufficient amount of additional tier 1 capital before deductions (reported in Schedule RC-R, Part I, item~~-~~ 23) and tier 2 capital before deductions (reported in Schedule RC-R, Part I, item ~~32~~44 on the FFIEC 041; item 44.a on the FFIEC 031) to absorb these deductions in Schedule RC-R, Part I, items 24 or ~~33~~45, as appropriate.~~ Similarly,~~

Since the community bank leverage ratio framework does not have a total capital requirement, a CBLR electing institution is neither required to calculate tier 2 capital nor make any deductions that would have been taken from tier 2 capital under the generally applicable rule. Therefore, if a CBLR electing institution has investments in the capital instruments of an unconsolidated financial institution that would qualify as tier 2 capital of the CBLR electing institution under the generally applicable rule (tier 2 qualifying investments), and the institution's total investments in the capital of unconsolidated financial institutions ~~should report~~exceed the threshold for deduction, the institution is not required to deduct the tier 2 qualifying investments.

(ii) All advanced approaches institutions (column B on the FFIEC 031)

Report the total amount of ~~any deductions to be made during the transition period pursuant to section 300(b) of the regulatory capital rules~~deductions related to investments in own additional tier 1 and tier 2 capital instruments, reciprocal cross holdings, investment in the capital of unconsolidated financial institutions if the reporting institution does not have a sufficient amount of additional tier 1 capital before deductions ~~or~~(reported in Schedule RC-R, Part I, item 23) and tier 2 capital before deductions (reported in Schedule RC-R, Part I, items 44.a and 44.b) to absorb these deductions in Schedule RC-R, Part I, items 24 or 45, as appropriate. .

18 **Total adjustments and deductions for common equity tier 1 capital.** Report the sum of Schedule RC-R, Part I, items 13 through 17.

Part I. (cont.)

Item No. Caption and Instructions

19 **Common equity tier 1 capital.** Report Schedule RC-R, Part I, item 12 less item 18. ~~The~~Except for a CBLR electing institution under the community bank leverage ratio framework, the amount reported in this item is the numerator of the institution's common equity tier 1 risk-based capital ratio.

Additional Tier 1 Capital

20 **Additional tier 1 capital instruments plus related surplus.** Report the portion of noncumulative perpetual preferred stock and related surplus included in Schedule RC, item 23, and any other capital instrument and related surplus that satisfy all the eligibility criteria for additional tier 1 capital instruments in section 20(c) of the regulatory capital rules of the institution's primary federal supervisor.

Include instruments that (i) were issued under the Small Business Jobs Act of 2010, or, prior to October 4, 2010, under the Emergency Economic Stabilization Act of 2008 and (ii) were included in the tier 1 capital under the primary federal supervisor's general risk-based capital rules (for example, tier 1 instruments issued under the TARP program that are grandfathered permanently). Also include additional tier 1 capital instruments issued as part of an ESOP, provided that the repurchase of such instruments is required solely by virtue of ERISA for an institution that is not publicly-traded.

21 **Non-qualifying capital instruments subject to phase-out from additional tier 1 capital.** Report the amount of non-qualifying capital instruments that may not be included in additional tier 1 capital, as described in Schedule RC-R, Part I, item 20, and that is subject to phase-out from additional tier 1 capital.

Depository institutions may include in regulatory capital debt or equity instruments issued prior to September 12, 2010, that do not meet the criteria for additional tier 1 or tier 2 capital instruments in section 20 of the regulatory capital rules but that were included in tier 1 or tier 2 capital, respectively, as of September 12, 2010 (non-qualifying capital instruments issued prior to September 12, 2010) up to the percentage of the outstanding principal amount of such non-qualifying capital instruments as of January 1, 2014, in accordance with Table 7 below.

The amount of non-qualifying capital instruments that is excluded from additional tier 1 capital in accordance with Table 7 may be included in tier 2 capital (in Schedule RC-R, Part I, item ~~28~~40) without limitation, provided the instruments meet the criteria for tier 2 capital set forth in section 20(d) of the regulatory capital rules.

Transition provisions for non-qualifying capital instruments includable in additional tier 1 or tier 2 capital:

Table 7 applies separately to additional tier 1 and tier 2 non-qualifying capital instruments. For example, an institution that has $100 in non-qualifying tier 1 instruments may include up to $~~50~~20 in additional tier 1 capital in ~~2017~~2020, and $~~40~~10 in ~~2018~~2021. If that same institution has $100 in non-qualifying tier 2 instruments, it may include up to $~~50~~20 in tier 2 capital in ~~2017~~2020 and $~~40~~10 in ~~2018~~2021.

If the institution is involved in a merger or acquisition, it should treat its non-qualifying capital instruments following the requirements in section 300 of the regulatory capital rules.

Part I. (cont.)

Item No. **Caption and Instructions**

21 (cont.) **Table 7 – Percentage of non-qualifying capital instruments includable in additional tier 1 or tier 2 capital during the transition period**

Transition period	Percentage of non-qualifying capital instruments includable in additional tier 1 or tier 2 capital
Calendar year 2015	70
Calendar year 2016	60
Calendar year 2017	50
Calendar year 2018	40
Calendar year 2019	30
Calendar year 2020	20
Calendar year 2021	10
Calendar year 2022 and thereafter	0

22 **Tier 1 minority interest not included in common equity tier 1 capital.** Report the amount of tier 1 minority interest not included in common equity tier 1 capital that is includable at the consolidated level, calculated as described below and in section 21 of the regulatory capital rules.

(i) All institutions, except advanced approaches institutions

Non-advanced approaches institutions are able to include tier 1 minority interest up to 10 percent of the parent banking organization's tier 1 capital. The 10 percent limitation is measured before the inclusion of any minority interest and after the deductions from and adjustments to the regulatory capital of the parent banking organization described in sections 22(a) and (b) of the capital rule. Tier 1 minority interest is the portion of tier 1 capital in a reporting institution's subsidiary not attributable, directly or indirectly, to the parent institution. Note that an institution may only include tier 1 minority interest if the capital instruments issued by the subsidiary meet all of the criteria for tier 1 capital (qualifying tier 1 capital instruments).

Example and a worksheet calculation: Calculate tier 1 minority interest not included in common equity tier 1 minority interest includable at the reporting institution's level as follows:

Assumptions:

- This is a continuation of the example for all institutions, except advanced approaches institutions, used in the instructions for Schedule RC-R, Part I, item 4.
- Assumptions and calculation from Schedule RC-R, Part I, item 4:
  - o The parent banking organization's common equity tier 1 before minority interest and common equity tier 1 capital adjustments and deductions is $100.
  - o Common equity tier 1 capital adjustments and deductions is $10.
- The parent banking organization's additional tier 1 capital instruments before minority interest and additional tier 1 deductions equal $15.
- Additional tier 1 capital deductions equal $4.
- Subsidiary A has $6 of additional tier 1 minority interest (that is, owned by minority shareholders).
- Subsidiary B has $6 of additional tier 1 minority interest (that is, owned by minority shareholders).
- The subsidiary's tier 1 minority interest (that is, owned by minority shareholders) is $24 ($12 of common equity tier 1 minority interest and $12 of minority interest in the form of additional tier 1 instruments).

(1)	Common equity tier 1 capital before CET1 minority interest + Additional tier 1 capital instruments before minority interest - additional tier 1 capital deductions= Schedule RC-R, Part I, sum of items 19, 20, and 21, minus item 4 minus item 24.	*$90+$15-$4=$101*
(2)	Multiply step (1) by 10 percent. This is the maximum includable tier 1 minority interest from all subsidiaries.	*$101 x 10% = $10.1*
(3)	Determine the lower of (2) or the tier 1 minority interest from all subsidiaries.	*Minimum of ($10.1 from Step 2 or $24 from the assumptions) = $10.1*
(4)	From (3), subtract out the common equity tier 1 minority interest reported in Schedule RC-R, Part I, item 4. This is the “tier 1 minority interest not included in common equity tier 1 minority interest includable at the reporting institution’s level” to be included in Schedule RC-R, Part I, item 22.	*$10.1 - $9 = $1.1*

(ii) Advanced approaches institutions For each consolidated subsidiary, perform the calculations in steps (1) through (10) of the worksheet below. Sum the results from step 10 for each consolidated subsidiary and report the aggregate number in this item 22.

For tier 1 minority interest, there is no requirement that the subsidiary be a depository institution or a foreign bank. However, the instrument that gives rise to tier 1 minority interest must meet all the criteria for either common equity tier 1 capital or additional tier 1 capital instrument.

Example and a worksheet calculation: Calculate tier 1 minority interest not included in common equity tier 1 capital includable at the institution level as follows:

Assumptions:

- This is a continuation of the example used for common equity tier 1 minority interest from Schedule RC-R, Part I, item 4.
- For this example, assume that risk-weighted assets of the subsidiary are the same as the risk-weighted assets of the institution that relate to the subsidiary: $1,000 in each case.
- Subsidiary’s tier 1 capital: $110, which is composed of subsidiary’s common equity tier 1 capital $80 and additional tier 1 capital of $30.
- Subsidiary’s common equity tier 1 owned by minority shareholders: $24.
- Subsidiary’s additional tier 1 capital owned by minority shareholders: $15
- Other relevant numbers are taken from the example in Schedule RC-R, Part I, item 4.

(1)	Determine the risk-weighted assets of the subsidiary.	*$1,000*
(2)	Using the standardized approach, determine the standardized risk-weighted assets of the reporting institution that relate to the subsidiary. Note that the amount in this step (2) may differ from the amount in step (1) due to intercompany transactions and eliminations in consolidation.	*$1,000*

Part I. (cont.)

Item No. Caption and Instructions

22
(cont.)

(3)	Multiply the lower of (1) or (2) by 8.5~~%.~~ percent.[7]	*$1,000 x 8.5% = $85*
(4)	Determine the dollar amount of tier 1 capital for the subsidiary. If this amount is less than step (3), enter the sum of common equity tier 1 and additional tier 1 minority interest ($39 in this example) in step (9). Otherwise continue on to step (5).	*$110*
(5)	Subtract the amount in step (3) from the amount in step (4). This is the "surplus tier 1 capital of the subsidiary."	*$110 - $85 = $25*
(6)	Determine the percent of the subsidiary's qualifying tier 1 capital instruments that are owned by third parties (the minority shareholders).	*$24 + 15 = $39. Then $39/$110 = 35.45%*
(7)	Multiply the percentage from step (6) by the dollar amount in step (5). This is the "surplus tier 1 minority interest of the subsidiary."	*35.45% x $25 = $8.86*
(8)	Determine the total amount of tier 1 minority interest of the subsidiary. Then subtract the surplus tier 1 minority interest of the subsidiary (step 7) from this amount.	*$24 + $15 = $39. Then $39 - $8.86 = $30.14*
(9)	The "tier 1 minority interest includable at the reporting institution's level" is the amount from step (8) (or from step (4) when there is no surplus tier 1 minority interest of the subsidiary).	*$30.14*
(10)	Subtract any minority interest that is included in common equity tier 1 capital (from Schedule RC-R, Part I, item 4). The result is the minority interest included in additional tier 1 capital.	*$30.14 - $21 (from example in item 4) = $9.14.*

Note: As indicated, this example built onto the example under the instructions for item 4, where the subsidiary was a depository institution, and where its common equity tier 1 minority interest was includable in common equity tier 1 capital. However, if this were a subsidiary other than a depository institution, none of its minority interest arising from common equity tier 1 would have been includable in common equity tier 1 capital. If the subsidiary in the example were not a depository institution, the full calculated amount of minority interest ($30.14) would be includable in additional tier 1 capital of the reporting institution since none of it would have been includable in common equity tier 1 capital.

~~***Transition provisions:*** If an institution has non-qualifying minority interest and/or surplus minority interest, it will report the amount includable in additional tier 1 capital in this item 22. For surplus minority interest and non-qualifying minority interest that can be included in additional tier 1 capital during the transition period, follow the transition provisions in the instructions for Schedule RC-R, item 4, after taking into consideration (that is, excluding) any amount of surplus common equity tier 1 minority interest (from step 7 of the worksheet in item 4). In the example (and assuming no outstanding amounts of non-qualifying minority interest), the institution has $5.86 of surplus tier 1 minority interest available to be included during the transition period in additional tier 1 capital ($8.86 (from step 7 of the worksheet in item 22) of surplus tier 1 minority interest minus $3.00 (from step 7 of the worksheet in~~

[7] The percentage multiplier in step (3) is the capital ratio necessary for the subsidiary depository institution to avoid restrictions on distributions and discretionary bonus payments. Advanced approaches institutions must adjust this percentage to account for all applicable buffers.

~~Part I. (cont.)~~

Part I. (cont.)

Item No.	Caption and Instructions
~~22 (cont.)~~	~~item 4) of common equity tier 1 minority interest). In 2015, the institution would include an additional $3.52 in item 22 (60% of $5.86). Starting in 2018, if the institution is an advanced approaches institution it would not include any surplus minority interest in regulatory capital. Starting in 2018, a non-advanced approaches institution would include the amount of surplus minority interest included in 2017 (20% of $5.86 or $1.17) in regulatory capital.~~
23	**Additional tier 1 capital before deductions.** Report the sum of Schedule RC-R, Part I, items 20, 21, and 22.
24	**LESS: Additional tier 1 capital deductions.** Report additional tier 1 capital deductions as the sum of the following elements.

Note that an institution should report additional tier 1 capital deductions in item 24 irrespective of the amount of additional tier 1 capital before deductions reported in Schedule RC-R, Part I, item 23. If an institution does not have a sufficient amount of additional tier 1 capital before deductions in item 23 to absorb these deductions, then the institution must deduct the shortfall from common equity tier 1 capital in Schedule RC-R, Part I, item 17. For example, if an institution reports $0 of "Additional tier 1 capital before deductions" in Schedule RC-R, Part I, item 23, and has $100 of additional tier 1 capital deductions, the institution would report $100 in this item 24, add $100 to the amount to be reported in Schedule RC-R, Part I, item 17, and report $0 in Schedule RC-R, Part I, item 25, "Additional tier 1 capital."

(i) Non-advanced approaches institutions

(1) Investments in own additional tier 1 capital instruments. Report the institution's investments in (including any contractual obligation to purchase) its own additional tier 1 capital instruments, whether held directly or indirectly.

An institution may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty risk.

The institution must look through any holdings of index securities to deduct investments in its own capital instruments. In addition:

(i) Gross long positions in investments in an institution's own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same index;
(ii) Short positions in index securities that are hedging long cash or synthetic positions can be decomposed to recognize the hedge; and
(iii) The portion of the index that is composed of the same underlying exposure that is being hedged may be used to offset the long position if both the exposure being hedged and the short position in the index are covered positions under the market risk capital rule, and the hedge is deemed effective by the institution's internal control processes.

(2) Reciprocal cross-holdings in the capital of financial institutions. Include investments in the additional tier 1 capital instruments of other financial institutions that the institution holds reciprocally, where such reciprocal cross-holdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's capital instruments. If the institution does not have a sufficient amount of a specific component of capital to effect the required deduction, the shortfall must be deducted from the next higher (that is, more subordinated) component of regulatory capital.

For example, if an institution is required to deduct a certain amount from additional tier 1 capital and it does not have additional tier 1 capital, then the deduction should be from common equity tier 1 capital in Schedule RC-R, Part I, item 17.

(3) Investments in the capital of unconsolidated financial institutions that exceed the 25 percent threshold to be deducted from additional tier 1 capital. Report the total amount of investments in the capital of unconsolidated financial institutions in the form of additional tier 1 capital that exceed the 25 percent threshold.

(1) Determine the amount of investments in the capital of unconsolidated financial institutions, net of associated DTLs.
(2) If the amount in (1) is greater than 25 percent of Schedule RC-R, Part I, item 12, (column A on the FFIEC 031), report the difference across Schedule RC-R, Part I, item 13 on the FFIEC 041; item 13.a on the FFIEC 031, as applicable; item 24, or item 43, depending on the tier of capital for which the investments in the capital of unconsolidated financial institutions qualifies. The institution can elect which investments it must deduct and which it must risk weight. The institution's election and the component of capital for which the underlying instrument would qualify will determine if the instrument will be deducted and reported in Schedule RC-R, Part I, item 13 on the FFIEC 041, item 13.a on the FFIEC 031.a, as applicable; or be deducted and reported in Schedule RC-R, Part I, item 24 or 43.
(3) If the amount in (2) is less than or equal to 25 percent of Schedule RC-R, Part I, item 12, (column A on the FFIEC 031), no deduction is needed.

See the instructions for Schedule RC-R, Part I, item 13 on the FFIEC 041; item 13.a on the FFIEC 031, for an example of how to deduct amounts of investments in the capital of unconsolidated financial institutions that exceed the 25 percent threshold.

Since the community bank leverage ratio framework does not have a total capital requirement, a CBLR electing institution is neither required to calculate tier 2 capital nor make any deductions that would have been taken from tier 2 capital under the generally applicable rule. Therefore, if a CBLR electing institution has investments in the capital instruments of an unconsolidated financial institution that would qualify as tier 2 capital of the CBLR electing institution under the generally applicable rule (tier 2 qualifying investments), and the institution's total investments in the capital of unconsolidated financial institutions exceed the threshold for deduction, the institution is not required to deduct the tier 2 qualifying investments.

(4) Other adjustments and deductions. Include adjustments and deductions applied to additional tier 1 capital due to insufficient tier 2 capital to cover deductions (related to reciprocal cross-holdings, and investments in the tier 2 capital of unconsolidated financial institutions,).

Eligible institutions that opt into the community bank leverage ratio framework are not required to calculate tier 2 capital and would not be required to make any deductions that would be taken from tier 2 capital.

In addition, insured state banks with real estate subsidiaries whose continued operations have been approved by the FDIC pursuant to Section 362.4 of the FDIC's Rules and Regulations generally should include as a deduction from additional tier 1 capital their equity investment in the subsidiary. (Insured state banks with FDIC-approved phase-out plans for real estate subsidiaries need not make these deductions.) Insured state banks with other subsidiaries (that are not financial subsidiaries) whose continued operations have been approved by the FDIC pursuant to Section 362.4 should include as a deduction from additional tier 1 capital the amount required by the approval order.

(ii) Advanced approaches institutions

(1) Investments in own additional tier 1 capital instruments. Report the institution's investments in (including any contractual obligation to purchase) its own additional tier 1 capital instruments, whether held directly or indirectly.

An institution may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty risk.

The institution must look through any holdings of index securities to deduct investments in its own capital instruments. In addition:

(i) Gross long positions in investments in an institution's own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same index;
(ii) Short positions in index securities that are hedging long cash or synthetic positions can be decomposed to recognize the hedge; and
(iii) The portion of the index that is composed of the same underlying exposure that is being hedged may be used to offset the long position if both the exposure being hedged and the short position in the index are covered positions under the market risk capital rule, and the hedge is deemed effective by the institution's internal control processes.

~~***Transition provisions:*** Apply the appropriate percentage for deductions related to investments in capital instruments in Table 5 in the instructions for Schedule RC-R, Part I, item 11.~~

(2) Reciprocal cross-holdings in the capital of financial institutions. Include investments in the additional tier 1 capital instruments of other financial institutions that the institution holds reciprocally, where such reciprocal cross-holdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's capital instruments. If the institution does not have a sufficient amount of a specific component of capital to effect the required deduction, the shortfall must be deducted from the next higher (that is, more subordinated) component of regulatory capital.

Part I. (cont.)

Item No. Caption and Instructions

24 (cont.)

For example, if an institution is required to deduct a certain amount from additional tier 1 capital and it does not have additional tier 1 capital, then the deduction should be from common equity tier 1 capital in Schedule RC-R, Part I, item 17.

~~***Transition provisions:*** Apply the appropriate percentage for deductions related to investments in capital instruments in Table 5 in the instructions for Schedule RC-R, Part I, item 11.~~

(3) Non-significant investments in additional tier 1 capital of unconsolidated financial institutions that exceed the 10 percent threshold for non-significant investments. As noted in the instructions for Schedule RC-R, Part I, item 11 above, an institution has a non-significant investment in the capital of an unconsolidated financial institution if it owns 10 percent or less of the issued and outstanding common shares of that institution. Calculate this amount as follows:

(1) Determine the aggregate amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock, additional tier 1 capital, and tier 2 capital.
(2) Determine the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of additional tier 1 capital.
(3) If the amount in (1) is greater than the ten percent threshold for non-significant investments (Schedule RC-R, Part I, item 11, step (4)), then multiply the difference by the ratio of (2) over (1). Report this product in this item 24.
(4) If the amount in (1) is less than the 10 percent threshold for non-significant investments, report zero.

For example, assume an institution has a total of $200 in non-significant investments (step 1), including $60 in the form of additional tier 1 capital (step 2), and its ten percent threshold for non-significant investments is $100 (as calculated in step 4 of item 11). Since the aggregate amount of non-significant investments exceeds the ten percent threshold for non-significant investments by $100 ($200-$100), the institution would multiply $100 by the ratio of 60/200 (step 3). Thus, the institution would need to deduct $30 from its additional tier 1 capital.

~~***Transition provisions:*** Follow the transition provisions in the instructions for Schedule RC-R, item 11 (that is, for advanced approaches institutions, use Table 5 in the instructions for Schedule RC-R, Part I, item 11; for non-advanced approaches institutions, apply 80 percent of the deduction and assign the applicable risk weight to the portion of the investments not deducted).~~

(4) Significant investments in the capital of unconsolidated financial institutions not in the form of common stock to be deducted from additional tier 1 capital. Report the total amount of significant investments in the capital of unconsolidated financial institutions in the form of additional tier 1 capital.

~~***Transition provisions:*** Follow the transition provisions in the instructions for Schedule RC-R, item 11 (that is, for advanced approaches institutions, use Table 5 in the instructions for Schedule RC-R, Part I, item 11; for non-advanced approaches institutions, apply 80 percent of the deduction and a 100 percent risk weight to the portion of the investments not deducted).~~

Part I. (cont.)

Item No.	Caption and Instructions
24 (cont.)	**(5) Other adjustments and deductions.** Include adjustments and deductions applied to additional tier 1 capital due to insufficient tier 2 capital to cover deductions (related to reciprocal cross-holdings~~,~~; non-significant investments in the tier 2 capital of unconsolidated financial institutions~~,~~; and significant investments in the tier 2 capital of unconsolidated financial institutions~~).~~ .
	~~Also include adjustments and deductions related to DTAs that arise from net operating loss and tax credit carryforwards, gain-on-sale in connection with a securitization exposure, defined benefit pension fund assets, changes in fair value of liabilities due to changes in own credit risk, and expected credit losses during the transition period described in Table 4 in the instructions for Schedule RC-R, item 8.~~
	In addition, insured state banks with real estate subsidiaries whose continued operations have been approved by the FDIC pursuant to Section 362.4 of the FDIC's Rules and Regulations generally should include as a deduction from additional tier 1 capital their equity investment in the subsidiary. (Insured state banks with FDIC-approved phase-out plans for real estate subsidiaries need not make these deductions.) Insured state banks with other subsidiaries (that are not financial subsidiaries) whose continued operations have been approved by the FDIC pursuant to Section 362.4 should include as a deduction from additional Tier 1 capital the amount required by the approval order.
25	**Additional tier 1 capital.** Report the greater of Schedule RC-R, Part I, item 23 minus item 24, or zero.

Tier 1 Capital

26	**Tier 1 capital.** Report the sum of Schedule RC-R, Part I, items 19 and 25.

Total Assets for the Leverage Ratio

27	**Average total consolidated assets.** All banks and savings associations must report the amount of average total consolidated assets as reported in Schedule RC-K, item 9.
	An institution that has adopted FASB Accounting Standards Update No. 2016-13, which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), and has elected to apply the CECL transition provision (CECL electing institution) should increase its average total consolidated assets by its applicable CECL transitional amount, in accordance with section 301(c)(1)(iv) of the regulatory capital rules. For example, a CECL electing institution should increase its average total consolidated assets as reported on the Call Report for purposes of the leverage ratio by 75 percent of its CECL transitional amount during the first year of the transition period, 50 percent of its CECL transitional amount during the second year of the transition period, and 25 percent of its CECL transitional amount during the third year of the transition period (see Table X in the instructions for Schedule RC-R, Part I, item 2).

28 LESS: Deductions from common equity tier 1 capital and additional tier 1 capital.

(i) Non-advanced approaches institutions

On the FFIEC 041, report the sum of the amounts deducted from common equity tier 1 capital and additional tier 1 capital in Schedule RC-R, items 6, 7, 8, 10.b, 13 through 15, 17, and item 24.

On the FFIEC 031, report the sum of the amounts deducted from common equity tier 1 capital and additional tier 1 capital in Schedule RC-R, items 6, 7, 8, 10.b, 13.a, 14.a, 15.a, 17 (column A), and item 24.

Also exclude the amount reported in item 17 that is due to insufficient amounts of additional tier 1 capital, and which is included in the amount reported in item 24. (This is to avoid double counting.)

(ii) Advanced approaches institutions

Report the sum of the amounts deducted from common equity tier 1 capital and additional tier 1 capital in Schedule RC-R, items 6, 7, 8, 10.b, 11, 13.b, 14.b, 15.b, 16, 17 (column B), and item 24..

Also exclude the amount reported in item 17 that is due to insufficient amounts of additional tier 1 capital, and which is included in the amount reported in item 24. (This is to avoid double counting.)

29 LESS: Other deductions from (additions to) assets for leverage ratio purposes. Based on the regulatory capital rules of the bank's primary federal supervisor, report the amount of any deductions from (additions to) total assets for leverage capital purposes that are not included in Schedule RC-R, Part I, item 28, as well as the items below, if applicable. If the amount is a net deduction, report it as a positive value in this item. If the amount is a net addition, report it as a negative value in this item.

Institutions that make the AOCI opt-out election in Schedule RC-R, Part I, item 3.a – Defined benefit postretirement plans:

If the reporting institution sponsors a single-employer defined benefit postretirement plan, such as a pension plan or health care plan, accounted for in accordance with ASC Topic 715, Compensation-Retirement Benefits (formerly FASB Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans"), the institution should adjust total assets for leverage ratio purposes for any amounts included in Schedule RC, item 26.b, "Accumulated other comprehensive income" (AOCI), affecting assets as a result of the initial and subsequent application of ASC Topic 715. The adjustment also should take into account subsequent amortization of these amounts from AOCI into earnings. The intent of the adjustment reported in this item (together with the amount reported in Schedule RC-R, Part I, item 9.d) is to reverse the effects on AOCI of applying ASC Topic 715 for regulatory capital purposes. Specifically, assets recognized or derecognized as an adjustment to AOCI as part of the incremental effect of applying ASC Topic 715 should be reported as an adjustment to total assets for leverage ratio purposes. For example, the derecognition of an asset recorded as an offset to

Part I. (cont.)

Item No. Caption and Instructions

29 (cont.) AOCI as part of the initial incremental effect of applying ASC Topic 715 should be added back to total assets for leverage ratio purposes by reporting the amount as a negative number in this item. As another example, the portion of a benefit plan surplus asset that is included in Schedule RC, item 26.b, as an increase to AOCI and in total assets should be deducted from total assets for leverage ratio purposes by reporting the amount as a positive number in this item.

Institutions that do not make the AOCI opt-out election and all advanced approaches institutions – Available-for-sale securities:

Available-for-sale debt securities and available-for-sale equity securities are reflected at amortized cost and at the lower of cost or fair value, respectively, when calculating average total consolidated assets for Schedule RC-K, item 9. Therefore, include in this item as deductions from (additions to) assets for leverage ratio purposes the amounts needed to adjust (i) the quarterly average for available-for-sale debt securities included in Schedule RC-K, item 9, from an average based on amortized cost to an average based on fair value, and (ii) the quarterly average for available-for-sale equity securities included in Schedule RC-K, item 9, from an average based on the lower of cost or fair value to an average based on fair value. If the deferred tax effects of any net unrealized gains (losses) on available-for-sale debt securities were excluded from the determination of average total consolidated assets for Schedule RC-K, item 9, also include in this item as a deduction from (addition to) assets for leverage ratio purposes the quarterly average amount necessary to reverse the effect of this exclusion on the quarterly average amount of net deferred tax assets included in Schedule RC-K, item 9.

Financial Subsidiaries:

If a financial subsidiary is not consolidated into the bank for purposes of the bank's balance sheet, include in this item 29 as a deduction from the bank's average total assets (as reported in Schedule RC-R, Part I, item 27) the quarterly average for the bank's ownership interest in the financial subsidiary accounted for under the equity method of accounting that is included in the bank's average total assets reported in Schedule RC-K, item 9.

If a financial subsidiary is consolidated into the bank for purposes of the bank's balance sheet, include in this item 29 as a deduction from the bank's average total assets (as reported in Schedule RC-R, Part I, item 27) the quarterly average of the assets of the subsidiary that have been included in the bank's consolidated average total assets reported in Schedule RC-K, item 9; minus any deductions from common equity tier 1 capital and additional tier 1 capital attributable to the financial subsidiary that have been included in Schedule RC-R, Part I, item 28; and plus the quarterly average of bank assets representing claims on the financial subsidiary, other than the bank's ownership interest in the subsidiary, that were eliminated in consolidation. Because the bank's claims on the subsidiary were eliminated in consolidation, these bank assets were not included in the bank's consolidated average total assets reported in Schedule RC-K, item 9.

Part I. (cont.)

Item No. Caption and Instructions

29 ***Non-Includable Subsidiaries:***
(cont.)

A savings association with a non-includable subsidiary should include in this item 29 a deduction from average total assets (as reported in Schedule RC-R, Part I, item 27) determined in the same manner as described above for financial subsidiaries, except that for a non-includable subsidiary accounted for under the equity method of accounting, the deduction should be the quarterly average for the savings association's outstanding investments (both equity and debt) in, and extensions of credit to, the subsidiary.

30 **Total assets for the leverage ratio.** Report Schedule RC-R, Part I, item 27, less items 28 and 29.

Leverage Ratio

31 **Leverage ratio.** Report the institution's leverage ratio as a percentage, rounded to four decimal places. Divide Schedule RC-R, Part I, item 26 by item 30.

31.a **Does your institution have a community bank leverage ratio (CBLR) framework election in effect as of the quarter-end report date?**
Enter "1" for Yes or enter "0" for No. Refer to the qualifying criteria for using the CBLR framework, which are explained in Schedule RC-R, Part I, items 32 through 34, below.

Qualifying Criteria and Other Information for CBLR Institutions

Schedule RC-R, Part I, items 32 through 38, are to be completed only by qualifying institutions that have elected to adopt the community bank leverage ratio framework or are within the grace period as of the quarter-end report date. (For further information on the grace period, see the General Instructions for Part I.) If your institution entered "1" in item 31.a, then items 32 through 38 must be completed. Institutions that do not qualify or have not adopted the community bank leverage ratio framework as of the quarter-end report date should leave items 32 through 38 blank and go to item 39. A qualifying institution can opt out of the community bank leverage ratio framework by completing Schedule RC-R, Parts I and II, excluding Schedule RC-R, Part I, items 32 through 38.

32 **Total assets.** Report total assets from Schedule RC, item 12. A bank's total assets must be less than $10 billion as part of the qualifying criteria for the CBLR framework.

33 **Trading assets and trading liabilities.** Report in column A the sum of trading assets from Schedule RC, item 5, and trading liabilities from Schedule RC, item 15 (i.e., added, not netted).

Report in column B the sum of trading assets and trading liabilities as a percentage of total assets by dividing the amount of trading assets and trading liabilities reported in column A of this item by total assets reported in Schedule RC-R, Part I, item 32, above, rounded to four decimal places. The percentage reported in this item must be 5 percent or less of total assets as part of the qualifying criteria for the CBLR framework.

34 **Off-balance sheet exposures.** Report in the appropriate subitem the specified off-balance sheet exposure amounts.

34.a **Unused portion of conditionally cancellable commitments.** Report the amount of unused commitments, excluding unconditionally cancellable commitments that are reported in Schedule RC-R, Part I, item 35, below. Include in this item legally binding arrangements (other than letters of credit, which are reported in Schedule RC-R, Part I, item 34.c) that obligate a bank to extend credit or to purchase assets. Where a bank provides a commitment structured as a syndication or participation, include the amount for the bank's pro rata share of the commitment.

In general, this item would include the unused portion of commitments reported in Schedule RC-L, item 1, that are not unconditionally cancelable.

34.b Securities lent and borrowed. Report the sum of securities lent from Schedule RC-L, item 6.a, and securities borrowed from Schedule RC-L, item 6.b.

34.c Other off-balance sheet exposures. Report the sum of:

- ***Financial standby letters of credit:*** Include the amount outstanding and unused of financial standby letters of credit reported in Schedule RC-L, item 2.

- ***Transaction-related contingent items, including performance bonds, bid bonds, warranties, and performance standby letters of credit:*** Report transaction-related contingent items, which include the amount outstanding and unused of performance standby letters of credit reported in Schedule RC-L, item 3, and any other transaction-related contingent items.

- ***Self-liquidating, trade-related contingent items that arise from the movement of goods:*** Include the amount outstanding and unused of self-liquidating, trade-related contingent items that arise from the movement of goods reported in Schedule RC-L, item 4, "Commercial and similar letters of credit."

- ***Sold credit protection in the form of guarantees and credit derivatives:*** Include the notional amount of sold credit protection in the form of guarantees or credit derivatives (such as written credit option contracts). Do not include any non-credit derivatives, such as foreign exchange swaps and interest rate swaps.

- ***Credit-enhancing representations and warranties:*** Include the off-balance sheet amount of exposures transferred with credit-enhancing representations and warranties as defined in §.2 of the regulatory capital rule. Credit-enhancing representations and warranties obligate an institution "to protect another party from losses arising from the credit risk of the underlying exposures" and "include provisions to protect a party from losses resulting from the default or nonperformance of the counterparties of the underlying exposures or from an insufficiency in the value of the collateral backing the underlying exposures." Thus, when loans or other assets are sold "with recourse" and the recourse arrangement provides protection from losses as described in the preceding definition, the recourse arrangement constitutes a credit-enhancing representation and warranty.

- ***Forward agreements that are not derivative contracts:*** Include the notional amount of all forward agreements, which are defined in §.2 of the regulatory capital rule as legally binding contractual obligations to purchase assets with certain drawdown at a specified future date, not including commitments to make residential mortgage loans or forward foreign exchange contracts.

- ***Off-balance sheet securitizations:*** Report the notional amount of off-balance sheet items that qualify as securitization exposures. Refer to the definitions of securitization exposure, synthetic securitization, traditional securitization, and tranche in §.2 of the regulatory capital rules and to §.42 of the regulatory capital rules to calculate the relevant exposure amount.

34.d Total off-balance sheet exposures. Report in column A the sum of Schedule RC-R, Part I, items 34.a through 34.c.

Report in column B total off-balance sheet exposures as a percentage of total assets by dividing the total amount of off-balance sheet exposures reported in column A of this item by total assets reported in Schedule RC-R, Part I, item 32, above, rounded to four decimal places. The percentage reported in this item must be 25 percent or less as part of the qualifying criteria for the CBLR framework.

NOTE: Items 35 through 38 are to be completed only by qualifying institutions that have a leverage ratio that exceeds 9 percent or are within the grace period and have elected to adopt the CBLR framework.

35 **Unconditionally cancellable commitments.** Report the unused portion of commitments (facilities) that are unconditionally cancellable (without cause) at any time by the bank (to the extent permitted by applicable law). In general, this item would include the amounts reported in Schedule RC-L, items 1.a, 1.b, and 1.e.

In the case of consumer home equity or mortgage lines of credit secured by liens on 1-4 family residential properties, a bank is deemed able to unconditionally cancel the commitment if, at its option, it can prohibit additional extensions of credit, reduce the credit line, and terminate the commitment to the full extent permitted by relevant federal law.

Retail credit cards and related plans, including overdraft checking plans and overdraft protection programs, are included in this item if the bank has the unconditional right to cancel the line of credit at any time in accordance with applicable law.

36 **Investments in the tier 2 capital of unconsolidated financial institutions.** Report the amount of investments in the tier 2 capital of unconsolidated financial institutions, net of associated DTLs.

37 **Allocated transfer risk reserve.** Report the entire amount of any allocated transfer risk reserve (ATRR) the reporting bank is required to establish and maintain as specified in Section 905(a) of the International Lending Supervision Act of 1983, in the agency regulations implementing the Act (Subpart D of Federal Reserve Regulation K, Part 347 of the FDIC's Rules and Regulations, and 12 CFR Part 28, Subpart C (OCC)), and in any guidelines, letters, or instructions issued by the agencies. The entire amount of the ATRR equals the ATRR related to loans and leases held for investment (which is reported in Schedule RI-B, Part II, Memorandum item 1) plus the ATRR for assets other than loans and leases held for investment.

NOTE: Schedule RC-R, Part I, items 38.a through 38.c, should be completed only by institutions that have adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses. Institutions that have not adopted ASU 2016-13 should leave items 38.a through 38.c blank.

38 **Amount of allowances for credit losses on purchased credit-deteriorated assets.** ASU 2016-13 introduces the concept of purchased credit-deteriorated (PCD) assets as a replacement for purchased credit-impaired (PCI) assets. The PCD asset definition covers a broader range of assets than the PCI asset definition. As defined in ASU 2016-13, “purchased credit-deteriorated assets” are acquired individual financial assets (or acquired groups of financial assets with similar risk characteristics) accounted for in accordance with ASC Topic 326, Financial Instruments–Credit Losses, that, as of the date of acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination, as determined by the acquiring institution’s assessment.

ASU 2016-13 requires institutions to estimate and record a credit loss allowance for a PCD asset at the time of purchase. The credit loss allowance is then added to the purchase price to determine the amortized cost basis of the asset for financial reporting purposes. Post-acquisition increases in credit loss allowances on PCD assets will be established through a charge to earnings. This accounting treatment for PCD assets is different from the current treatment of PCI assets, for which institutions are not permitted to estimate and recognize credit loss allowances at the time of purchase. Rather, in general, credit loss allowances for PCI assets are estimated subsequent to the purchase only if there is deterioration in the expected cash flows from the assets.

38.a **Loans and leases held for investment.** Report all allowances for credit losses on PCD loans and leases held for investment.

38.b **Held-to-maturity debt securities.** Report all allowances for credit losses on PCD held-to-maturity debt securities.

38.c **Other financial assets measured at amortized cost.** Report all allowances for credit losses on all other PCD financial assets, excluding PCD loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities.

NOTE: A qualifying institution that has decided to opt into the community bank leverage ratio (CBLR) framework, does not need to complete any further items in RC-R, Part I and Part II.

Tier 2 Capital

~~27~~39 **Tier 2 capital instruments plus related surplus.** Report the portion of cumulative perpetual preferred stock and related surplus included in Schedule RC, item 23; ~~-~~the portion of subordinated debt and limited-life preferred stock and related surplus included in Schedule RC, item 19; and any other capital instrument and related surplus that satisfy all the eligibility criteria for tier 2 capital instruments in section 20(d) of the regulatory capital rules of the institution's primary federal supervisor.

Include instruments that (i) were issued under the Small Business Jobs Act of 2010, or, prior to October 4, 2010, under the Emergency Economic Stabilization Act of 2008 and (ii) were included in the tier 2 capital non-qualifying capital instruments (e.g., trust preferred stock and cumulative perpetual preferred stock) under the primary federal supervisor's general risk-based capital rules.

~~28~~40 **Non-qualifying capital instruments subject to phase-out from tier 2 capital.** Report the total amount of non-qualifying capital instruments that were included in tier 2 capital and outstanding as of January 1, 2014, and that are subject to phase-out.

Depository institutions may include in regulatory capital debt or equity instruments issued prior to September 12, 2010, that do not meet the criteria for additional tier 1 or tier 2 capital instruments in section 20 of the regulatory capital rules but that were included in tier 1 or tier 2 capital respectively as of September 12, 2010 (non-qualifying capital instruments issued prior to September 12, 2010) up to the percentage of the outstanding principal amount of such non-qualifying capital instruments as of January 1, 2014, in accordance with Table 7 in the instructions for Schedule RC-R, item 21.

Part I. (cont.)

Item No. Caption and Instructions

~~29~~41 Total capital minority interest that is not included in tier 1 capital.

(i) All institutions, except advanced approaches institutions

Report the aggregate amount of total capital minority interest, calculated as described below and in section 21 of the regulatory capital rules. Non-advanced approaches institutions are able to include total capital minority interest up to 10 percent of the parent banking organization's total capital. The 10 percent limitation is measured before the inclusion of any minority interest and after the deductions from and adjustments to the regulatory capital of the parent banking organization described in sections 22(a) and (b) of the capital rule. Total capital minority interest is the portion of total capital in a reporting institution's subsidiary not attributable, directly or indirectly, to the parent institution. Note that a reporting institution may only include total capital minority interest if the capital instruments issued by the subsidiary meet all of the criteria for capital (qualifying capital instruments).

Example and a worksheet calculation: Calculate total capital minority interest includable at the reporting institution's level as follows:

Assumptions:

- This is a continuation of the example for all institutions, except advanced approaches institutions, used in the instructions for Schedule RC-R, Part I, items 4 and 22.
- Assumptions and calculation from Schedule RC-R, Part I, item 4:
  - o Includable common equity tier 1 minority interest (see Schedule RC-R, Part I, item 4) is $9.
  - o The parent banking organization's common equity tier 1 capital before minority interest and after deductions and adjustments is $90.
- Assumptions and calculation from Schedule RC-R, Part I, item 22:
  - o Includable tier 1 minority interest that is not included in common equity tier 1 minority interest (see Schedule RC-R, Part I, item 22) is $1.1
  - o The parent banking organization's additional tier 1 capital before minority interest and after deductions is $11 ($15 - $4).
- The parent banking organization's tier 2 capital instruments before minority interest and allowance for loan and lease losses includable in tier 2 capital (or adjusted allowances for credit losses (AACL), as applicable) is $20.Additional tier 2 capital deductions equal $2.
- The subsidiary's total capital minority interest (that is, owned by minority shareholders) is $14.
- Subsidiary A has $8 of minority interest in the form of tier 2 instruments (that is, owned by minority shareholders).
- Subsidiary B has $6 of minority interest in the form of tier 2 instruments (that is, owned by minority shareholders).

(1)	Tier 1 capital after deductions and before minority interest + tier 2 capital instruments before minority interest + allowance for loan and lease losses (ALLL) or adjusted allowances for credit losses (AACL), as applicable, for regulatory capital purposes that is includable in tier 2 capital - tier 2 capital deductions = Schedule RC-R, Part I, sum of items 26, 39, 40, and 42.a, minus item 45	*$101+$20-$2=$119*
(2)	Multiply step (1) by 10 percent. This is the maximum includable total capital minority interest from all subsidiaries.	*$119 x 10% = $11.9*
(3)	Determine the lower of (2) or the total capital minority interest from all subsidiaries.	*Minimum of ($11.9 from Step 2 or $38 from the*

		assumptions) = $11.9
(4)	From (3), subtract out the includable common equity tier 1 minority interest reported in Schedule RC-R, Part I, item 4, and includable tier 1 minority interest that is not included in common equity tier 1 minority interest reported in Schedule RC-R, Part I, item 22. This is the "total capital minority interest not included in tier 1 minority interest includable at the reporting institution's level" to be included in Schedule RC-R, Part I, item 41.	$11.9 - $9 - $1.1 = $1.8

(ii) Advanced approaches institutions

Report the amount of total capital minority interest not included in tier 1 capital, as described below. For each consolidated subsidiary, perform the calculations in steps (1) through (10) below. Sum the results for each consolidated subsidiary and report the aggregate number in this item ~~29~~41.

Example and a worksheet calculation: Calculate total capital minority interest that is not included in tier 1 capital includable at the institution level as follows:

Assumptions:

- This is a continuation of the example for advanced approaches institutions used in the instructions for Schedule RC-R, Part I, items 4 and 22.
- For this example, assume that risk-weighted assets of the subsidiary are the same as the risk-weighted assets of the institution that relate to the subsidiary: $1,000 in each case.
- Subsidiary's total capital: $130, which is composed of subsidiary's common equity tier 1 capital $80, and additional tier 1 capital of $30, and tier 2 capital of $20.
- Subsidiary's common equity tier 1 capital owned by minority shareholders: $24.
- Subsidiary's additional tier 1 capital owned by minority shareholders: $15.
- Subsidiary's total capital instruments owned by minority shareholders: $15.
- Other relevant numbers are taken from the examples in Schedule RC-R, Part I, items 4 and 22.

(1)	Determine the risk-weighted assets of the subsidiary.	*$1,000*
(2)	Using the standardized approach, determine the risk-weighted assets of the reporting institution that relate to the subsidiary. Note that the amount in this step (2) may differ from the amount in step (1) due to intercompany transactions and eliminations in consolidation.	*$1,000*
(3)	Determine the lower of (1) or (2), and multiply that amount by 10.5~~%.~~ percent.[8]	*$1,000 x 10.5% = $105*
(4)	Determine the dollar amount of total capital for the subsidiary. If this amount is less than step (3), enter the sum of common equity tier 1, additional tier 1, and total capital minority interest ($54 in this example) in step (9). Otherwise continue on to step (5).	*$130*
(5)	Subtract the amount in step (3) from the amount in step (4). This is the "surplus total capital of the subsidiary."	*$130 - $105 = $25*
(6)	Determine the percent of the subsidiary's total capital instruments that are owned by third parties (the minority shareholders).	*$24 + $15 + $15 = $54. Then $54/$130 = 41.54%*
(7)	Multiply the percentage from step (6) by the dollar amount in step (5). This is the "surplus total capital minority interest of the subsidiary"	*41.54% x $25 = $10.39*

[8] The percentage multiplier in step (3) is the capital ratio necessary for a subsidiary depository institution to avoid restrictions on distributions and discretionary bonus payments. Advanced approaches institutions must adjust this amount for all applicable buffers.

(8)	Determine the total amount of total capital minority interest of the subsidiary. Then subtract the surplus total capital minority interest of the subsidiary (step 7) from this amount.	*$24 + $15 + $15 = $54. Then $54 - $10.39 = $43.62.*
(9)	The "total capital minority interest includable at the institution level" is the amount from step (8) or step (4) where there is no surplus total capital minority interest of the subsidiary.	*$43.62 (report the lesser of $43.62 or $54).*
(10)	Subtract from (9) any minority interest that is included in common equity tier 1 and additional tier 1 capital. The result is the total capital minority interest not included in tier 1 capital includable in total capital.	*$43.62 – ($21 + $9.14 (from examples in items 4 and 22)) = $13.48.*

Part I. (cont.)

Item No. Caption and Instructions

~~29 (cont.)~~ ~~***Transition provisions:*** For surplus minority interest and non-qualifying minority interest that can be included in tier 2 capital during the transition period, follow the transition provisions in the instructions for Schedule RC-R, item 4, after taking into consideration (that is, excluding) any amount of surplus tier 1 minority interest (from step 7 of the worksheet in item 22). In the example (and assuming no outstanding amounts of non-qualifying minority interest), the institution has $1.53 of surplus total capital minority interest available to be included during the transition period in tier 2 capital ($10.39 (from step 7 of the worksheet in item 29) of surplus total capital minority interest minus $8.86 (from step 7 of the worksheet in item 22) of tier 1 minority interest). In 2015, the institution would include an additional $0.92 in item 29 (60% of $1.53) and starting in 2018 the institution would not include any surplus minority interest in its regulatory capital if it is an advanced approaches institution. If it is a non-advanced approaches institution, starting in 2018 the institution would include the same amount of surplus minority interest in its regulatory capital as it included in 2017 (20% of $1.53 or $0.31). NOTE: If the amount of surplus total capital minority interest (from step 7 of the worksheet in item 29) is less than the amount of surplus tier 1 minority interest (from step 7 of the worksheet in item 22), the amount of surplus total capital minority interest available to be included during the transition period in tier 2 capital is zero.~~

~~30~~

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
42	42.a	**Allowance for loan and lease losses includable in tier 2 capital.** Report the portion of the institution's allowance for loan and lease losses (ALLL) or adjusted allowances for credit losses (AACL), as applicable, for regulatory capital purposes that is includable in tier 2 capital. None of the institution's allocated transfer risk reserve, if any, is includable in tier 2 capital.

For an institution that has not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), the institution's ALLL for regulatory capital purposes equals Schedule RC, item 4.c, "Allowance for loan and lease losses"; less any allocated transfer risk reserve included in Schedule RC, item 4.c; plus Schedule RC-G, item 3, "Allowance for credit losses on off-balance sheet credit exposures."

For an institution that has adopted ASU 2016-13, the institution's AACL for regulatory capital purposes equals Schedule RI-B, Part II, item 7, columns A and B, "Balance end of current period" for loans and leases held for investment and held-to-maturity debt securities, respectively; plus Schedule RI-B, Part II, Memorandum item 6, "Allowance for credit losses on other financial assets measured at amortized cost (not included in item 7, above)"; less Schedule RC-R, Part II, sum of Memorandum items 4.a, 4.b, and 4.c, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for loans and leases held for investment, held-to-maturity debt securities, and other financial assets measured at amortized cost, respectively; less any allocated transfer risk reserve included in Schedule RI-B, Part II, item 7, columns A and B, and Memorandum item 6; plus Schedule RC-G, item 3, ''Allowance for credit losses on off-balance sheet credit exposures.''

An institution that has adopted ASU 2016-13 and has elected to apply the CECL transition provision (CECL electing institution) should decrease its applicable AACL transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, ~~an~~a CECL electing institution should reduce the amount of its AACL includable in tier 2 capital by 75 percent of its AACL transitional amount during the first year of the transition period, 50 percent of its AACL transitional amount during the second year of the transition period, and 25 percent of its AACL transitional amount during the third year of the transition period (see Table X in the instructions for Schedule RC-R, Part I, item 2).

Part I. (cont.)

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
~~30~~ 42 (cont.) ~~(cont.)~~	42.a (cont.)	The amount to be reported in this item is the lesser of (1) the institution's ALLL or AACL, as applicable, for regulatory capital purposes, as defined above, or (2) 1.25 percent of the institution's risk-weighted assets base for the ALLL or AACL calculation, as applicable, as reported in Schedule RC-R, Part II, item 26. In calculating the risk-weighted assets base for this purpose, an institution would not include items that are deducted from capital under section 22(a). However, an institution would include risk-weighted asset amounts of items deducted from capital under sections 22(c) through (f) of the regulatory capital rule, in accordance with the applicable transition provisions. While amounts deducted from capital under sections 22(c) through (f) are included in the risk-weighted assets base for the ALLL or AACL calculation, as applicable, such amounts are excluded from standardized total risk-weighted assets used in the denominator of the risk-based capital ratios.
		The amount, if any, by which an institution's ALLL or AACL, as applicable, for regulatory capital purposes exceeds 1.25 percent of the institution's risk-weighted assets base for the ALLL or AACL calculation (as reported in Schedule RC-R, Part II, item 26), as applicable, should be reported in Schedule RC-R, Part II, item 29, "LESS: Excess allowance for loan and lease losses." For an institution that has not adopted ASU 2016-13, the sum of the amount of ALLL includable in tier 2 capital reported in Schedule RC-R, Part I, item ~~30~~40, plus the amount of excess ALLL reported in Schedule RC-R, Part II, item 29, must equal Schedule RC, item 4.c, less any allocated transfer risk reserve included in Schedule RC, item 4.c, plus Schedule RC-G, item 3.

~~30~~NOTE: On the FFIEC 031, item 42.b is to be completed only by advanced approaches institutions that exit parallel run. Item 42.b is not applicable to institutions that file the FFIEC 041.

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
-	42.b	**Advanced approaches institutions that exit parallel run only: eligible credit reserves includable in tier 2 capital.** Report the amount of eligible credit reserves includable in tier 2 capital as reported in FFIEC 101, Schedule A, item 50.

FFIEC 041 and FFIEC 031 Item No. Caption and Instructions

NOTE: Schedule RC-R, Part I, item ~~31~~43, is to be completed only by institutions that have not adopted FASB Accounting Standards Update No. 2016-01 (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investment in mutual funds, and eliminates the concept of available-for-sale equity securities (see the Note preceding the instructions for Schedule RC, item 2.c).

Institutions that have adopted ASU 2016-01 should leave Schedule RC-R, Part I, item ~~31~~43, blank.

~~31~~43 **Unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures includable in tier 2 capital.**

(i) Institutions that entered "1" for "Yes" in Schedule RC-R, Part I, item 3.a:

Report the pretax net unrealized holding gain (i.e., the excess of fair value as reported in Schedule RC-B, item 7, column D, over historical cost as reported in Schedule RC-B, item 7, column C), if any, on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures includable in tier 2 capital, subject to the limit in section 20(d) of the regulatory capital rules. The amount to be reported in this item equals 45 percent of the institution's pretax net unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures.

Part I. (cont.)

Item No. Caption and Instructions

~~31~~43 ~~(cont.)~~ ***(ii) Institutions that entered "0" for "No" in Schedule RC-R, Part I, item 3.a~~:~~***

~~***Transition provisions for phasing out unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures:***~~

~~(1) Determine the amount of net unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures that an institution currently includes~~***, should report a zero in*** ~~tier 2 capital.~~
~~(2) Multiply (1) by the percentage in Table 8 and include~~ ***this*** ~~amount in tier 2 capital.~~ ***item 43.***

(cont.)

~~**Table 8 – Percentage of unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures that may be included in tier 2 capital**~~

~~Transition period~~	~~Percentage of unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures that may be included in tier 2 capital~~
~~Calendar year 2015~~	~~27~~
~~Calendar year 2016~~	~~18~~
~~Calendar year 2017~~	~~9~~
~~Calendar year 2018 and thereafter~~	~~0~~

~~For example, during calendar year 2015, include up to 27 percent of net unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures in tier 2 capital. During calendar years 2016, 2017, and 2018 (and thereafter), these percentages go down to 18, 9, and zero, respectively.~~

~~**32**~~

FFIEC 041 FFIEC 031
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44 44.a **Tier 2 capital before deductions.** ~~Report~~On the FFIEC 041, report the sum of Schedule RC-R, Part I, items ~~27~~39 through ~~30~~4. On the FFIEC 031, report the sum of Schedule RC-R, Part I, items 39 through 42.a, plus item ~~31~~43.

~~**32**~~NOTE: On the FFIEC 031, item 44.b is to be completed only by advanced approaches institutions that exit parallel run. Item 44.b is not applicable to institutions that file the FFIEC 041.

- 44.b **Advanced approaches institutions that exit parallel run only: tier 2 capital before deductions.** Report the sum of Schedule RC-R, Part I, items ~~27~~39 through ~~29~~41, plus items ~~30~~42.b and ~~31~~43.

FFIEC 041 and FFIEC 031
Item No. Caption and Instructions

45
~~**33**~~ **LESS: Tier 2 capital deductions.** Report total tier 2 capital deductions as the sum of the following elements.

Note that an institution should report tier 2 capital deductions in this item ~~33~~45 irrespective of the amount of tier 2 capital before deductions reported in ~~item 32~~Schedule RC-R, Part I, item 44 on the FFIEC 041; item 44.a~~.~~ on the FFIEC 031. If an institution does not have a sufficient amount of tier 2 capital before deductions in item ~~32~~44 or item 44.a, as applicable, to absorb these deductions, then the institution must deduct the shortfall from additional tier 1 capital before deductions in Schedule RC-R, Part I, item 24, or, if there is not enough additional tier~~-~~ 1 capital before deductions, from common equity tier 1 capital in Schedule RC-R, Part I, item~~-~~ 17.

For example, if an institution reports $98 of "Tier 2 capital before deductions" in ~~item 32~~Schedule RC-R, Part I, item 44 or item 44.a, as applicable, and~~-~~ must make $110 in tier 2 capital deductions, the institution would report $110 in this item ~~33~~45, include the additional $12 in deductions in Schedule RC-R, Part I, item 24 (and in Schedule RC-R, Part I, item 17, in the case of insufficient "Additional tier 1 capital before deductions" in Schedule RC-R, Part I, item~~-~~ 23, from which to make the deduction in Schedule RC-R, Part I, item 24), and report $0 in Schedule RC-R, Part I, item ~~34~~46.a, "Tier 2 capital."

Part I. (cont.)

Item No. Caption and Instructions

~~Part I. (cont.)~~

45 Advanced~~Item No. Caption and Instructions~~

~~33~~ (cont.) ~~In addition, advanced~~ approaches institutions with insufficient tier 2 capital for deductions will make the following adjustments: an advanced approaches institution will make deductions on this schedule under the generally applicable rules that apply to all institutions. It will use FFIEC 101, Schedule A, to calculate its capital requirements under the advanced approaches. Therefore, in the case of an advanced approaches institution with insufficient tier 2 capital to make tier 2 deductions, it will use the corresponding deduction approach and the generally applicable rules to take excess tier 2 deductions from additional tier 1 capital in Schedule RC-R, Part I, item 24, and if necessary from common equity tier 1 capital in Schedule RC-R, Part I, item 17. It will use the advanced approaches rules to take deductions on the FFIEC 101 form.

For example, assume tier 2 capital is $100 under the advanced approaches and $98 under the generally applicable rules (due to the difference between the amount of eligible credit reserves includable in tier 2 capital under the advanced approaches, and the amount of the allowance for loan and lease losses or adjusted allowances for credit losses, as applicable, includable in tier 2 capital under the standardized approach). If the required deduction from tier 2 capital is $110, then the advanced approaches institution would add $10 to the required additional tier 1 capital deductions (on FFIEC 101, Schedule A, item 42, and FFIEC 101, Schedule A, item 27, if necessary), and would add $12 to its required additional tier 1 capital deductions for the calculation of the standardized approach regulatory capital ratios in this schedule (Schedule RC-R, Part I, item 24, and Schedule RC-R, Part I, item 17, if necessary).

(i) Non-advanced approaches institutions

(1) Investments in own tier 2 capital instruments. Report the institution's investments in (including any contractual obligation to purchase) its own tier 2 instruments, whether held directly or indirectly.

An institution may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty risk.

The institution must look through any holdings of index securities to deduct investments in its own capital instruments. In addition:

(i) Gross long positions in investments in an institution's own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same index;
(ii) Short positions in index securities that are hedging long cash or synthetic positions can be decomposed to recognize the hedge; and
(iii) The portion of the index that is composed of the same underlying exposure that is being hedged may be used to offset the long position if both the exposure being hedged and the short position in the index are covered positions under the market risk capital rule, and the hedge is deemed effective by the institution's internal control processes.

~~***Transition provisions:*** Apply the appropriate percentage for deductions related to investments in capital instruments in Table 5 in the instructions for Schedule RC-R, Part I, item 11.~~

(2) Reciprocal cross-holdings in the capital of financial institutions. Include investments in the tier 2 capital instruments of other financial institutions that the institution holds reciprocally, where such reciprocal crossholdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's capital instruments.

Part I. (cont.)

Item No. Caption and Instructions

~~*Transition provisions:* Apply the appropriate percentage for deductions related~~

45 **(3) Investments in the capital of unconsolidated financial institutions that exceed the 25 percent threshold to be deducted from tier 2 capital.** Report the total amount of investments in the capital of unconsolidated financial institutions in the form of tier 2 capital that exceed the 25 percent threshold.

Calculate this amount as follows:

(1) Determine the amount of investments in the capital of unconsolidated financial institutions, net of associated DTLs.

(2) If the amount in (1) is greater than 25 percent of Schedule RC-R, Part I, item 12, (column A on the FFIEC 031,) report the difference across Schedule RC-R, Part I, item 13 on the FFIEC 041, item 13.a on the FFIEC 041; item 24, or item 45, depending on the tier of capital for which the investments in the capital of unconsolidated financial institutions qualifies. The institution can elect which investments it must deduct and which it must risk weight. The institution's election and the component of capital for which the underlying instrument would qualify will determine if it will be deducted and reported in item 13 or item 13.a, as applicable, or be deducted and reported in item 24 or item 45.

(3) If the amount in (2) is less than or equal to 25 percent of Schedule RC-R, Part I, item 12, (column A on the FFIEC 031,) no deduction is needed.

See Schedule RC-R, Part I, item 13 on the FFIEC 041, item 13.a on the FFIEC 031, for an example of how to deduct amounts of investments in the capital of unconsolidated financial institutions that exceed the 25 percent threshold.

(4) Other adjustments and deductions. Include any other applicable adjustments and deductions applied to tier 2 capital in accordance with the regulatory capital rules of the primary federal supervisor.

45 (cont.) ***(ii) Advanced approaches institutions***

(1) Investments in own tier 2 capital instruments ~~in Table 5 in the instructions for Schedule RC-R, Part I, item 11~~. Report the institution's investments in (including any contractual obligation to purchase) its own tier 2 instruments, whether held directly or indirectly.

~~**Part I. (cont.)**~~

An institution may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty risk.

The institution must look through any holdings of index securities to deduct investments in its own capital instruments. In addition:

(i) Gross long positions in investments in an institution's own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same index;
(ii) Short positions in index securities that are hedging long cash or synthetic positions can be decomposed to recognize the hedge; and
(iii) The portion of the index that is composed of the same underlying exposure that is being hedged may be used to offset the long position if both the exposure being hedged and the short position in the index are covered positions under the market risk capital rule, and the hedge is deemed effective by the institution's internal control processes.

(2) Reciprocal cross-holdings in the capital of financial institutions. Include investments in the tier 2 capital instruments of other financial institutions that the institution holds reciprocally, where such reciprocal crossholdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's capital instruments.

~~**Item No. Caption and Instructions**~~

~~**33**~~ ~~(cont.)~~

(3) Non-significant investments in tier 2 capital of unconsolidated financial institutions that exceed the 10 percent threshold for non-significant investments.

Calculate this amount as follows (similar to Schedule RC-R, item 11):

(1) Determine the aggregate amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock, additional tier 1, and tier 2 capital.
(2) Determine the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of tier 2 capital.
(3) If (1) is greater than the ten percent threshold for non-significant investments (Schedule RC-R, item 11, step (4)), then multiply the difference by the ratio of (2) over (1). Report this product in this item.
(4) If (1) is less than the ten percent threshold for non-significant investments, enter zero.

For example, assume an institution has a total of $200 in non-significant investments (step 1), including $40 in the form of tier 2 capital (step 2), and its ten percent threshold for non-significant investments is $100 (as calculated in Schedule RC-R, item 11, step 4). Since the aggregate amount of non-significant investments exceed the ten percent threshold for non-significant investments by $100 ($200-$100), the institution would multiply $100 by the ratio of 40/200 (step 3). Thus, the institution would need to deduct $20 from its tier 2 capital.

~~***Transition provisions:*** Follow the transition provisions in the instructions for Schedule RC-R, Part I, item 11 (that is, for advanced approaches institutions, use Table 5 in the instructions for Schedule RC-R, Part I, item 11; for non-advanced approaches institutions, apply 80 percent of the deduction and assign the applicable risk weight to the portion of items not deducted).~~

(4) Significant investments in the capital of unconsolidated financial institutions not in the form of common stock to be deducted from tier 2 capital. Report the total amount of significant investments in the capital of unconsolidated financial institutions in the form of tier 2 capital.

~~***Transition provisions:*** Follow the transition provisions in the instructions for Schedule RC-R, Part I, item 11 (that is, for advanced approaches institutions, use Table 5 in the instructions for Schedule RC-R, Part I, item 11; for non-advanced approaches institutions, apply 80 percent of the deduction and a 100 percent risk weight to the portion of items not deducted).~~

~~**(5) Other adjustments and deductions.** Include any other applicable adjustments and deductions applied to tier 2 capital in accordance with the regulatory capital rules of the primary federal supervisor.~~

~~**34**~~ **(5) Other adjustments and deductions.** Include any other applicable adjustments and deductions applied to tier 2 capital in accordance with the regulatory capital rules of the primary federal supervisor.

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
46	**46.a**	**Tier 2 capital.** ~~Report~~On the FFIEC 041, report the greater of Schedule RC-R, Part I, item ~~32.a less~~44 minus item ~~33~~45, or zero. On the FFIEC 031, report the greater of Schedule RC-R, Part I, item 44.a minus item 45, or zero.

~~**34**~~NOTE: On the FFIEC 031, item 46.b is to be completed only by advanced approaches institutions that exit parallel run. Item 46.b is not applicable to institutions that file the FFIEC 041.

-	**46.b**	**Advanced approaches institutions that exit parallel run only: Tier 2 capital.** Report the greater of Schedule RC-R, Part I, item 44.b minus item ~~32.b minus item 33~~45, or zero.

Total Capital

~~**35**~~**47**	**47.a**	**Total capital.** ~~Report~~On the FFIEC 041, report the sum of Schedule RC-R, Part I, items 26 and ~~34~~46. On the FFIEC 031, report the sum of Schedule RC-R, Part I, items 26 and 46.a.

~~**35**~~NOTE: On the FFIEC 031, item 47.b is to be completed only by advanced approaches institutions that exit parallel run. Item 47.b is not applicable to institutions that file the FFIEC 041.

- **47.b** **Advanced approaches institutions that exit parallel run only: Total capital.**
Report the sum of Schedule RC-R, Part I, items 26 and ~~34~~46.b.

Part I. (cont.)

Item No. Caption and Instructions

~~**Total Assets for the Leverage Ratio**~~

~~**36** **Average total consolidated assets.** All banks and savings associations must report the amount of average total consolidated assets as reported in Schedule RC-K, item 9.~~

~~An institution that has adopted FASB Accounting Standards Update No. 2016-13, which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), and has elected to apply the CECL transition provision (electing institution) should increase its average total consolidated assets by its applicable CECL transitional amount, in accordance with section 301(c)(1)(iv) of the regulatory capital rules. For example, an electing institution should increase its average total consolidated assets as reported on the Call Report for purposes of the leverage ratio by 75 percent of its CECL transitional amount during the first year of the transition period, 50 percent of its CECL transitional amount during the second year of the transition period, and 25 percent of its CECL transitional amount during the third year of the transition period (see Table X in the instructions for Schedule RC-R, Part I, item 2).~~

~~**37** **LESS: Deductions from common equity tier 1 capital and additional tier 1 capital.** Report the sum of the amounts deducted from common equity tier 1 capital and additional tier 1 capital in Schedule RC-R, items 6, 7, 8, 10.b, 11, 13 through 17, and item 24, except any adjustments to additional tier 1 capital related to changes in the fair value of liabilities that are reported in item 24 during the transition period. Also exclude the amount reported in item 17 that is due to insufficient amounts of additional tier 1 capital, and which is included in the amount reported in item 24. (This is to avoid double counting.)~~

~~**38** **LESS: Other deductions from (additions to) assets for leverage ratio purposes.** Based on the regulatory capital rules of the bank's primary federal supervisor, report the amount of any deductions from (additions to) total assets for leverage capital purposes that are not included in Schedule RC-R, item 37, as well as the items below, if applicable. If the amount is a net deduction, report it as a positive value in this item. If the amount is a net addition, report it as a negative value in this item.~~

~~***Institutions that make the AOCI opt-out election in Schedule RC-R, Part I, item 3.a – Defined benefit postretirement plans:***~~

~~If the reporting institution sponsors a single-employer defined benefit postretirement plan, such as a pension plan or health care plan, accounted for in accordance with ASC Subtopic 715-20, Compensation-Retirement Benefits – Defined Benefit Plans-General (formerly FASB Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans"), the institution should adjust total assets for leverage ratio purposes for any amounts included in Schedule RC, item 26.b, "Accumulated other comprehensive income" (AOCI), affecting assets as a result of the initial and subsequent application of the funded status and measurement date provisions of ASC Subtopic 715-20. The adjustment also should take into account subsequent amortization of these amounts from AOCI into earnings. The intent of the adjustment reported in this item (together with the amount reported in Schedule RC-R, Part I, item 9.d) is to reverse the effects on AOCI of applying ASC Subtopic 715-20 for regulatory capital purposes. Specifically, assets recognized or derecognized as an adjustment to AOCI as part of the incremental effect of applying ASC Subtopic 715-20 should be reported as an adjustment to total assets for leverage ratio purposes. For example, the derecognition of an asset recorded as an offset to~~

~~**Part I. (cont.)**~~

~~**Item No. Caption and Instructions**~~

~~**38 (cont.)**~~ ~~AOCI as part of the initial incremental effect of applying ASC Subtopic 715-20 should be added back to total assets for leverage ratio purposes by reporting the amount as a negative number in this item. As another example, the portion of a benefit plan surplus asset that is included in Schedule RC, item 26.b, as an increase to AOCI and in total assets should be deducted from total assets for leverage ratio purposes by reporting the amount as a positive number in this item.~~

~~***Institutions that do not make the AOCI opt-out election and all advanced approaches institutions – Available-for-sale securities:***~~

~~Available-for-sale debt securities and available-for-sale equity securities are reflected at amortized cost and at the lower of cost or fair value, respectively, when calculating average total consolidated assets for Schedule RC-K, item 9. Therefore, include in this item as deductions from (additions to) assets for leverage ratio purposes the amounts needed to adjust (i) the quarterly average for available-for-sale debt securities included in Schedule RC-K, item 9, from an average based on amortized cost to an average based on fair value, and (ii) the quarterly average for available-for-sale equity securities included in Schedule RC-K, item 9, from an average based on the lower of cost or fair value to an average based on fair value. If the deferred tax effects of any net unrealized gains (losses) on available-for-sale debt securities were excluded from the determination of average total consolidated assets for Schedule RC-K, item 9, also include in this item as a deduction from (addition to) assets for leverage ratio purposes the quarterly average amount necessary to reverse the effect of this exclusion on the quarterly average amount of net deferred tax assets included in Schedule RC-K, item 9.~~

~~***Transition provisions for institutions that do not make the AOCI opt-out election and all advanced approaches institutions – Available-for-sale securities:***~~

~~Include in this item 38 the amount of deductions from (additions to) assets for leverage ratio purposes for available-for-sale debt and equity securities and deferred tax effects as determined above reduced by the appropriate percentage in Table 1 in the instructions for Schedule RC-R, item 3.a. For example, in 2015, if the amount of these deductions (additions) is a $10,000 deduction, include $4,000 in this item 38 [$10,000 – ($10,000 x 60%) = $4,000].~~

~~***Financial Subsidiaries:***~~

~~If a financial subsidiary is not consolidated into the bank for purposes of the bank's balance sheet, include in this item 38 as a deduction from the bank's average total assets (as reported in Schedule RC-R, item 36) the quarterly average for the bank's ownership interest in the financial subsidiary accounted for under the equity method of accounting that is included in the bank's average total assets reported in Schedule RC-K, item 9.~~

~~If a financial subsidiary is consolidated into the bank for purposes of the bank's balance sheet, include in this item 38 as a deduction from the bank's average total assets (as reported in Schedule RC-R, item 36) the quarterly average of the assets of the subsidiary that have been included in the bank's consolidated average total assets reported in Schedule RC-K, item 9; minus any deductions from common equity tier 1 capital and additional tier 1 capital attributable to the financial subsidiary that have been included in Schedule RC-R, item 37; and plus the quarterly average of bank assets representing claims on the financial subsidiary, other than the bank's ownership interest in the subsidiary, that were eliminated in consolidation. Because the bank's claims on the subsidiary were eliminated in consolidation, these bank assets were not included in the bank's consolidated average total assets reported in Schedule RC-K, item 9.~~

~~Part I. (cont.)~~

~~Item No. Caption and Instructions~~

~~38 (cont.)~~ ~~*Non-Includable Subsidiaries:*~~

~~A savings association with a non-includable subsidiary should include in this item 38 a deduction from average total assets (as reported in Schedule RC-R, item 36) determined in the same manner as described above for financial subsidiaries, except that for a non-includable subsidiary accounted for under the equity method of accounting, the deduction should be the quarterly average for the savings association's outstanding investments (both equity and debt) in, and extensions of credit to, the subsidiary.~~

~~39~~ ~~**Total assets for the leverage ratio.** Report Schedule RC-R, Part I, item 36, less items 37 and 38.~~

Total Risk-Weighted Assets

~~40~~FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
48	48.a	**Total risk-weighted assets.** Report the amount of total risk-weighted assets using the standardized approach (as reported in Schedule RC-R, Part II, item 31).

~~40~~NOTE: On the FFIEC 031, item 48.b is to be completed only by advanced approaches institutions that exit parallel run. Item 48.b is not applicable to institutions that file the FFIEC 041.

-	48.b	**Advanced approaches institutions that exit parallel run only: Total risk-weighted assets using advanced approaches rule.** Report the amount from FFIEC 101, Schedule A, item 60.

Risk-Based Capital Ratios

~~41~~FFIEC 041 and FFIEC 031 Item No. Caption and Instructions

49 **Common equity tier 1 capital ratio.** Report the institution's common equity tier 1 risk-based capital ratio as a percentage, rounded to four decimal places.

On the FFIEC 041: Divide Schedule RC-R, Part I, item 19 by item 48.

On the FFIEC 031:

- Column A: Divide Schedule RC-R, Part I, item 19 by item ~~40~~48.a.
- Advanced approaches institutions that exit parallel run only: Column B: Divide Schedule RC-R, Part I, item 19 by item 48.b. The lower of the reported capital ratios in Column A and Column B will apply for prompt corrective action purposes.

~~40~~ 50 **Tier 1 capital ratio.** Report the institution's tier 1 risk-based capital ratio as a percentage, rounded to four decimal places.

On the FFIEC 041: Divide Schedule RC-R, Part I, item 26 by item 48.

On the FFIEC 031:

- Column A: Divide Schedule RC-R, Part I, item 26 by item 48.a.
- Advanced approaches institutions that exit parallel run only: Column B: Divide Schedule RC-R, Part I, item 26 by item 48.b. The lower of the reported capital ratios in Column A and Column B will apply for prompt corrective action purposes.

42 ~~**Tier 1**~~**51 Total capital ratio.** Report the institution's ~~tier 1~~total risk-based capital ratio as a percentage, rounded to four decimal places.

On the FFIEC 041: Divide Schedule RC-R, Part I, item 47 by item 48.

On the FFIEC 031:
- Column A: Divide Schedule RC-R, Part I, item ~~26 by item 40~~47.a~~.~~ by item 48.a.

Advanced approaches institutions that exit parallel run only: Column B: Divide Schedule RC-R, Part I, item ~~26 by item 40~~47.b~~. The lower of the reported capital ratios in Column A and Column B will apply for prompt corrective action purposes.~~

~~**43** **Total capital ratio.** Report the institution's total risk-based capital ratio as a percentage, rounded to four decimal places.~~

~~Column A: Divide Schedule RC-R, Part I, item 35.a~~ by item ~~40.a.~~

~~Advanced approaches institutions that exit parallel run only: Column B: Divide Schedule RC-R, Part I, item 35~~48.b~~ by item 40.b.~~. The lower of the reported capital ratios in Column A and Column B will apply for prompt corrective action purposes.

52 Capital Buffer

General Instructions for Schedule RC-R, Part I, item 52.

For all institutions: In order to avoid limitations on distributions, including dividend payments, and certain discretionary bonus payments to executive officers, an institution must hold a capital conservation buffer above its minimum risk-based capital requirements.

The amount reported in Schedule RC-R, Part I, item 52.a, must be greater than the capital conservation buffer of 2.50 percent (plus any other applicable capital buffers if the institution is an advanced approaches institution or Category III institution[9]). Otherwise, the institution will face limitations on distributions and certain discretionary bonus payments and will be required to complete Schedule RC-R, Part I, items 53 and 54.

Part I. (cont.)

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions

~~**Leverage Capital Ratios**~~

~~**44**~~ ~~**Tier 1 leverage ratio.** Report the institution's tier 1 leverage ratio as a percentage, rounded to four decimal places. Divide Schedule RC-R, Part I, item 26 by item 39.~~

~~**45**~~ ~~**Advanced approaches institutions only: Supplementary leverage ratio information.** Report in the appropriate subitem the institution's total leverage exposure and the supplementary leverage ratio. Advanced approaches institutions must complete items 45.a and 45.b even if they are in the parallel run process.~~

~~**45.a**~~ ~~**Total leverage exposure.** Report the institution's total leverage exposure as measured in accordance with section 10(c)(4) of the regulatory capital rules.~~

~~An institution that has adopted FASB Accounting Standards Update No. 2016-13, which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), and has elected to apply the CECL transition provision (electing institution) should increase its total leverage exposure by its applicable CECL transitional amount, in accordance with section 301(c)(2)(i) of the regulatory capital rules. For example, an electing institution should increase its total leverage exposure for purposes of the supplementary leverage ratio by 75 percent of its CECL transitional amount during the first year of the transition period, 50 percent of its CECL transitional amount during the second year of the transition period, and 25 percent of its CECL transitional amount during the third year of the transition period.~~

~~**45.b**~~ ~~**Supplementary leverage ratio.** Report the institution's supplementary leverage ratio as a percentage, rounded to four decimal places. Divide Schedule RC-R, Part I, item 26, "Tier 1 capital," by Schedule RC-R, Part I, item 45.a, "Total leverage exposure."~~

[9] Advanced approaches institutions, including those that have not exited parallel run, and Category III institutions will need to consult the regulatory capital rules if the countercyclical buffer is in place or if the institution is subject to countercyclical buffers in other jurisdictions. Any other applicable capital buffers applicable to an advanced approaches institution or Category III institution should be reported in 52.b in order for that institution to determine if it will need to complete Schedule RC-R, Part I, items 53 and 54.

~~Part I. (cont.)~~

~~Item No. Caption and Instructions~~

~~Capital Buffer~~

~~46 Institution-specific capital buffer necessary to avoid limitations on distributions and discretionary bonus payments:~~

~~46~~ 52.a 52.a **Capital conservation buffer.** Report the institution's capital conservation buffer as a percentage, rounded to four decimal places. ~~Except as described below, the~~The capital conservation buffer is equal to the lowest of the following ratios (1), (2), and (3) below.

For example, the capital conservation buffer to be reported in this item 46.a for the December 31, 2019, report date would be based on the capital ratios reported in Schedule RC-R, Part I, of the Call Report for December 31, 2019.

For all institutions, except advanced approaches institutions that exit parallel run:

(1) Schedule RC-R, Part I, item ~~41~~49, column A, less 4.5000 percent, which is the minimum common equity tier 1 capital ratio requirement under section 10 of the regulatory capital rules;
(2) Schedule RC-R, Part I, item ~~42~~50, column A, less 6.0000 percent, which is the minimum tier 1 capital ratio requirement under section 10 of the regulatory capital rules; and
(3) Schedule RC-R, Part I, item ~~43~~51, column A, less 8.0000 percent, which is the minimum total capital ratio requirement under section 10 of the regulatory capital rules.

However, if any of the three ratios calculated above is less than zero (i.e., is negative), the institution's capital conservation buffer is zero.

For advanced approaches institutions that exit parallel run only:

(1) The lower of Schedule RC-R, Part I, item ~~41~~49, column A and column B, less 4.5000 percent, which is the minimum common equity tier 1 capital ratio requirement under section 10 of the regulatory capital rules;
(2) The lower of Schedule RC-R, Part I, item ~~42~~50, column A and column B, less 6.0000 percent, which is the minimum tier 1 capital ratio requirement under section 10 of the regulatory capital rules; and
(3) The lower of Schedule RC-R, Part I, item ~~43~~51, column A and column B, less 8.0000 percent, which is the minimum total capital ratio requirement under section 10 of the regulatory capital rules.

However, if any of the three ratios calculated above is less than zero (i.e., is negative), the institution's capital conservation buffer is zero.

~~46~~ 52.b 52.b **Advanced approaches institutions ~~that exit parallel run only:~~(FFIEC 031)and institutions subject to Category III capital standards only (FFIEC 031 or FFIEC 041): Total applicable capital buffer.** Report the total applicable capital buffer~~,~~ as ~~reported~~specified in ~~FFIEC 101, Schedule A, item 64.~~ the capital rule.

Part I. (cont.)

~~**Part I. (cont.)**~~

FFIEC 041 and FFIEC 031
Item No. Caption and Instructions

NOTE: Institutions must complete Schedule RC-R, Part I, items ~~47 and 48~~53, if the amount reported in Schedule RC-R, Part I, item ~~46~~52.a, is less than or equal to the ~~required~~applicable minimum capital conservation buffer of 2.5000 percent ~~(plus~~. Advanced approaches institution or a Category III institution will need to consider any other applicable capital buffers and should use Schedule RC-R, Part I, item 52.b.

Institutions must complete Schedule RC-R, Part I, item 54 to report the amount of distributions and discretionary bonus payments made during the calendar quarter ending on the report date if the ~~institution is an advanced approaches institution).~~amount of its capital conservation buffer as of the end of the previous calendar quarter report date was less than its applicable required buffer percentage on that previous calendar quarter report date.

~~47~~ 53 **Eligible retained income.** Report the amount of eligible retained income as the net income attributable to the institution for the four most recent calendar quarters ~~preceding~~, based on the ~~current calendar quarter~~institution's most recent quarterly Call Report or Reports, as appropriate, net of any distributions and associated tax effects not already reflected in net income. (See the instructions for Schedule RC-R, Part I, item ~~48~~54, for the definition of "distributions" from section 2 of the regulatory capital rules.)

For example, the amount of eligible retained income to be reported in this item ~~47~~53 for the December 31, 2019, report date would be based on the net income attributable to the institution for the four calendar quarters ending on December 31, 2019. This net income amount would equal the net income attributable to the institution most recently reported in Schedule RI, item 14, for December 31, 2019 (i.e., after adjustments for amended Consolidated Reports of Income).

This net income amount would next be reduced by any distributions and associated tax effects not already reflected in net income; the resulting amount would be the eligible retained income to be reported in this item ~~47~~53. Thus, if the institution had declared dividends on its common stock during each calendar quarter in 2019 and had no other distributions during 2019, the institution would reduce its net income amount by the total amount of the dividends declared in 2019 and report the resulting amount as its eligible net income in this item ~~47~~53.

As an additional example, the amount of eligible retained income to be reported in this item ~~47~~53 for the March ~~31~~31, 2020, report date would be based on the net income attributable to the institution for the four calendar quarters ending on March 31, 2020. This net income amount would be calculated by:

(1) Subtracting the net income attributable to the institution most recently reported in Schedule RI, item 14, for March 31, 2019 (i.e., after adjustments for amended Consolidated Reports of Income), from the net income attributable to the institution most recently reported in Schedule RI, item 14, for December 31, 2019 (i.e., after adjustments for amended Consolidated Reports of Income), and
(2) Adding the result from (1) above to the net income attributable to the institution most recently reported in Schedule RI, item 14, for March 31, 2020 (i.e., after adjustments for amended Consolidated Reports of Income).

This net income amount would next be reduced by any distributions and associated tax effects not already reflected in net income (e.g., dividends declared on the institution's common stock between April 1, 2019, and March 31, 2020); the resulting amount would be the eligible retained income to be reported in this item ~~47~~53.

~~48~~54 **Distributions and discretionary bonus payments during the quarter.** Institutions must complete this item if the amount of its capital conservation buffer as of the end of the previous calendar quarter report date was less than its applicable required buffer percentage on that previous calendar quarter report date. Report the amount of distributions and discretionary bonus payments during the calendar quarter ending on the report date.

~~**Part I. (cont.)**~~

~~**Item No. Caption and Instructions**~~

For example, report the amount of distributions and discretionary bonus payments made during the calendar quarter ending March 30, 2020, if the amount of its capital conservation buffer as of the end of the December 31, 2019, was less than its applicable required buffer percentage on December 31, 2019.

Part I. (cont.) ~~48~~

Item No. Caption and Instructions

54 (cont.) As defined in section 2 of the regulatory capital rules, “distribution” means:

(1) A reduction of tier 1 capital through the repurchase of a tier 1 capital instrument or by other means, except when an institution, within the same quarter when the repurchase is announced, fully replaces a tier 1 capital instrument it has repurchased by issuing another capital instrument that meets the eligibility criteria for:
   (i) A common equity tier 1 capital instrument if the instrument being repurchased was part of the institution's common equity tier 1 capital, or
   (ii) A common equity tier 1 or additional tier 1 capital instrument if the instrument being repurchased was part of the institution's tier 1 capital;
(2) A reduction of tier 2 capital through the repurchase, or redemption prior to maturity, of a tier 2 capital instrument or by other means, except when an institution, within the same quarter when the repurchase or redemption is announced, fully replaces a tier 2 capital instrument it has repurchased by issuing another capital instrument that meets the eligibility criteria for a tier 1 or tier 2 capital instrument;
(3) A dividend declaration or payment on any tier 1 capital instrument;
(4) A dividend declaration or interest payment on any tier 2 capital instrument if the institution has full discretion to permanently or temporarily suspend such payments without triggering an event of default; or
(5) Any similar transaction that the institution’s primary federal regulator determines to be in substance a distribution of capital.

As defined in section 2 of the regulatory capital rules, “discretionary bonus payment” means a payment made to an executive officer of an institution, where:

(1) The institution retains discretion as to whether to make, and the amount of, the payment until the payment is awarded to the executive officer;
(2) The amount paid is determined by the institution without prior promise to, or agreement with, the executive officer; and
(3) The executive officer has no contractual right, whether express or implied, to the bonus payment.

As defined in section 2 of the regulatory capital rules, “executive officer” means a person who holds the title or, without regard to title, salary, or compensation, performs the function of one or more of the following positions: president, chief executive officer, executive chairman, chief operating officer, chief financial officer, chief investment officer, chief legal officer, chief lending officer, chief risk officer, or head of a major business line, and other staff that the board of directors of the institution deems to have equivalent responsibility.

Part I. (cont.)

Supplementary Leverage Ratio

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions

NOTE: Schedule RC-R, Part I, items 55.a and 55.b, are to be completed only by advanced approaches institutions, including those that have not exited parallel run, and institutions subject to Category III capital standards.

55 55 **Advanced approaches institutions (FFIEC 031) and institutions subject to Category III capital standards (FFIEC 031 and FFIEC 041): Supplementary leverage ratio information.** Report in the appropriate subitem the institution's total leverage exposure and its supplementary leverage ratio.

55.a 55.a **Total leverage exposure.** Report the institution's total leverage exposure as measured in accordance with section 10(c)(4) of the regulatory capital rules.

An institution that has adopted FASB Accounting Standards Update No. 2016-13, which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), and has elected to apply the CECL transition provision (CECL electing institution) should increase its total leverage exposure by its applicable CECL transitional amount, in accordance with section 301(c)(2)(i) of the regulatory capital rules. For example, a CECL electing institution should increase its total leverage exposure for purposes of the supplementary leverage ratio by 75 percent of its CECL transitional amount during the first year of the transition period, 50 percent of its CECL transitional amount during the second year of the transition period, and 25 percent of its CECL transitional amount during the third year of the transition period.

55.b 55.b **Supplementary leverage ratio.** Report the institution's supplementary leverage ratio as a percentage, rounded to four decimal places. Divide Schedule RC-R, Part I, item 26, "Tier 1 capital," by Schedule RC-R, Part I, item
~~As defined in section 2 of the regulatory capital rules, "executive officer" means a person who holds the title or, without regard to title, salary, or compensation, performs the function of one or more of the following positions: president, chief executive officer, executive chairman, chief operating officer, chief financial officer, chief investment officer, chief legal officer, chief lending officer, chief risk officer, or head of a major business line, and other staff that the board of directors of the institution deems to have equivalent responsibility.~~
55.a, "Total leverage exposure."

Part II. Risk-Weighted Assets

Contents – Part II. Risk-Weighted Assets

Part II. (cont.)

Community Bank Leverage Ratio Framework:
A qualifying community banking organization that decides to opt into the community bank leverage ratio (CBLR) framework should not complete Schedule RC-R, Part II. All other institutions should complete Schedule RC-R, Part II. A qualifying institution can opt out of the community bank leverage ratio framework by completing Schedule RC-R, Parts I and II, excluding Schedule RC-R, Part I, items 32 through 38. Please refer to the General Instructions for Schedule RC-R, Part I, for information on the reporting requirements that apply when an institution ceases to have a leverage ratio greater than 9 percent or fails to meet any of the qualifying criteria and is no longer in the grace period.

General Instructions for Schedule RC-R, Part II.

The instructions for Schedule RC-R, Part II, items 1 through 22, provide general directions for the allocation of bank balance sheet assets, credit equivalent amounts of derivatives and off-balance sheet items, and unsettled transactions to the risk-weight categories in columns C through Q (and, for items 1 through 10 only, to the adjustments to the totals in Schedule RC-R, Part II, column A, to be reported in column B). In general, the aggregate amount allocated to each risk-weight category is then multiplied by the risk weight associated with that category. The resulting risk-weighted values from each of the risk categories are added together, and generally this sum is the bank's total risk-weighted assets, which comprises the denominator of the risk-based capital ratios.

These instructions should provide sufficient guidance for most banks for risk-weighting their balance sheet assets and credit equivalent amounts. However, these instructions do not address every type of exposure. Banks should review the regulatory capital rules of their primary federal supervisory authority for the complete description of capital requirements.

Exposure Amount Subject to Risk Weighting

In general, banks need to risk weight the exposure amount. The exposure amount is defined in §.2 of the regulatory capital rules as follows:

(1) For the on-balance sheet component of an exposure,[1] the bank's carrying value of the exposure.

(2) For a security[2] classified as AFS or HTM where the bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a, the carrying value of the exposure (including net accrued but uncollected interest and fees)[3] less any net unrealized gains on the exposure plus any net unrealized losses on the exposure included in AOCI.

(3) For AFS preferred stock classified as an equity security under GAAP where the bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a, the carrying value less any net unrealized gains that are reflected in such carrying value, but are excluded from the bank's regulatory capital components.

[1] Not including: (1) an available-for-sale (AFS) or held-to-maturity (HTM) security where the bank has made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule RC-R, Part I, item 3.a, (2) an over-the-counter (OTC) derivative contract, (3) a repo-style transaction or an eligible margin loan for which the bank determines the exposure amount under §.37 of the regulatory capital rules, (4) a cleared transaction, (5) a default fund contribution, or (6) a securitization exposure.

[2] Not including: (1) a securitization exposure, (2) an equity exposure, or (3) preferred stock classified as an equity security under generally accepted accounting principles (GAAP).

[3] Where the bank has made the AOCI opt-out election, accrued but uncollected interest and fees reported in Schedule RC, item 11, "Other assets," associated with AFS or (HTM) debt securities that are not securitization exposures should be reported in Schedule RC-R, Part II, item 8, "All other assets."

(4) For the off-balance sheet component of an exposure,[4] the notional amount of the off-balance sheet component multiplied by the appropriate credit conversion factor in §.33 of the regulatory capital rules.

(5) For an exposure that is an OTC derivative contract, the exposure amount determined under §.34 or §.132 of the regulatory capital rules.

(6) For an exposure that is a derivative contract that is a cleared transaction, the exposure amount determined under §.35 or §.133 of the regulatory capital rules.

For derivatives that have matured, but have associated unsettled receivables or payables that are reported as assets or liabilities, respectively, on the balance sheet as of the quarter-end report date, a banking organization does not need to report such notional amounts for derivatives that have matured for the purpose of Schedule RC-R, Part II, Risk-Weighted Assets.

[4] Not including: (1) an OTC derivative contract, (2) a repo-style transaction or an eligible margin loan for which the bank calculates the exposure amount under §.37 of the regulatory capital rules, (3) a cleared transaction, (4) a default fund contribution, or (5) a securitization exposure.

Part II. (cont.)

General Instructions for Schedule RC-R, Part II. (cont.)

(7) For an exposure that is an eligible margin loan or repo-style transaction (including a cleared transaction) for which the bank calculates the exposure amount as provided in §.37, the exposure amount determined under §.37 of the regulatory capital rules.

(8) For an exposure that is a securitization exposure, the exposure amount determined under §.42 of the regulatory capital rules.

As indicated in the definition in §.2 of the regulatory capital rules, *carrying value* means with respect to an asset, the value of the asset on the balance sheet of the bank determined in accordance with GAAP.

Amounts to Report in Column B

The amount to report in column B will vary depending upon the nature of the particular item.

For items 1 through 8 and 11 of Schedule RC-R, Part II, column B should include the amount of the reporting bank's on-balance sheet assets that are deducted or excluded (not risk weighted) in the determination of risk-weighted assets. Column B should include assets that are deducted from capital ~~(subject to the transition provisions of the regulatory capital rules, as applicable)~~ such as ~~goodwill; intangibles; gain~~:

- Goodwill;
- Other intangible assets;
- Gain on sale of securitization exposures;
- For non-advanced approaches institutions, threshold deductions above the ~~10~~25 percent individual ~~or 15 percent combined~~ limits for (1) deferred tax assets (DTAs) arising from temporary differences that could not be realized through net operating loss carrybacks, (2) mortgage servicing assets (MSAs), net of associated deferred tax liabilities (DTLs), and (3) investments in the capital of unconsolidated financial institutions;
- For advanced approaches institutions, threshold deductions above the 10 percent individual or 15 percent combined limits for (1) DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, (2) MSAs, net of associated DTLs, and (3) significant and non-significant investments in the capital of unconsolidated financial institutions in the form of common stock; ~~and any~~
- For advanced approaches institutions, investments in covered debt instruments and excluded covered debt instruments, as applicable; and
- Any other assets that must be deducted in accordance with the requirements of a bank's primary federal supervisory authority.

Column B should also include items that are excluded from the calculation of risk-weighted assets, such as the allowance for loan and lease losses~~,~~ or allowances for credit losses, as applicable; allocated transfer risk reserves~~,~~; and certain on-balance sheet asset amounts associated with derivative contracts that are included in the calculation of the credit equivalent amounts of the derivative contracts. In addition, for items 1 through 8 and 11 of Schedule RC-R, Part II, column B should include any difference between the balance sheet amount of an on-balance sheet asset and its exposure amount as described above under “Exposure Amount Subject to Risk Weighting.” *Note: For items 1 through 8 and 11 of Schedule RC-R, Part II, the sum of columns B through R must equal the balance sheet asset amount reported in column A.*

For items 9.a through 9.d of Schedule RC-R, Part II, the amount a reporting bank should report in column B will depend upon the risk-weighting approach it uses to risk weight its securitization exposures and whether the bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a. For each of items 9.a through 9.d, a mathematical relationship similar to the one described above will hold true, such that the sum of columns B through Q must equal the balance sheet asset amount reported in column A.

- If a bank uses the 1,250 percent risk weight approach to risk weight an on-balance sheet securitization exposure, the bank will report in column B the difference between the carrying value of the exposure and the exposure amount that is to be risk weighted. For example, if a bank has a securitization exposure that is an AFS debt security with a $105 carrying value (i.e., fair value) including a $5 unrealized gain (in other words, a $100 amortized cost), the bank would report the following:

    - If the bank has not made (or cannot make) the AOCI opt-out election, the bank would report zero in item 9.b, column B. The bank would report the $105 exposure amount to be risk weighted in item 9.b, column Q–1250% risk weight.
    - If the bank has made the AOCI opt-out election, the bank would report any unrealized gain as a positive number in item 9.b, column B, and any unrealized loss as a negative number in item 9.b, column B. Therefore, in this example, the bank would report $5 in item 9.b, column B. Because

Part II. (cont.)

General Instructions for Schedule RC-R, Part II. (cont.)

the bank reverses out the unrealized gain for regulatory capital purposes because it has made the AOCI opt-out election, it does not have to risk weight the gain. (Note: The bank also would report the $100 exposure amount to be risk weighted in item 9.b, column Q–1250% risk weight.)

- If the bank uses the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach to risk weight an on-balance sheet securitization exposure, the bank will report in column B the same amount that it reported in column A.

For item 10 of Schedule RC-R, Part II, the amount a reporting bank should report in column B also will depend upon the risk-weighting approach it uses to risk weight its securitization exposures. If a bank uses the 1,250 percent risk weight approach to risk weight an off-balance sheet securitization exposure, the bank will report in column B any difference between the notional amount of the off-balance sheet securitization exposure that is reported in column A and its exposure amount. If the bank uses the SSFA or the Gross-Up Approach to risk weight an off-balance sheet securitization exposure, the bank will report in column B the same amount that it reported in column A. An example is presented in the instructions for Schedule RC-R, Part II, item 10. For item 10 of Schedule RC-R, Part II, the sum of columns B through Q must equal the amount of the off-balance sheet securitization exposures reported in column A.

For items 12 through 21 of Schedule RC-R, Part II, column B should include the credit equivalent amounts of the reporting bank's derivative contracts and off-balance sheet items that are covered by the regulatory capital rules. For the off-balance sheet items in items 12 through 19, the credit equivalent amount to be reported in column B is calculated by multiplying the face, notional, or other amount reported in column A by the appropriate credit conversion factor. The credit equivalent amounts in column B are to be allocated to the appropriate risk-weight categories in columns C through J (or to the securitization exposure collateral category in column R, if applicable). For items 12 through 21 of Schedule RC-R, Part II, the sum of columns C through J (plus column R, if applicable) must equal the credit equivalent amount reported in column B.

Treatment of Collateral and Guarantees

a. <u>Collateralized Transactions</u>

The rules for recognition of collateral are in §.37 and pertinent definitions in §.2 of the regulatory capital rules. The regulatory capital rules define qualifying financial collateral as cash on deposit, gold bullion, investment grade long- and short-term debt exposures (that are not resecuritization exposures), publicly traded equity securities and convertible bonds, and money market fund or other mutual fund shares with prices that are publicly quoted on a daily basis.

Banks may apply one of two approaches, as outlined in §.37, to recognize the risk-mitigating effects of qualifying financial collateral:

(1) Simple Approach: can be used for any type of exposure. Under this approach, banks may apply a risk weight to the portion of an exposure that is secured by the fair value of the financial collateral based on the risk weight assigned to the collateral under §.32. However, under this approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent, unless one of the following exceptions applies:

- *Zero percent risk weight:* May be assigned to an exposure to an over-the-counter (OTC) derivative contract that is marked-to-market on a daily basis and subject to a daily margin requirement, to the extent that the contract is collateralized to cash on deposit; to the portion of an exposure collateralized by cash on deposit; to the portion of an exposure collateralized by an exposure to a sovereign that qualifies for the zero percent risk weight under §.32 and the bank has discounted the fair value of the collateral by 20 percent.

Part II. (cont.)

General Instructions for Schedule RC-R, Part II. (cont.)

- *10 percent risk weight:* May be assigned to an exposure to an OTC derivative contract that is marked-to-market on a daily basis and subject to a daily margin requirement, to the extent that the contract is collateralized by an exposure to a sovereign that qualified for a zero percent risk weight under §.32.

(2) Collateral Haircut Approach: can be used only for repo-style transactions, eligible margin loans, collateralized derivative transactions, and single-product netting sets of such transactions. Under this

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Part II. (cont.)

General Instructions for Schedule RC-R, Part II. (cont.)

approach, banks would apply either standard supervisory haircuts or own internal estimates for haircuts to the value of the collateral. See §.37(c) of the regulatory capital rules for a description of the calculation of the exposure amount, standard supervisory market price volatility haircuts, and requirements for using own internal estimates for haircuts.

Banks may use any approach described in §.37 that is valid for a particular type of exposure or transaction; however, they must use the same approach for similar transactions or exposures.

If an exposure is partially secured, that is, the market value (or in cases of using the Collateral Haircut Approach, the adjusted market value) of the financial collateral is less than the face amount of an asset or off-balance sheet exposure, only the portion that is covered by the market value of the collateral is to be reported in the risk-weight category item appropriate to the type of collateral. The uncovered portion of the exposure continues to be assigned to the initial risk-weight category item appropriate to the exposure. The face amount of an exposure secured by multiple types of qualifying collateral is to be reported in the risk-weight category items appropriate to the collateral types, apportioned according to the market value of the types of collateral.

Exposures collateralized by deposits at the reporting institution
The portion of any exposure collateralized by deposits at the reporting institution would be eligible for a zero percent risk weight. The remaining portion of the exposure that is not collateralized by deposits should be risk-weighted according to the regulatory capital rules.

b. Guarantees and Credit Derivatives

The rules for recognition of guarantees and credit derivatives are in §.36 and pertinent definitions are in §.2 of the regulatory capital rules. A bank may recognize the credit risk mitigation benefits of an eligible guarantee or eligible credit derivative by substituting the risk weight associated with the protection provider for the risk weight assigned to the exposure. Please refer to the definitions of *eligible guarantee, eligible guarantor,* and *eligible credit derivative* in §.2 of the regulatory capital rules. Note that in the definition of eligible guarantee, where the definition discusses contingent guarantees, only contingent guarantees of the U.S. government or its agencies are recognized.

The coverage amount provided by an eligible guarantee or eligible credit derivative will need to be adjusted downward if:

- The residual maturity of the credit risk mitigant is less than that of the hedged exposure (maturity mismatch adjustment), see §.36(c);
- The credit risk mitigant does not include as a credit event a restructuring of the hedged exposure involving forgiveness or postponement of principal, interest, or fees that results in a credit loss event (that is, a charge-off, specific provision, or other similar debit to the profit and loss account), see §.36(d); or
- The credit risk mitigant is denominated in a currency different from that in which the hedged exposure is denominated (currency mismatch adjustment, see §.36(e).

Exposures covered by Federal Deposit Insurance Corporation (FDIC) loss-sharing agreements
The portion of any exposure covered by an FDIC loss-sharing agreement would be eligible for a 20 percent risk weight. The remaining uncovered portion of the exposure should be risk weighted according to the regulatory capital rules.

Part II. (cont.)

General Instructions for Schedule RC-R, Part II. (cont.)

Treatment of Equity Exposures

The treatment of equity exposures are outlined in §.51 through §.53 of the regulatory capital rules. Banks must use different methodologies to determine risk weighted assets for their equity exposures:

- The Simple Risk Weight Approach, which must be used for all types of equity exposures that are not equity exposures to a mutual fund or other investment fund, and
- Full look-through, simple modified look-through, and alternative modified look-through approaches for equity exposures to mutual funds and other investment funds.

Treatment of stable value protection
The regulatory capital rules define stable value protection (SVP) in §.51(a)(3).

A bank that purchases SVP on an investment in a separate account must treat the portion of the carrying value of the investment attributable to the SVP as an exposure to the provider of the protection. The remaining portion of the carrying value of the investment must be treated as an equity exposure to an investment fund.

A bank that provides SVP must treat the exposure as an equity derivative with an adjusted carrying value equal to the sum of the on-balance and off-balance sheet adjusted carrying value.

Adjusted carrying value
The adjusted carrying value of an equity exposure is equal to:

- **On-balance sheet equity exposure:** The carrying value of the exposure.
- **On-balance sheet equity exposure that is classified as AFS where the bank has made the AOCI opt-out election:** The carrying value of the exposure less any net unrealized gains on the exposure that are reflected in the carrying value but excluded from regulatory capital.
- **Off-balance sheet portion of an equity exposure (that is not an equity commitment):** The effective notional principal amount[5] of the exposure minus the adjusted carrying value of the on-balance sheet component of the exposure.

For an equity commitment (a commitment to purchase an equity exposure), the effective notional principal amount must be multiplied by the following credit conversion factors: 20 percent for conditional equity commitments with an original maturity of one year or less, 50 percent for conditional equity commitments with an original maturity of more than one year, and 100 percent for unconditional equity commitments.

Equity exposure risk weighting methodologies
(1) Simple Risk Weight Approach: Must be used for all types of equity exposures that are not equity exposures to a mutual fund or other investment fund. Under this approach, banks must determine the risk weighted asset amount of an individual equity exposure by multiplying (1) the adjusted carrying value of the exposure or (2) the effective portion and ineffective portion of a hedge pair by the lowest possible risk weight below:

   - *Zero percent risk weight:* An equity exposure to a sovereign, Bank for International Settlements, the European Central Bank, the European Commission, the International Monetary Fund, a multilateral development bank (MDB), and any other entity whose credit exposures receive a zero percent risk weight under §.32 of the regulatory capital rules.

[5] The regulatory capital rules define the “effective notional principal amount” as an exposure of equivalent size to a hypothetical on-balance sheet position in the underlying equity instrument that would evidence the same change in fair value (measured in dollars) given a small change in the price of the underlying equity instrument.

Part II. (cont.)

General Instructions for Schedule RC-R, Part II. (cont.)

- *20 percent risk weight:* An equity exposure to a public sector entity, Federal Home Loan Bank, and the Federal Agricultural Mortgage Corporation (Farmer Mac).

- *100 percent risk weight:* Equity exposures to:
  - o Certain qualified community development investments,
  - o The effective portion of hedge pairs,
  - o ~~Non-significant equity~~For non-advanced approaches institutions: Equity exposures, to the extent that the aggregate carrying value of the exposures does not exceed 10 percent of total capital. To utilize this risk weight, the bank must aggregate the following equity exposures: unconsolidated small business investment companies or held through consolidated small business investment companies; publicly traded (including those held indirectly through mutual funds or other investment funds); and non-publicly traded (including those held indirectly through mutual funds or other investment funds), and
  - ~~o For non-advanced approaches institutions: Significant investments in the capital of unconsolidated financial institutions in the form of common stock that are not deducted from capital.~~

  - o For advanced approaches institutions: Non-significant equity exposures, to the extent that the aggregate carrying value of the exposures does not exceed 10 percent of total capital. To utilize this risk weight, the bank must aggregate the following equity exposures: unconsolidated small business investment companies or held through consolidated small business investment companies; publicly traded (including those held indirectly through mutual funds or other investment funds); and non-publicly traded (including those held indirectly through mutual funds or other investment funds).

- *250 percent risk weight:* For advanced approaches institutions only: Significant investments in the capital of unconsolidated financial institutions in the form of common stock that are not deducted from capital. ~~This risk weight takes effect in 2018. Before 2018, advanced approaches institutions, along with non-advanced approaches institutions, report such significant investments in the 100 percent risk weight category.~~

- *300 percent risk weight:* Publicly traded equity exposures.

- *400 percent risk weight:* Equity exposures that are not publicly traded.

- *600 percent risk weight:* An equity exposure to an investment firm, provided that the investment firm would (1) meet the definition of *traditional securitization* in §.2 of the regulatory capital rules were it not for the application of paragraph (8) of the definition and (2) has greater than immaterial leverage.

(2) Full look-through approach: Used only for equity exposures to a mutual fund or other investment fund. Requires a minimum risk weight of 20 percent. Under this approach, banks calculate the aggregate risk-weighted asset amounts of the carrying value of the exposures held by the fund as if they were held directly by the bank multiplied by the bank's proportional ownership share of the fund.

(3) Simple modified look-through approach: Used only for equity exposures to a mutual fund or other investment fund. Requires a minimum risk weight of 20 percent. Under this approach, risk-weighted assets for an equity exposure is equal to the exposure's adjusted carrying value multiplied by the highest risk weight that applies to any exposure the fund is permitted to hold under the prospectus, partnership agreement, or similar agreement that defines the funds permissible investments.

(4) Alternative modified look-through approach: Used only for equity exposures to a mutual fund or other investment fund. Requires a minimum risk weight of 20 percent. Under this approach, banks may assign the adjusted carrying value on a pro rata basis to different risk-weight categories based on the limits in the fund's prospectus, partnership agreement, or similar contract that defines the fund's permissible investments.

Treatment of Sales of 1-4 Family Residential First Mortgage Loans with Credit-Enhancing Representations and Warranties

When a bank transfers mortgage loans with credit-enhancing representations and warranties in a transaction that qualifies for sale accounting under GAAP, the bank will need to report and risk weight those exposures. The definition of *credit-enhancing representations and warranties* (CERWs) is found in §.2 of the regulatory capital rules. Many CERWs should be treated as securitization exposures for

Part II. (cont.)

General Instructions for Schedule RC-R, Part II. (cont.)

purposes of risk weighting. However, those CERWs that do not qualify as securitization exposures receive a 100 percent credit conversion factor as indicated in §.33 of the regulatory capital rules. For example, if the bank has agreed to repurchase the loans that it has sold, it will generally need to risk weight those loans in Schedule RC-R, Part II, item 17, until the warranties expire. Note that CERWs do not include certain early default clauses and similar warranties that permit the return of, or premium refund clauses covering, 1-4 family residential mortgage loans that qualify for a 50 percent risk weight provided the warranty period does not exceed 120 days from the date of transfer.

> Example: A bank sells $100 in qualifying 1-4 family residential first mortgage loans and agrees to repurchase them in case of early default for up to 180 days. This warranty exceeds the 120-day limit, and therefore the full $100 should be reported in Schedule RC-R, Part II, item 17, until the warranty expires.

If the bank has made a CERW that is limited or capped (e.g., a warranty to cover first losses on loans up to a set amount that is less than the full loan amount), such warranties are regarded as securitization exposures under the regulatory capital rules as they represent a transaction that has been separated into at least two tranches reflecting different levels of seniority for credit risk. (Refer to the definitions of *securitization exposure, synthetic securitization, traditional securitization,* and *tranche* in §.2 of the regulatory capital rules). The bank will need to report and risk weight these warranties in Schedule RC-R, Part II, item 10, as off-balance sheet securitization exposures.

> Example: A bank sells $100 in qualifying 1-4 family residential first mortgage loans and agrees to compensate the buyer for losses up to $2 if the loans default during the first 12 months. Twelve months exceeds the 120-day limit and therefore the agreement is a CERW. The CERW is also a securitization exposure because the $2 is effectively a first loss tranche on a $100 transaction.
>
> For purposes of reporting this transaction in Schedule RC-R, Part II, item 10, the bank should report $100 in column A, an adjustment of $98 in column B, and then $2 in column Q as an exposure amount that is risk weighted by applying a 1,250 percent risk weight (if the bank does not use the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach for purposes of risk weighting its securitization exposures). The bank will not need to report any amount in columns T or U of Schedule RC-R, Part II, item 10, unless it uses the SSFA or Gross-Up approach for calculating the risk-weighted asset amount for this transaction.
>
> If the bank uses either the SSFA or Gross-Up Approach to risk weight the $2 exposure, the bank should report $100 in both column A and column B. In column T or U, it would report the risk-weighted asset amount calculated by using the SSFA or Gross-Up Approach, respectively.

Treatment of Exposures to Sovereign Entities and Foreign Banks

These instructions contain several references to Country Risk Classifications (CRC) used by the Organization for Economic Cooperation and Development (OECD). The CRC methodology classifies countries into one of eight risk categories (0-7), with countries assigned to the zero category having the lowest possible risk assessment and countries assigned to the 7 category having the highest possible risk assessment. The OECD regularly updates CRCs for more than 150 countries and makes the assessments publicly available on its website.[6] The OECD does not assign a CRC to every country; for example, it does not assign a CRC to a number of major economies; it also does not assign a CRC to many smaller countries. As such, the table below also provides risk weights for countries with no CRC based on whether or not those particular countries are members of the OECD. In addition, there is a higher risk weight of 150 percent for any country that has defaulted on its sovereign debt within the past 5 years, regardless of the CRC rating.

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6 *See* http://www.oecd.org/trade/xcred/crc.htm.

Part II. (cont.)

General Instructions for Schedule RC-R, Part II. (cont.)

Risk weights for reported balance sheet (items 1 through 8) and off-balance sheet and other (items 12 through 22) exposures are to be assigned based upon the tables below:

- Exposures to foreign central governments (including foreign central banks):

		Risk Weight (%)
Home Country CRC	0-1	0
	2	20
	3	50
	4-6	100
	7	150
OECD Member with No CRC		0
Non-OECD Member with No CRC		100
Countries with Sovereign Default in Previous Five Years		150

- Exposures to foreign banks:

		Risk Weight (%)
Home Country CRC	0-1	20
	2	50
	3	100
	4-7	150
OECD Member with No CRC		20
Non-OECD Member with No CRC		100
Countries with Sovereign Default in Previous Five Years		150

- General obligation exposures to foreign public sector entities:

		Risk Weight (%)
Home Country CRC	0-1	20
	2	50
	3	100
	4-7	150
OECD Member with No CRC		20
Non-OECD Member with No CRC		100
Countries with Sovereign Default in Previous Five Years		150

- Revenue obligation exposures to foreign public sector entities:

		Risk Weight (%)
Home Country CRC	0-1	50
	2-3	100
	4-7	150
OECD Member with No CRC		50
Non-OECD Member with No CRC		100
Countries with Sovereign Default in Previous Five Years		150

Part II. (cont.)

General Instructions for Schedule RC-R, Part II. (cont.)

All risk-weight categories pertaining to exposures to central foreign governments:

- All exposures to foreign central governments may be assigned a lower risk weight if the following conditions are met: (1) the exposures are denominated in the particular foreign country's local currency; (2) the bank has at least equivalent liabilities in that currency; and (3) the risk weight is not lower than the risk weight that particular foreign country allows under its jurisdiction to assign to the same exposures to that country.

Summary of Risk Weights for Exposures to Government and Public Sector Entities

The following are some of the most common exposures to government and public sector entities and the risk weights that apply to them:

Column C – 0% risk weight:

- All exposures (defined broadly to include securities, loans, and leases) that are direct exposures to, or the portion of exposures that are directly and unconditionally guaranteed by, the U.S. Government or U.S. Government agencies. This includes the portions of deposits insured by the FDIC or the National Credit Union Administration (NCUA).
- Exposures that are collateralized by cash on deposit in the reporting bank.
- Exposures that are collateralized by securities issued or guaranteed by the U.S. Government, or other sovereign governments that qualify for the zero percent risk weight. Collateral value must be adjusted under §.37 of the regulatory capital rules.
- Exposures to, and the portions of exposures guaranteed by, the Bank for International Settlements, the European Central Bank, the European Commission, the International Monetary Fund, the European Stability Mechanism, the European Financial Stability Facility, or a multilateral development bank (as specifically defined in §.2 of the regulatory capital rules).

Column G – 20% risk weight:

- The portion of exposures that are conditionally guaranteed by the U.S. Government or U.S. Government agencies. This includes exposures, or the portions of exposures, conditionally guaranteed by the FDIC or the NCUA.
- The portion of exposures that are collateralized by cash on deposit in the bank or by securities issued or guaranteed by the U.S. Government or U.S. Government agencies that are not included in zero percent column.
- General obligation exposures to states, municipalities, and other political subdivisions of the United States.
- Exposures to U.S. government-sponsored entities (GSEs) other than equity exposures or preferred stock, and risk sharing securities.

Column H – 50% risk weight:

- Revenue obligation exposures to states, municipalities, and other political subdivisions of the United States.

Column I – 100% risk weight:

- Preferred stock of U.S. GSEs.

Risk-Weighted Assets for Securitization Exposures

Under the agencies' regulatory capital rules, three separate approaches are available for setting the regulatory capital requirements for *securitization exposures*, as defined in §.2 of the regulatory capital rules. Securitization exposures include asset-backed and mortgage-backed securities, other positions in securitization transactions, re-securitizations, and structured finance programs[7] (except credit-enhancing

[7] Structured finance programs include, but are not limited to, collateralized debt obligations.

Part II. (cont.)

General Instructions for Schedule RC-R, Part II. (cont.)

interest-only (CEIO) strips). Include as a securitization exposure for risk-weighted asset purposes any amount reported in Schedule RC, item 11, "Other assets," for accrued interest receivable on an on-balance sheet securitization exposure. In general, under each of the three approaches, the risk-based capital requirement for a position in a securitization or structured finance program (hereafter referred to collectively as a securitization) is computed by multiplying the calculated amount of the position (including any accrued interest receivable on the position) by the appropriate risk weight. The three approaches to determining the proper risk weight for a securitization exposure are the Simplified Supervisory Formula Approach (SSFA), the Gross-Up Approach, or the 1,250 Percent Risk Weight Approach.

If a securitization exposure is not an after-tax gain-on-sale resulting from a securitization that requires deduction, or the portion of a CEIO strip that does not constitute an after-tax gain-on-sale,[8] a bank may assign a risk weight to the securitization exposure using the SSFA if certain requirements are met. If a bank is not subject to Subpart F (the market risk capital rule) of the regulatory capital rules, it may instead choose to assign a risk weight to the securitization exposure using the Gross-Up Approach if certain requirements are met. However, the bank must apply either the SSFA or the Gross-Up Approach consistently across all of its securitization exposures. However, if the bank cannot, or chooses not to, apply the SSFA or the Gross-Up Approach to an individual securitization exposure, the bank must assign a 1,250 percent risk weight to that exposure.

Both traditional and synthetic securitizations must meet certain operational requirements before applying either the SSFA or the Gross-Up Approach. Furthermore, banks must complete certain due diligence requirements and satisfactorily demonstrate a comprehensive understanding of the features of the securitization exposure that would materially affect the performance of the exposure. If these due diligence requirements are not met, the bank must assign the securitization exposure a risk weight of 1,250 percent. The bank's analysis must be commensurate with the complexity of the securitization exposure and the materiality of the exposure in relation to its capital. Banks should refer to §.41 of the regulatory capital rules to review the details of these operational and due diligence requirements.

For example, a bank not subject to the market risk capital rule has 12 securitization exposures. The operational and due diligence requirements have been met for 10 of the exposures, to which the bank applies the Gross-Up Approach. The bank then assigns a 1,250 percent risk weight to the other two exposures. Alternatively, the bank could assign a 1,250 percent risk weight to all 12 securitization exposures.

a. Exposure Amount Calculation

The exposure amount of an on-balance sheet securitization exposure that is not an available-for-sale or held-to-maturity security where the bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a, a repo-style transaction, an eligible margin loan, an over-the-counter (OTC) derivative contract, or a cleared transaction is equal to the carrying value of the exposure (including any accrued interest receivable on the exposure reported in Schedule RC, item 11, "Other assets").

The exposure amount of an on-balance sheet securitization exposure that is an available-for-sale or held-to-maturity security where the bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a, is equal to the carrying value of the exposure (including any accrued interest receivable on the exposure reported in Schedule RC, item 11), less any net unrealized gains on the exposure and plus any net unrealized losses on the exposure.

The exposure amount of an off-balance sheet securitization exposure that is not a repo-style transaction, an eligible margin loan, a cleared transaction (other than a credit derivative), an OTC derivative contract

[8] Consistent with the regulatory capital rules, a bank must deduct from common equity tier 1 capital any after-tax gain-on-sale resulting from a securitization and must apply a 1,250 percent risk weight to the portion of a CEIO strip that does not constitute an after-tax gain-on-sale.

Part II. (cont.)

General Instructions for Schedule RC-R, Part II. (cont.)

(other than a credit derivative), or an exposure to an asset-backed commercial paper (ABCP) program is the notional amount of the exposure.

For an off-balance sheet securitization exposure to an ABCP program, such as an eligible ABCP liquidity facility, the notional amount may be reduced to the maximum potential amount that the bank could be required to fund given the ABCP program's current underlying assets (calculated without regard to the current credit quality of those assets). An exposure amount of an eligible ABCP liquidity facility for which the SSFA does not apply is calculated by multiplying the notional amount of the exposure by a credit conversion factor (CCF) of 50 percent. An exposure amount of an eligible ABCP liquidity facility for which the SSFA does apply is calculated by multiplying the notional amount of the exposure by a CCF of 100 percent.

The exposure amount of a securitization exposure that is a repo-style transaction, eligible margin loan, or derivative contract (other than a credit derivative) is the exposure amount of the transaction as calculated using the instructions for calculating the exposure amount of OTC derivatives or collateralized transactions outlined in §.34, §.132, or §.37 of the regulatory capital rules.

If a bank has multiple securitization exposures that provide duplicative coverage to the underlying exposures of a securitization, the bank is not required to hold duplicative risk-based capital against the overlapping position. Instead, the bank may apply to the overlapping position the applicable risk-based capital treatment that results in the highest risk-based capital requirement.

If a bank provides support to a securitization in excess of the bank's contractual obligation to provide credit support to the securitization (implicit support) it must include in risk-weighted assets all of the underlying exposures associated with the securitization as if the exposures had not been securitized and must deduct from common equity tier 1 capital any after-tax gain-on-sale resulting from the securitization.

b. Simplified Supervisory Formula Approach

To use the SSFA to determine the risk weight for a securitization exposure, a bank must have data that enables it to accurately assign the parameters. The data used to assign the parameters must be the most currently available data and no more than 91 calendar days old. A bank that does not have the appropriate data to assign the parameters must assign a risk weight of 1,250 percent to the exposure. See the operational requirements outlined in §.43 of the regulatory capital rules for further instructions.

To calculate the risk weight for a securitization exposure using the SSFA, a bank must have accurate information on the following five inputs to the SSFA calculation:

- Parameter K_G is the weighted-average total capital requirement for *all* underlying exposures calculated using the standardized approach (with unpaid principal used as the weight for each exposure). Parameter K_G is expressed as a decimal value between zero and one (e.g., an average risk weight of 100 percent represents a value of K_G equal to .08). "Underlying exposures" is defined in the regulatory capital rules to mean one or more exposures that have been securitized in a securitization transaction. In this regard, underlying exposures means all exposures, including performing and nonperforming exposures. Thus, for example, for a pool of underlying corporate exposures that have been securitized, where 95 percent of the pool is performing (and qualify for a risk weight of 100 percent) and 5 percent of the pool is past due exposures that are not guaranteed and are unsecured (and thus are assigned a risk weight of 150 percent), the weighted risk weight for the pool would be 102.5 percent [102.5% = (95% * 100%) + (5% * 150%)] and the total capital requirement K_G would be equal to 0.082 (102.5% divided by 1,250%). This treatment is consistent with the regulatory capital rules.

Part II. (cont.)

General Instructions for Schedule RC-R, Part II. (cont.)

- Parameter W is the ratio of the sum of the dollar amounts of any underlying exposures within the securitized pool to the ending balance, measured in dollars, of underlying exposures, that meet any of the following criteria: (1) 90 days or more past due; (2) subject to a bankruptcy or insolvency proceeding; (3) in the process of foreclosure; (4) held as real estate owned; (5) has contractually deferred interest payments for 90 days or more (other than in the case of deferments on federally guaranteed student loans and certain consumer loans deferred according to provisions in the contract); or (6) is in default. Parameter W is expressed as a decimal value between zero and one.

  As a result, past due exposures that also meet one or more of the criteria in parameter W are to be factored into the measure of both parameters K_G and W for purposes of calculating the regulatory capital requirement for securitization exposures using the SSFA.

- Parameter A is the attachment point for the exposure, which represents the threshold at which credit losses will first be allocated to the exposure. Parameter A equals the ratio of the current dollar amount of underlying exposures that are subordinated to the exposure of the bank to the current dollar amount of underlying exposures. Any reserve account funded by the accumulated cash flows from the underlying exposures that is subordinated to the bank's securitization exposure may be included in the calculation of parameter A to the extent that cash is present in the account. Parameter A is expressed as a decimal value between zero and one.

- Parameter D is the detachment point for the exposure, which represents the threshold at which credit losses of principal allocated to the exposure would result in a total loss of principal. Parameter D equals parameter A plus the ratio of the current dollar amount of the securitization exposures that are pari passu with the exposure (that is, have equal seniority with respect to credit risk) to the current dollar amount of the underlying exposures. Parameter D is expressed as a decimal value between zero and one.

- A supervisory calibration parameter, p, is equal to 0.5 for securitization exposures that are not resecuritization exposures and equal to 1.5 for resecuritization exposures.

There are three steps to calculating the risk weight for a securitization using the SSFA. First, a bank must complete the following equations using the previously described parameters:

$$K_A = (1 - W) \cdot K_G + (0.5 \cdot W)$$
$$a = -\frac{1}{p \cdot K_A}$$
$$u = D - K_A$$
$$l = \max(A - K_A, 0)$$
$e = 2.71828$, the base of the natural logarithms

Second, using the variables calculated in first step, find the value of K_{SSFA} using the formula below:

$$K_{SSFA} = \frac{e^{a \cdot u} - e^{a \cdot l}}{a(u - l)}$$

Third, the risk weight of any particular securitization exposure (expressed as a percent) will be equal to:

$$K_{SSFA} \times 1{,}250$$

To determine the risk-based capital requirement under the SSFA, multiply the exposure amount (including any accrued interest receivable on the exposure) by the higher of either (1) the calculated risk weight or (2) a 20 percent risk weight.

Part II. (cont.)

General Instructions for Schedule RC-R, Part II. (cont.)

For purposes of reporting in Schedule RC-R, Part II, items 9 and 10, a bank would report in column T the risk-weighted asset amount calculated under the SSFA for its securitization exposures.

c. Gross-Up Approach

A bank that is not subject to the market risk capital rule (Subpart F) in the regulatory capital rules may apply the Gross-Up Approach instead of the SSFA to determine the risk weight of its securitization exposures, provided that it applies the Gross-Up Approach consistently to all of its securitization exposures.

To calculate the risk weight for a securitization exposure using the Gross-Up Approach, a bank must calculate the following four inputs:

(1) Pro rata share, which is the par value of the bank's securitization exposure as a percent of the par value of the tranche in which the securitization exposure resides.

(2) Enhanced amount, which is the par value of the tranches that are more senior to the tranche in which the bank's securitization resides.

(3) Exposure amount of the bank's securitization exposure (including any accrued interest receivable on the exposure).

(4) Risk weight, which is the weighted-average risk weight of underlying exposures in the securitization pool.

The bank would calculate the credit equivalent amount which is equal to the sum of the exposure amount of the bank's securitization exposure (3) and the pro rata share (1) multiplied by the enhanced amount (2).

A bank must assign the higher of the weighted-average risk weight (4) or a 20 percent risk weight to the securitization exposure using the Gross-Up Approach.

Part II. (cont.)

General Instructions for Schedule RC-R, Part II. (cont.)

To determine the risk-based capital requirement under the gross-up approach, multiply the higher of the two risk weights by the credit equivalent amount. These steps are outlined in the worksheet below:

Gross-Up Approach Worksheet to Calculate the Capital Charge for a Securitization Exposure that is Not a Senior Exposure[9]

(a)	Currently outstanding par value of the bank's non-senior securitization exposure divided by the currently outstanding par value of the entire tranche (e.g., 60%[10])	______________
(b)	Currently outstanding par value of the more senior positions in the securitization that are supported by the tranche in which the bank owns a non-senior securitization exposure	______________
(c)	Pro rata share of the more senior positions currently outstanding in the securitization that are supported by the bank's non-senior securitization exposure: enter (b) multiplied by (a)	______________
(d)	Exposure amount of the bank's non-senior securitization exposure	______________
(e)	Enter the sum of (c) and (d)	______________
(f)	Enter the weighted-average risk weight applicable to the assets underlying the securitization	______________
(g)	Risk-weighted asset amount of the bank's non-senior securitization exposure: enter the higher of: • (d) multiplied by 20%, or • (e) multiplied by (f)	______________
(h)	Capital charge for the risk-weighted asset amount of the bank's non-senior securitization exposure: enter (g) multiplied by 8%	______________

For purposes of reporting its non-senior securitization exposures in Schedule RC-R, Part II, items 9 and 10, a bank would report in column U the risk-weighted asset amount calculated in line (g) on the Gross-Up Approach worksheet. For a senior securitization exposure, a bank would report in column U the exposure amount of its exposure multiplied by the weighted-average risk weight of the securitization's underlying exposures, subject to a 20 percent risk-weight floor.

Reporting in Schedule RC-R, Part II, When Using the Gross-Up Approach:

If the bank's non-senior security is an HTM securitization exposure, the amortized cost of this security is included on the Report of Condition balance sheet in Schedule RC, item 2.a, "Held-to-maturity securities," and on the regulatory capital schedule in columns A and B of Schedule RC-R, Part II, item 9.a, "On-balance sheet securitization exposures – Held-to-maturity securities." The risk-weighted asset amount from line (g) in the Gross-Up Approach Worksheet above is reported in column U of Schedule RC-R, Part II, item 9.a.

If the bank's security is an AFS securitization exposure, the fair value of this security is included on the Report of Condition balance sheet in Schedule RC, item 2.b, "Available-for-sale securities," and on the regulatory capital schedule in column A of Schedule RC-R, Part II, item 9.b, "On-balance sheet securitization exposures – Available-for-sale securities." For further information on the reporting of

[9] A senior securitization exposure means a securitization exposure that has a first priority claim on the cash flows from the underlying exposures, without considering amounts due under interest rate or currency contracts, fees or other similar payments due. Time tranching (that is, maturity differences) also is not considered when determining whether a securitization exposure is a senior securitization exposure.

[10] For example, if the currently outstanding par value of the entire tranche is $100 and the currently outstanding par value of the bank's subordinated security is $60, then the bank would enter 60% in (a).

Part II. (cont.)

General Instructions for Schedule RC-R, Part II. (cont.)

AFS securitization exposures in column B, refer to the instructions for Schedule RC-R, Part II, item 9.b, because the amount reported in column B depends on whether the bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a. For non-senior AFS securitization exposures, the risk-weighted asset amount from line (g) in the Gross-Up Approach Worksheet above is reported in column U of Schedule RC-R, Part II, item 9.b.

If the bank's non-senior security is a trading securitization exposure, the fair value of this security is included on the Report of Condition balance sheet in Schedule RC, item 5, "Trading assets," and on the regulatory capital schedule in column A of Schedule RC-R, Part II, item 9.c, "On-balance sheet securitization exposures – Trading assets." A trading security is risk-weighted using its fair value if the bank is not subject to the market risk capital rule. The risk-weighted asset amount from line (g) in the Gross-Up Approach Worksheet above is reported in column U of Schedule RC-R, Part II, item 9.c.

d. 1,250 Percent Risk Weight Approach

If the bank cannot, or chooses not to, apply the SSFA or the Gross-Up Approach to the securitization exposure, the bank must assign a 1,250 percent risk weight to the exposure (including any accrued interest receivable on the exposure).

Securitization exposure reporting in Schedule RC-R, Part II

Securitization exposure reporting depends on the methodology the bank will use to risk weight the exposure.

For example, if a bank plans to apply the 1,250 percent risk weight to its securitization exposures, the amount reported in column Q should match the amount reported in column A (plus or minus any adjustments reported in column B, such as that for an allocated transfer risk reserve (ATRR)). For any securitization exposure risk weighted using the 1,250 percent risk weight, the sum of columns B and Q should equal column A.

	(Column A) Totals	(Column B) Adjustments to Totals Reported in Column A	(Column Q) Exposure Amount	(Column T) Total Risk-Weighted Asset Amount by Calculation Methodology	(Column U) Total Risk-Weighted Asset Amount by Calculation Methodology	
			1250%	SSFA	Gross-Up	
9. On-balance sheet securitization exposures						
a. Held-to-maturity securities	$100	$0	$100	$0	$0	9.a.

In addition, when a bank applies the 1,250 percent risk weight to an on-balance sheet securitization exposure, the bank should include in column A of Schedule RC-R, Part II, item 9.d, any amount reported in Schedule RC, item 11, "Other assets," for accrued interest receivable on the securitization exposures, regardless of where the securitization exposure is reported on the balance sheet in Schedule RC. The amount reported in column Q should match the amount reported in column A

If a bank – regardless of whether it makes the AOCI opt-out election – is applying the SSFA or Gross-Up Approach, the reporting is significantly different due to the fact that the bank reports the risk-weighted asset amount in columns T or U.

Part II. (cont.)

General Instructions for Schedule RC-R, Part II. (cont.)

In the case where a bank has a securitization exposure with a balance sheet value of $100, it would report $100 in both columns A and B. If the bank applies the SSFA and calculates a risk-weighted asset exposure of $20 for that securitization, the bank would report $20 in column T. Since it is using the SSFA for all its securitization exposures, the bank must report $0 in column U.

	(Column A) Totals	(Column B) Adjustments to Totals Reported in Column A	(Column Q) Exposure Amount	(Column T) Total Risk-Weighted Asset Amount by Calculation Methodology	(Column U)	
			1250%	SSFA	Gross-Up	
9. On-balance sheet securitization exposures						
a. Held-to-maturity securities	$100	$100	$0	$20	$0	9.a.

A bank, at its discretion, could also use both the 1,250 percent risk weight for some securitization exposures and either the SSFA or Gross-Up Approach for other securitization exposures. For example, Bank Z has three securitization exposures, each valued at $100 on the balance sheet. Bank Z chooses to apply the 1,250 percent risk weight to one exposure and use the Gross-Up Approach to calculate risk-weighted assets for the other two exposures. Assume that the risk-weighted asset amount under the Gross-Up Approach is $20 for each exposure.

The bank would report the following:

	(Column A) Totals	(Column B) Adjustments to Totals Reported in Column A	(Column Q) Exposure Amount	(Column T) Total Risk-Weighted Asset Amount by Calculation Methodology	(Column U)	
			1250%	SSFA	Gross-Up	
9. On-balance sheet securitization exposures						
a. Held-to-maturity securities	$300	$200	$100	$0	$40	9.a.

The $200 reported under column B reflects the balance sheet amounts of the two securitization exposures risk weighted using the Gross-Up Approach. This ensures that the sum of columns B and Q continues to equal the amount reported in column A. The $40 under column U reflects the risk-weighted asset amount of the sum of the two securitization exposures that were risk weighted using the Gross-Up Approach. This $40 is included in risk-weighted assets before deductions in item 28 of Schedule RC-R, Part II.

Banks That Are Subject to the Market Risk Capital Rule

The banking agencies' regulatory capital rules require all banks with significant market risk to measure their market risk exposure and hold sufficient capital to mitigate this exposure. In general, a bank is subject to the market risk capital rule if its consolidated trading activity, defined as the sum of trading assets and liabilities as reported in its Call Report for the previous quarter, equals: (1) 10 percent or more of the bank's total assets as reported in its Call Report for the previous quarter, or (2) $1 billion or more. However, a bank's primary federal supervisory authority may exempt or include the bank if necessary or appropriate for safe and sound banking practices.

A bank that is subject to the market risk capital rule must hold capital to support its exposure to general market risk arising from fluctuations in interest rates, equity prices, foreign exchange rates, and commodity prices and its exposure to specific risk associated with certain debt and equity positions.

<u>**Part II. (cont.)**</u>

<u>**General Instructions for Schedule RC-R, Part II. (cont.)**</u>

A covered position is a trading asset or trading liability (whether on- or off-balance sheet), as reported on Schedule RC-D, that is held for any of the following reasons:

(1) For the purpose of short-term resale;
(2) With the intent of benefiting from actual or expected short-term price movements;
(3) To lock in arbitrage profits; or
(4) To hedge another covered position.

Covered positions include all positions in a bank's trading account and foreign exchange and commodity positions, whether or not in the trading account. Covered positions generally should not be risk weighted as part of the bank's credit risk-weighted assets. However, foreign exchange positions that are outside of the trading account and all over-the-counter derivatives as well as cleared transactions and unsettled transactions continue to have a counterparty credit risk capital charge. Those positions are included in both risk-weighted assets for credit risk and the bank's covered positions for market risk.

Additionally, the trading asset or trading liability must be free of any restrictive covenants on its tradability or the bank must be able to hedge the material risk elements of the trading asset or trading liability in a two-way market. A covered position also includes a foreign exchange or commodity position, regardless of whether the position is a trading asset or trading liability (excluding structural foreign currency positions if supervisory approval has been granted to exclude such positions).

A covered position does <u>not</u> include:

(1) An intangible asset (including any servicing asset);
(2) A hedge of a trading position that is outside the scope of the bank's hedging strategy (required by the market risk capital rule);
(3) Any position that, in form or substance, acts as a liquidity facility that provides support to ABCP;
(4) A credit derivative recognized as a guarantee for risk-weighted asset calculation purposes under the regulatory capital rules for credit risk;
(5) An equity position that is not publicly traded (other than a derivative that references a publicly traded equity);
(6) A position held with the intent to securitize; or
(7) A direct real estate holding.

A bank subject to the market risk capital rule must maintain an overall minimum 8.0 percent ratio of total qualifying capital (the sum of Tier 1 capital and Tier 2 capital, net of all deductions) to the sum of risk-weighted assets and market risk-weighted assets. Banks should refer to the regulatory capital rules of their primary federal supervisory authority for specific instructions on the calculation of the measure for market risk.

Adjustments for Financial Subsidiaries

Section 121 of the Gramm-Leach-Bliley Act allows national banks and insured state banks to establish entities known as financial subsidiaries. (Savings associations are not authorized under the Gramm-Leach-Bliley Act to have financial subsidiaries.) One of the statutory requirements for establishing a financial subsidiary is that a national bank or insured state bank must deduct any investment in a financial subsidiary from the bank's assets and tangible equity. Therefore, under the revised regulatory capital rules, a bank must deduct the aggregate amount of its outstanding equity investment in a financial subsidiary, including the retained earnings of the subsidiary, from its common equity tier 1 capital elements in Schedule RC-R, Part I, item 10.b. In addition, the assets and liabilities of the subsidiary may not be consolidated with those of the parent bank for regulatory capital purposes.

Part II. (cont.)

General Instructions for Schedule RC-R, Part II. (cont.)

If a financial subsidiary has not been consolidated into the bank for purposes of the bank's balance sheet, as reported in Schedule RC, the bank must adjust its assets, as reported in Schedule RC-R, Part II, for its equity investment in the financial subsidiary (accounted for under the equity method of accounting). Accordingly, the amount at which the bank's equity investment in the financial subsidiary is included in the bank's "All other assets" as reported in Schedule RC-R, Part II, item 8, column A, should be reported as an adjustment in item 8, column B.

If a financial subsidiary has been consolidated into the bank for purposes of the bank's balance sheet, as reported in Schedule RC, the bank must adjust its consolidated assets, as reported in Schedule RC-R, Part II, items 1 through 9, column A, for the assets of the financial subsidiary that are included in column A. Accordingly, the amount at which the financial subsidiary's assets are included in the bank's consolidated assets in column A should be reported, by balance sheet asset category, as adjustments in column B. For example, if a bank's $100 million in HTM securities, as reported in Schedule RC-R, Part II, item 2.a, column A, includes its financial subsidiary's $10 million in HTM securities, the bank should report $10 million as an adjustment in item 2.a, column B.

In addition, if a financial subsidiary has been consolidated into the bank for purposes of the bank's off-balance sheet securitization exposures, derivatives, off-balance sheet items, and other items subject to risk weighting as reported in Schedules RC-L, RC-S, and RC, the bank must adjust its consolidated exposures for the exposures of its financial subsidiary when the bank completes the items for derivatives, off-balance sheet exposures, and other items subject to risk weighting in Schedule RC-R, Part II. Thus, the bank should exclude the off-balance sheet securitization exposures and off-balance sheet items (including repo-style transactions) of its financial subsidiary from the amounts it reports in Schedule RC-R, Part II, items 10 and 12 through 19, column A. The bank also should exclude the derivatives of its financial subsidiary from the calculation of the credit equivalent amount of derivatives the bank reports in Schedule RC-R, Part II, items 20 and 21, column B, and from the current credit exposure amount and notional principal amounts reported in Schedule RC-R, Part II, Memorandum items 1 through 3.

If a financial subsidiary has been consolidated into the bank for purposes of the bank's balance sheet, as reported in Schedule RC, and the bank's consolidated allowance for loan and lease losses or consolidated allowances for credit losses, as applicable, or its consolidated allowance for credit losses on off-balance sheet credit exposures includes such an allowance attributable to the financial subsidiary, the bank must adjust its consolidated allowances for those attributable to the financial subsidiary. Accordingly, the bank must exclude the portion of its consolidated allowance for loan and lease losses or consolidated allowances for credit losses, as applicable, and its consolidated allowance for credit losses on off-balance sheet credit exposures attributable to its financial subsidiary when the bank determines the amount of its allowance for loan and lease losses or adjusted allowances for credit losses, as applicable, includable in tier 2 capital (reported in Schedule RC-R, Part I, item ~~30~~42 on the FFIEC 041; item 42.a on the FFIEC 031) and its excess allowance for loan and lease losses or excess adjusted allowances for credit losses, as applicable (reported in Schedule RC-R, Part II, item 29).

Treatment of Embedded Derivatives

If a bank has a hybrid contract containing an embedded derivative that must be separated from the host contract and accounted for as a derivative instrument under ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended), then the host contract and embedded derivative should be treated separately for risk-based capital purposes. When the fair value of the embedded derivative has been reported as part of the bank's assets on Schedule RC – Balance Sheet, that fair value (whether positive or negative) should be reported (as a positive or negative number) in column B of the corresponding asset category item in Schedule RC-R, Part II (items 1 to 8). The host contract, if an asset, should be risk weighted according to the obligor or, if relevant, the guarantor or the nature of the collateral. All derivative exposures should be risk weighted in the derivative items of Schedule RC-R, Part II, as appropriate (items 20 or 21).

Part II. (cont.)

General Instructions for Schedule RC-R, Part II. (cont.)

Reporting Exposures Hedged with Cleared Eligible Credit Derivatives

Institutions are able to obtain full or partial protection for (i.e., "hedge") on-balance sheet assets or off-balance sheet items using credit derivatives that are cleared through a qualified central counterparty (QCCP) or a central counterparty (CCP) that is not a QCCP. In some cases, a cleared credit derivative used for this purpose meets the definition of an eligible credit derivative in §.2 of the regulatory capital rules. In these cases, under §.36 of the regulatory capital rules, an institution that is a clearing member or a clearing member client may recognize the credit risk mitigation benefits of the eligible credit derivative. More specifically, the risk weight of the underlying exposure (e.g., 20 percent, 50 percent, or 100 percent) may be replaced with the risk weight of the CCP or QCCP as the protection provider if the credit derivative is an eligible credit derivative, is cleared through a CCP or a QCCP, and meets the applicable requirements under §.35 and §.36 of the regulatory capital rules. The risk weight for an eligible credit derivative cleared through a QCCP is 2 percent or 4 percent, based on conditions set forth in the rules. The risk weight for an eligible credit derivative cleared through a CCP is determined according to §.32 of the regulatory capital rules. In addition, the coverage amount provided by an eligible credit derivative must be adjusted downward under certain conditions as described in §.36 of the regulatory capital rules.

If a clearing member bank or clearing member client bank has obtained full or partial protection for an on-balance sheet asset or off-balance sheet item using a cleared eligible credit derivative cleared through a QCCP, the institution may, but is not required to, recognize the benefits of this eligible credit derivative in determining the risk-weighted asset amount for the hedged exposure in Schedule RC-R, Part II, by reporting the protected exposure amounts and credit equivalent amounts in the 2 percent or 4 percent risk-weight category, as appropriate under the regulatory capital rules. Any amount of the exposure that is not covered by the eligible credit derivative should be reported in the risk-weight category corresponding to the risk weight of the underlying exposure. For example, for an asset with a $200 exposure amount fully covered by an eligible credit derivative cleared through a QCCP that qualifies for a 2 percent risk weight, the institution would report the $200 exposure amount in Column D–2% risk weight for the appropriate asset category.

Treatment of Certain Centrally Cleared Derivative Contracts

In August 2017, the banking agencies issued supervisory guidance on the regulatory capital treatment of certain centrally cleared derivative contracts, which are reported in Schedule RC-R, Part II, item 21, in light of revisions to the rulebooks of certain central counterparties. Under the previous requirements of these central counterparties' rulebooks, variation margin transferred to cover the exposure that arises from marking cleared derivative contracts, and netting sets of such contracts, to fair value was considered collateral pledged by one party to the other, with title to the collateral remaining with the posting party. These derivative contracts are referred to as collateralized-to-market contracts. Under the revised rulebooks of certain central counterparties, variation margin for certain centrally cleared derivative contracts, and certain netting sets of such contracts, is considered a settlement payment for the exposure that arises from marking these derivative contracts and netting sets to fair value, with title to the payment transferring to the receiving party. In these circumstances, the derivative contracts and netting sets are referred to as settled-to-market contracts.

Irrespective of the classification discussed above, under the standardized approach for counterparty credit risk (SA-CCR), a banking organization may elect to treat settled-to-market derivative contracts as collateralized-to-market derivative contracts subject to a variation margin agreement and apply the maturity factor for derivative contracts subject to a variation margin agreement. A banking organization that elects to apply this treatment must apply the maturity factor applicable to margined derivative contracts.

Under the agencies' regulatory capital rules, in general, an institution must calculate the trade exposure amount for a cleared derivative contract, or a netting set of such contracts, by using the methodology described in §.34 of the rules to determine (i) the current credit exposure and (ii) the potential future exposure (PFE) of the derivative contract or netting set of such contracts for purposes of the standardized approach risk-based capital calculation and the supplementary leverage ratio calculation~~.~~ when using the Current Exposure Method (CEM) or by using the methodology described in §.132 of the rules to determine (i) the replacement cost and (ii) the PFE of the derivative contract or netting set of such contracts for purposes of the standardized approach risk-based capital calculation and the supplementary leverage ratio calculations when using SA-CCR. The risk-weighted asset calculations under the advanced approaches capital framework have similar requirements. ~~Current~~Under CEM, current credit exposure is determined by reference to the fair value of each derivative contract as measured under U.S. GAAP. ~~Potential future exposure~~PFE is determined, in part, by multiplying each derivative contract's notional principal amount by a conversion factor. The conversion factors vary

Part II. (cont.)

General Instructions for Schedule RC-R, Part II. (cont.)

by the category (for example, interest rate, equity) and remaining maturity of the derivative contract.[10a]

Under SA-CCR, the determination of the replacement cost depends on whether the counterparty to a banking organization is required to post variation margin. The replacement cost for a netting set that is not subject to a variation margin agreement is equal to the greater of (1) the sum of the fair values (after excluding any valuation adjustments) of the derivative contracts within the netting set, less the net independent collateral amount applicable to such derivative contracts, or (2) zero. For a netting set that is subject to a variation margin agreement where the counterparty is required to post variation margin, replacement cost is equal to the greater of (1) the sum of the fair values (after excluding any valuation adjustments) of the derivative contracts within the netting set, less the sum of the net independent collateral amount and the variation margin amount applicable to such derivative contracts; (2) the sum of the variation margin threshold and the minimum transfer amount applicable to the derivative contracts within the netting set, less the net independent collateral amount applicable to such derivative contracts; or (3) zero. The SA-CCR PFE is equal to the product of the PFE multiplier and the aggregated amount. To determine the aggregated amount, a banking organization is required to determine the hedging set amounts for the derivative contracts within a netting set, where a hedging set is comprised of derivative contracts that share similar risk factors based on asset class (e.g., interest rate, exchange rate, credit, equity, and commodity).

The regulatory capital rules provide that, for a derivative contract that is structured such that on specified dates any outstanding exposure is settled and the terms are reset so that the fair value of the contract is zero, the remaining maturity equals the time until the next reset date.

For the purpose of the regulatory capital rules, the August 2017 supervisory guidance states that if, after accounting and legal analysis, an institution determines that (i) the variation margin payment on a centrally cleared settled-to-market contract settles any outstanding exposure on the contract, and (ii) the terms are reset so that the fair value of the contract is zero, the remaining maturity on such a contract would equal the time until the next exchange of variation margin on the contract. In conducting its legal analysis to determine whether variation margin may be considered settlement of outstanding exposure under the regulatory capital rules, an institution should evaluate whether the transferor of the variation margin has relinquished all legal claims to the variation margin and whether the payment of variation margin constitutes settlement under the central counterparty's rulebook, any other applicable agreements governing the derivative contract, and applicable law. Among other requirements, a central counterparty's rulebook may require an institution to satisfy additional obligations, such as payment of other expenses and fees, in order to recognize payment of variation margin as satisfying settlement under the rulebook. The legal and accounting analysis performed by the institution should take all such requirements into account.

When using the SA-CCR method, a banking organization may elect to treat settled-to-market derivatives contracts as subject to a variation margin agreement and receive the benefits of netting with collateralized-to-market derivative contracts. If a banking organization elects to treat settled-to-market derivative contracts as subject to a variation margin agreement, it must apply the maturity factor to such contracts under §.132(c)(9)(iv)(A) of the rules. The maturity factor of a derivative contract that is subject to a variation margin agreement, excluding derivative contracts that are subject to a variation margin agreement under which the counterparty is not required to post variation margin, is determined by the following formula:

$$\text{Maturity factor} = \frac{3}{2}\sqrt{\frac{MPOR}{250}},$$

where MPOR refers to the period from the most recent exchange of collateral under a variation margin agreement with a defaulting counterparty until the derivative contracts are closed out and the resulting market risk is re-hedged.

Institutions should refer to the supervisory guidance in its entirety for purposes of determining the appropriate regulatory capital treatment of settled-to-market contracts under the regulatory capital rules.

Treatment of FDIC Loss-Sharing Agreements

Loss-sharing agreements entered into by the FDIC with acquirers of assets from failed institutions are considered conditional guarantees for risk-based capital purposes due to contractual conditions that acquirers must meet. The guaranteed portion of assets subject to a loss-sharing agreement may be assigned a 20 percent risk weight. Because the structural arrangements for these agreements vary depending on the specific terms of each agreement, institutions should consult with their primary federal regulator to determine the appropriate risk-based capital treatment for specific loss-sharing agreements.

Allocated Transfer Risk Reserve (ATRR)

If the reporting bank is required to establish and maintain an ATRR as specified in Section 905(a) of the International Lending Supervision Act of 1983, the ATRR should be reported in Schedule RC-R, Part II, item 30. The ATRR is not eligible for inclusion in either tier 1 or tier 2 capital.

Any ATRR related to loans and leases held for investment is included on the balance sheet in Schedule RC, item 4.c, "Allowance for loan and lease losses," and separately disclosed in Schedule RI-B, part II, Memorandum item 1. However, if the bank must maintain an ATRR for any asset other than a loan or lease held for investment, the balance sheet category for that asset should be reported net of the ATRR on Schedule RC. In this situation, the ATRR should be reported as a negative number (i.e., with a minus (-) sign) in column B, "Adjustments to totals reported in Column A," of the corresponding asset category in Schedule RC-R, Part II, items 1 through 4 and 7 through 9. The amount to be risk weighted for this asset in columns C through Q, as appropriate, would be its net carrying value plus the ATRR. For example, a bank has an HTM security issued by a foreign commercial company against which it has established an ATRR of $20. The security, net of the ATRR, is included in Schedule RC, item 2.a, "Held-to-maturity securities," at $80. The security should be included in Schedule RC-R, Part II, item 2.a, column A, at $80. The bank should include $-20 in Schedule RC-R, item 2.a, column B, and $100 in item 2.a, column I.

[10a] See the instructions for Schedule RC-R, Part II, item 21, “Centrally cleared derivatives,” for a chart of the conversion factors.

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Part II. (cont.)

Item Instructions for Schedule RC-R, Part II.

Balance Sheet Asset Categories

Item No. Caption and Instructions

1 **Cash and balances due from depository institutions.** Report in column A the amount of cash and balances due from depository institutions reported in Schedule RC, sum of items 1.a and 1.b, excluding those balances due from depository institutions that qualify as securitization exposures as defined in §.2 of the regulatory capital rules.

The amount of those balances due from depository institutions reported in Schedule RC, items 1.a and 1.b, that qualify as securitization exposures must be reported in Schedule RC-R, Part II, item 9.d, column A.

- *In column C–0% risk weight*, include:
  - The amount of currency and coin reported in Schedule RC, item 1.a;
  - Any balances due from Federal Reserve Banks reported in Schedule RC, item 1.b; and
  - The insured portions of deposits in FDIC-insured depository institutions and NCUA-insured credit unions reported in Schedule RC, items 1.a and 1.b.

- *In column G–20% risk weight*, include:
  - Any balances due from depository institutions and credit unions that are organized under the laws of the United States or a U.S. state reported in Schedule RC, items 1.a and 1.b, in excess of any applicable FDIC or NCUA deposit insurance limits for deposit exposures or where the depository institutions are not insured by either the FDIC or the NCUA;
  - Any balances due from Federal Home Loan Banks reported in Schedule RC, items 1.a and 1.b; and
  - The amount of cash items in the process of collection reported in Schedule RC, item 1.a.

- *In column I–100% risk weight*, include all other amounts that are not reported in columns C through H and J.

- Cash and balances due from depository institutions that must be risk weighted according to the Country Risk Classification (CRC) methodology
  - *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include:
  - The amounts reported in Schedule RC, items 1.a and 1.b, composed of balances due from foreign banks; and
  - Any balances due from foreign central banks.

If the reporting bank is the correspondent bank in a pass-through reserve balance relationship, report in column C the amount of its own reserves as well as those reserve balances actually passed through to a Federal Reserve Bank on behalf of its respondent depository institutions.

If the reporting bank is the respondent bank in a pass-through reserve balance relationship, report in column C the amount of the bank's reserve balances due from its correspondent bank that its correspondent has actually passed through to a Federal Reserve Bank on the reporting bank's behalf, i.e., for purposes of this item, treat these balances as balances due

Part II. (cont.)

Item No. Caption and Instructions

1 (cont.) from a Federal Reserve Bank. This treatment differs from that required in Schedule RC-A, item 2, "Balances due from depository institutions in the U.S.," which treats pass-through reserve balances held by a bank's correspondent as balances due from a depository institution as opposed to balances due from the Federal Reserve.

If the reporting bank is a participant in an excess balance account at a Federal Reserve Bank, report in column C the bank's balance in this account.

If the reporting bank accounts for any holdings of certificates of deposit (CDs) like available-for-sale debt securities that do not qualify as securitization exposures, report in column A the fair value of such CDs. If the bank has made the Accumulated Other Comprehensive Income opt-out election in Schedule RC-R, Part I, item 3.a, include in column B the difference between the fair value and amortized cost of these CDs. When fair value exceeds amortized cost, report the difference as a positive number in column B. When amortized cost exceeds fair value, report the difference as a negative number (i.e., with a minus (-) sign) in column B. Risk weight the amortized cost of these CDs in columns C through J, as appropriate.

2 **Securities.** Do not include securities that qualify as securitization exposures in items 2.a and 2.b below; instead, report these securities in Schedule RC-R, Part II, items 9.a and 9.b. In general, under the regulatory capital rules, securitizations are exposures that are "tranched" for credit risk. Refer to the definitions of *securitization, traditional securitization, synthetic securitization* and *tranche* in §.2 of the regulatory capital rules.

2.a **Held-to-maturity securities.** Report in column A the amount of held-to-maturity (HTM) securities reported in Schedule RC, item 2.a, excluding those HTM securities that qualify as securitization exposures as defined in §.2 of the regulatory capital rules.

The amount of those HTM securities reported in Schedule RC, item 2.a, that qualify as securitization exposures are to be reported in Schedule RC-R, Part II, item 9.a, column A. The sum of Schedule RC-R, Part II, items 2.a and 9.a, column A, must equal Schedule RC, item 2.a.

Exposure amount to be used for purposes of risk weighting – bank cannot or has not made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule RC-R, Part I, item 3.a:
For a security classified as HTM where the bank cannot or has not made the AOCI opt-out election (i.e., most AOCI is included in regulatory capital), the exposure amount to be risk weighted by the bank is the carrying value of the security, which is the value of the asset reported (a) on the balance sheet of the bank determined in accordance with GAAP and (b) in Schedule RC-R, Part II, item 2.a, column A.

Exposure amount to be used for purposes of risk weighting – bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a:
For a security classified as HTM where the bank has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount to be risk weighted by the bank is the carrying value of the security reported (a) on the balance sheet of the bank and (b) in Schedule RC-R, Part II, item 2.a, column A, less any unrealized gain on the exposure or plus any unrealized loss on the exposure included in AOCI. For purposes of determining the exposure amount of an HTM security, an unrealized gain (loss), if any, on such a security that is included in AOCI is (i) the unamortized balance of the unrealized gain (loss) that existed at the date of transfer of a debt security transferred into the held-to-maturity category from the available-for-sale category, or (ii) the unaccreted portion of other-than-temporary impairment losses on an HTM debt security that was not recognized in

Part II. (cont.)

Item No. Caption and Instructions

2.a (cont.) earnings in accordance with ASC Topic 320, Investments-Debt Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities"). Thus, for an HTM security with such an unrealized gain (loss), report in column B any difference between the carrying value of the security reported in column A of this item and its exposure amount reported under the appropriate risk weighting column C through J.

- *In column B for non-advanced approaches institutions*, include the amount of:
  - Investments in the capital of unconsolidated financial institutions in the form of tier 2 capital that are reported in Schedule RC, item 2.a, and have been deducted from capital in Schedule RC-R, Part I, item 45.

- *In column B for advanced approaches institutions*, include the amount of:
  - Non-significant investments in tier 2 capital and covered debt instruments of unconsolidated financial institutions that are reported in Schedule RC, item 2.a, and have been deducted from capital in Schedule RC-R, Part I, item ~~33~~45.
  - Significant investments in the capital of unconsolidated financial institutions in the form of tier 2 capital and covered debt instruments of unconsolidated financial institutions that are reported in Schedule RC, item 2.a, and have been deducted from capital in Schedule RC-R, Part I, item ~~33~~45.

  - For advanced approaches institutions, investments in excluded covered debt instruments that are reported in Schedule RC, item 2.a, and have been deducted from capital in Schedule RC-R, Part 1, item 45.

  For an institution that has adopted the current expected credit losses methodology (CECL), include as a negative number in column B:
  - The portion of Schedule RI-B, Part II, item 7, column B, "Balance end of current period" for HTM debt securities that relates to HTM securities reported in column A of this item, less
  - The portion of Schedule RC-R, Part II, Memorandum item 4.b, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for HTM debt securities that relates to purchased credit-deteriorated HTM securities reported in column A of this item.

  For example, if an institution reports $100 in Schedule RI-B, Part II, item 7, column B, and $10 in Schedule RC-R, Part II, Memorandum item 4.b, the institution would report ($90) in this column B.

- *In column C–0% risk weight.* The zero percent risk weight applies to exposures to the U.S. government, a U.S. government agency, or a Federal Reserve Bank, and those exposures otherwise unconditionally guaranteed by the U.S. government. Include exposures to or unconditionally guaranteed by the FDIC or the NCUA. Certain foreign government exposures and certain entities listed in §.32 of the regulatory capital rules may also qualify for the zero percent risk weight. Include the exposure amounts of securities reported in Schedule RC-B, column A, that do not qualify as securitization exposures that qualify for the zero percent risk weight. Such securities may include portions of, but may not be limited to:

- o Item 1, "U.S. Treasury securities,"
- o Item 2, those obligations issued by U.S. Government agencies,
- o Item 4.a.(1), Residential mortgage pass-through securities "Guaranteed by GNMA,"
- o Item 4.b.(1), those other residential mortgage-backed securities issued or guaranteed by U.S. Government agencies, such as GNMA exposures,
- o Item 4.c.(1)(a), those commercial mortgage-backed securities (MBS) "Issued or guaranteed by FNMA, FHLMC, or GNMA" that represent GNMA securities, and
- o Item 4.c.(2)(a), those commercial MBS "Issued or guaranteed by U.S. Government agencies or sponsored agencies" that represent GNMA securities.
- o The portion of any exposure reported in Schedule RC, item 2.a, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight.

- *In column G–20% risk weight.* The 20 percent risk weight applies to general obligations of U.S. states, municipalities, and U.S. public sector entities. It also applies to exposures to U.S. depository institutions and credit unions, exposures conditionally guaranteed by the U.S. government, as well as exposures to U.S. government-sponsored enterprises. Certain foreign government and foreign bank exposures may qualify as indicated in §.32

Part II. (cont.)

Item No. **Caption and Instructions**

2.a (cont.) of the regulatory capital rules. Include the exposure amounts of securities reported in Schedule RC-B, column A, that do not qualify as securitization exposures that qualify for the 20 percent risk weight. Such securities may include portions of, but may not be limited to:

- Item 2, those obligations issued by U.S. Government-sponsored agencies, Item 3, "Securities issued by states and political subdivisions in the U.S." that represent general obligation securities,
- Item 4.a.(2), Residential mortgage pass-through securities "Issued by FNMA and FHLMC,"
- Item 4.b.(1), Other residential mortgage-backed securities "Issued or guaranteed by U.S. Government agencies or sponsored agencies,"
- Item 4.c.(1)(a), those commercial MBS "Issued or guaranteed by FNMA, FHLMC, or GNMA" that represent FHLMC and FNMA securities,
- Item 4.c.(2)(a), those commercial MBS "Issued or guaranteed by U.S. Government agencies or sponsored agencies" that represent FHLMC and FNMA securities,
- Item 4.b.(2), Other residential MBS "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies," and
- Any securities categorized as "structured financial products" on Schedule RC-B that are not securitization exposures and qualify for the 20 percent risk weight. Note: Many of the structured financial products would be considered securitization exposures and must be reported in Schedule RC-R, Part II, item 9.a, for purposes of calculating risk-weighted assets.
- The portion of any exposure reported in Schedule RC, item 2.a, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.

- *In column H–50% risk weight,* include the exposure amounts of securities reported in Schedule RC-B, column A, that do not qualify as securitization exposures that qualify for the 50 percent risk weight. Such securities may include portions of, but may not be limited to:
  - Item 3, "Securities issued by states and political subdivisions in the U.S.," that represent revenue obligation securities,
  - Item 4.a.(3), "Other [residential mortgage] pass-through securities," that represent residential mortgage exposures that qualify for 50 percent risk weight. (Pass-through securities that do not qualify for the 50 percent risk weight should be assigned to the 100 percent risk-weight category.)
  - Item 4.b.(2), Other residential MBS "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies" (excluding portions subject to an FDIC loss-sharing agreement and interest-only securities) that represent residential mortgage exposures that qualify for 50 percent risk weight, and
  - Item 4.b.(3), "All other residential MBS." Include only those MBS that qualify for the 50 percent risk weight. Refer to §.32(g), (h) and (i) of the regulatory capital rules. Note: Do not include MBS portions that are tranched for credit risk; those must be reported as securitization exposures in Schedule RC-R, Part II, item 9.a. Exclude interest-only securities.
  - The portion of any exposure reported in Schedule RC, item 2.a, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight*, include the exposure amounts of securities reported in Schedule RC-B, column A, that do not qualify as securitization exposures that qualify for the 100 percent risk weight. Such securities may include portions of, but may not be limited to:
  - Item 4.a.(3), "Other [residential mortgage] pass-through securities," that represent residential mortgage exposures that qualify for the 100 percent risk weight,

Part II. (cont.)

Item No. Caption and Instructions

2.a (cont.)

- Item 4.b.(2), Other residential MBS "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies" (excludes portions subject to an FDIC loss-sharing agreement), that represent residential mortgage exposures that qualify for the 100 percent risk weight,
- Item 4.b.(3), "All other residential MBS," Include only those MBS that qualify for the 100 percent risk weight. Refer to §.32(g), (h) and (i) of the regulatory capital rules. (Note: Do not include MBS that are tranched for credit risk; those should be reported as securitization exposures in Schedule RC-R, Part II, item 9.a.),
- Item 4.c.(1)(b), “Other [commercial mortgage] pass-through securities,”
- Item 4.c.(2)(b), “All other commercial MBS,”
- Item 5.a, "Asset-backed securities," and

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Part II. (cont.)

Item No. Caption and Instructions

2.a (cont.)

- Any securities reported as "structured financial products" in Schedule RC-B, item 5.b, that are not securitization exposures and qualify for the 100 percent risk weight. Note: Many of the structured financial products would be considered securitization exposures and must be reported in Schedule RC-R, Part II, item 9.a, for purposes of calculating risk-weighted assets.
- The portion of any exposure reported in Schedule RC, item 2.a, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.
- Also include all other HTM securities that do not qualify as securitization exposures reported in Schedule RC, item 2.a, that are not included in columns C through H and J.

- *In column J–150% risk weight*, include the exposure amounts of securities reported in Schedule RC-B, column A, that are past due 90 days or more or in nonaccrual status (except sovereign exposures), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

- HTM securities that must be risk weighted according to the Country Risk Classification (CRC) methodology
  - *In column C–0% risk weight; column G–20% risk weight; column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk-weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include the exposure amounts of those securities reported in Schedule RC-B, column A, that are directly and unconditionally guaranteed by foreign central governments or are exposures to foreign banks that do not qualify as securitization exposures. Such securities may include portions of, but may not be limited to:
  - Item 4.a.(3), "Other [residential mortgage] pass-through securities,"
  - Item 4.b.(3), "All other residential MBS,"
  - Item 4.c.(1)(b), "Other [commercial mortgage] pass-through securities,"
  - Item 4.c.(2)(b), "All other commercial MBS,"
  - Item 5.a, "Asset-backed securities,"
  - Any securities reported as "structured financial products" in Schedule RC-B, item 5.b, that are not securitization exposures. Note: Many of the structured financial products would be considered securitization exposures and must be reported in Schedule RC-R, Part II, item 9.a, for purposes of calculating risk-weighted assets, and
  - Item 6.b, "Other foreign debt securities."

2.b **Available-for-sale debt securities and equity securities with readily determinable fair values not held for trading.** For institutions that have not adopted FASB Accounting Standards Update No. 2016-01 (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investments in mutual funds, and eliminates the concept of available-for-sale (AFS) equity securities (see the Note preceding the instructions for Schedule RC, item 2.c), report in column A the fair value of AFS debt and equity securities reported in Schedule RC, item 2.b, excluding those AFS securities that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. The fair value of those AFS securities reported in Schedule RC, item 2.b, that qualify as securitization exposures must be reported in Schedule RC-R, Part II, item 9.b, column A. The sum of Schedule RC-R, Part II, items 2.b and 9.b, column A, must equal Schedule RC, item 2.b.

Part II. (cont.)

Item No. Caption and Instructions

2.b (cont.) For institutions that have adopted ASU 2016-01, report in column A the sum of:
(1) The fair value of AFS debt securities reported in Schedule RC, item 2.b; and
(2) The fair value of equity securities with readily determinable fair values not held for trading reported in Schedule RC, item 2.c;
excluding those debt and equity securities that qualify as securitization exposures as defined in §.2 of the regulatory capital rules.

Exposure amount to be used for purposes of risk weighting by a bank that cannot or has not made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule RC-R, Part I, item 3.a:
For a security reported in Schedule RC-R, Part II, item 2.b, column A, where the bank cannot or has not made the AOCI opt-out election (i.e., most AOCI is included in regulatory capital), the exposure amount to be risk weighted by the bank is:

- **For a debt security:** the carrying value, which is the value of the asset reported on the balance sheet of the bank determined in accordance with GAAP (i.e., the fair value of the AFS debt security) and in column A.
- **For equity securities and preferred stock classified as an equity under GAAP:** the adjusted carrying value.[11]

Exposure amount to be used for purposes of risk weighting by a bank that has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a:

- For institutions that have not adopted ASU 2016-01, for a security classified as AFS where the bank has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount to be risk weighted by the bank is:
  - o **For a debt security:** the carrying value, less any unrealized gain on the exposure or plus any unrealized loss on the exposure included in AOCI.
  - o **For equity securities and preferred stock classified as an equity under GAAP:** the carrying value less any net unrealized gains that are reflected in such carrying value but are excluded from the bank's regulatory capital components.
- For institutions that have adopted ASU 2016-01, for a security reported in Schedule RC-R, Part II, item 2.b, column A, where the bank has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount to be risk weighted by the bank is:
  - o **For a debt security:** the carrying value, less any unrealized gain on the exposure or plus any unrealized loss on the exposure included in AOCI.
  - o **For equity securities and preferred stock classified as an equity under GAAP with readily determinable fair values:** the adjusted carrying value.[11a]

[11] Adjusted carrying value applies only to equity exposures and is defined in §.51 of the regulatory capital rules. In general, it includes an on-balance sheet amount as well as application of conversion factors to determine on-balance sheet equivalents of any off-balance sheet commitments to acquire equity exposures. For institutions that cannot or have not made the AOCI opt-out election, the on-balance sheet component is equal to the carrying value. Refer to §.51 for the precise definition.

[11a] Adjusted carrying value applies only to equity exposures and is defined in §.51 of the regulatory capital rules. In general, it includes an on-balance sheet amount as well as application of conversion factors to determine on-balance sheet equivalents of any off-balance sheet commitments to acquire equity exposures. For institutions that have made the AOCI opt-out election, the adjusted carrying value of an on-balance sheet equity exposure, such as an equity security with a readily determinable fair value not held for trading, is equal to the carrying value of the equity exposure, i.e., the value of the asset on the balance sheet determined in accordance with U.S. GAAP. Refer to §.51 for the precise definition.

Part II. (cont.)

Item No. Caption and Instructions

2.b (cont.)

- *In column B*, a bank that has made the AOCI opt-out election should include the difference between the fair value and amortized cost of those AFS debt securities that do not qualify as securitization exposures. This difference equals the amounts reported in Schedule RC-B, items 1 through 6, column D, minus items 1 through 6, column C, for those AFS debt securities included in these items that are not securitization exposures.
  - o When fair value exceeds cost, report the difference as a positive number in Schedule RC-R, Part II, item 2.b, column B.
  - o When cost exceeds fair value, report the difference as a negative number (i.e., with a minus (-) sign) in Schedule RC-R, Part II, item 2.b, column B.

- *In column B*, for a bank that has made the AOCI opt-out election and has not adopted ASU 2016-01:
  - o If AFS equity securities with readily determinable fair values have a net unrealized gain (i.e., Schedule RC-B, item 7, column D, exceeds item 7, column C), the portion of the net unrealized gain (55 percent) not included in Tier 2 capital should be included in Schedule RC-R, Part II, item 2.b, column B. The portion that is not included in Tier 2 capital equals Schedule RC-B, item 7, column D minus column C, minus Schedule RC-R, Part I, item ~~31~~43.

  Example: A bank reports an AFS debt security that is not a securitization exposure on its balance sheet in Schedule RC, item 2.b, at a carrying value (i.e., fair value) of $105. The amortized cost of the debt security is $100. The bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a. The AFS debt security has a $5 unrealized gain that is included in AOCI. In Schedule RC-R, Part II, item 2.b, the bank would report in Schedule RC-R, Part II, item 2.b:
  a. $105 in column A. This is the carrying value of the AFS debt security on the bank's balance sheet.
  b. $5 in column B. This is the difference between the carrying value (i.e., fair value) of the debt security and its exposure amount that is subject to risk weighting. For a bank that has made the AOCI opt-out election, column B will typically represent the amount of the unrealized gain or unrealized loss on the security. Gains are reported as positive numbers; losses as negative numbers. (Note: If the bank has not made or cannot make the opt-out election, there will be no adjustment to be reported in column B.)
  c. $100 is the exposure amount subject to risk weighting. This amount will be reported under the appropriate risk weight associated with the exposure (columns C through J). For a bank that has made the opt-out election, the exposure amount typically will be the carrying value (i.e., fair value) of the debt security excluding any unrealized gain or loss.

- *In column B*, for a bank that has made the AOCI opt-out election and has adopted ASU 2016-01, no amount should be included for equity securities and preferred stock classified as an equity under GAAP with readily determinable fair values that are reported in Schedule RC-R, Part II, item 2.b, column A.

~~•~~ *In column B for non-advanced approaches institutions*, include the amount of~~:~~
~~•~~ ~~Non-significant~~ investments in the capital of unconsolidated financial institutions that are reported in Schedule RC, item 2.b (for a bank that has not adopted ASU 2016-01) or item 2.c (for a bank that has adopted ASU 2016-01), and have been deducted from capital in Schedule RC-R, Part I, item 13.a, item 24, and item 45.

- *In column B for advanced approaches institutions*, include the amount of:
  - ~~o~~ Non-significant investments in the capital and covered debt instruments of unconsolidated financial institutions that are reported in Schedule RC, item 2.b (for a

bank that has not adopted ASU 2016-01) or item 2.c (for a bank that has adopted ASU 2016-01), and have been deducted from capital in Schedule RC-R, Part I, item 11, item 24, and item ~~33~~45.

Part II. (cont.)

Item No. Caption and Instructions

2.b ~~(cont.)~~

- ○ Significant investments in the capital of unconsolidated financial institutions not in the form of common stock that are reported in Schedule RC, item 2.b (for a bank that has not adopted ASU 2016-01) or item 2.c (for a bank that has adopted ASU 2016-01), and have been deducted from capital in Schedule RC-R, Part I, item 24 and item ~~33~~45.
- ~~o~~ Investments in excluded covered debt instruments that are reported in Schedule RC, item 2.b (for a bank that has not adopted ASU 2016-01) or item 2.c (for a bank that has adopted ASU 2016-01), and have been deducted from capital in Schedule RC-R, Part I, item 24 and item 45.
- ~~o~~ Significant investments in the capital of unconsolidated financial institutions in the form of common stock and covered debt instruments of unconsolidated financial institutions reported in Schedule RC, item 2.b (for a bank that has not adopted ASU 2016-01) or item 2.c (for a bank that has adopted ASU 2016-01), that are subject to the 10 percent and 15 percent common equity tier 1 capital threshold limitations and have been deducted for risk-based capital purposes in Schedule RC-R, Part I, items 13.b and 16.

- *In column C–0% risk weight*, the zero percent risk weight applies to exposures to the U.S. government, a U.S. government agency, or a Federal Reserve Bank, and those exposures otherwise unconditionally guaranteed by the U.S. government. Include exposures to or unconditionally guaranteed by the FDIC or the NCUA. Certain foreign government exposures and certain entities listed in §.32 of the regulatory capital rules may also qualify for zero percent risk weight. Include the exposure amounts of those debt securities reported in Schedule RC-B, column C, that do not qualify as securitization exposures that qualify for the zero percent risk weight. Such debt securities may include portions of, but may not be limited to:
  - ○ Item 1, "U.S. Treasury securities,"
  - ○ Item 2, those obligations issued by U.S. Government agencies,
  - o Item 4.a.(1), Residential mortgage pass-through securities "Guaranteed by GNMA,"
  - o Portions of item 4.b.(1), Other residential mortgage-backed securities (MBS) "Issued or guaranteed by U.S. Government agencies or sponsored agencies," such as GNMA exposures,
  - o Item 4.c.(1)(a), certain portions of commercial MBS "Issued or guaranteed by FNMA, FHLMC, or GNMA" that represent GNMA securities, and
  - o Item 4.c.(2)(a), certain portions of commercial MBS "Issued or guaranteed by U.S. Government agencies or sponsored agencies" that represent GNMA securities.
  - o The portion of any exposure reported in Schedule RC, item 2.b, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight.

- *In column G–20% risk weight*, the 20 percent risk weight applies to general obligations of U.S. states, municipalities, and U.S. public sector entities. It also applies to exposures to U.S. depository institutions and credit unions, exposures conditionally guaranteed by the U.S. government, as well as exposures to U.S. government sponsored enterprises. Certain foreign government and foreign bank exposures may qualify for the 20 percent risk weight as indicated in §.32 of the regulatory capital rules. Include the exposure amounts of those debt securities reported in Schedule RC-B, column C, that do not qualify as securitization exposures that qualify for the 20 percent risk weight. Such debt securities may include portions of, but may not be limited to:
  - o Item 2, those obligations issued by U.S. Government-sponsored agencies (exclude interest-only securities),
  - o Item 3, "Securities issued by states and political subdivisions in the U.S." that represent general obligation securities,
  - o Item 4.a.(2), Residential mortgage pass-through securities "Issued by FNMA and FHLMC" (exclude interest-only securities),

- o Item 4.b.(1), Other residential MBS "Issued or guaranteed by U.S. Government agencies or sponsored agencies," (exclude interest-only securities)
- o Item 4.c.(1)(a), those commercial MBS “Issued or guaranteed by FNMA, FHLMC, or GNMA” that represent FHLMC and FNMA securities (exclude interest-only securities),

Part II. (cont.)

Item No. **Caption and Instructions**

2.b (cont.)

- Item 4.c.(2)(a), those commercial MBS "Issued or guaranteed by U.S. Government agencies or sponsored agencies" that represent FHLMC and FNMA securities (exclude interest-only securities),
- Item 4.b.(2), Other residential MBS "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies" (exclude interest-only securities), and
- Any securities categorized as "structured financial products" on Schedule RC-B that are not securitization exposures and qualify for the 20 percent risk weight. Note: Many of the structured financial products would be considered securitization exposures and must be reported in Schedule RC-R, Part II, item 9.b, for purposes of calculating risk-weighted assets. Exclude interest-only securities.
- The portion of any exposure reported in Schedule RC, item 2.b, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.

• *In column H–50% risk weight*, include the exposure amounts of those debt securities reported in Schedule RC-B, column C, that do not qualify as securitization exposures that qualify for the 50 percent risk weight. Such debt securities may include portions of, but may not be limited to:
  - Item 3, "Securities issued by states and political subdivisions in the U.S.," that represent revenue obligation securities,
  - Item 4.a.(3), "Other [residential mortgage] pass-through securities," (that represent residential mortgage exposures that qualify for the 50 percent risk weight. (Pass-through securities that do not qualify for the 50 percent risk weight should be assigned to the 100 percent risk weight category.)
  - Item 4.b.(2), Other residential MBS "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies" (exclude portions subject to an FDIC loss-sharing agreement and interest-only securities) that represent residential mortgage exposures that qualify for the 50 percent risk weight, and
  - Item 4.b.(3), "All other residential MBS." Include only those MBS that qualify for the 50 percent risk weight. Refer to §.32(g), (h) and (i) of the regulatory capital rules. Note: Do not include MBS that are tranched for credit risk; those should be reported as securitization exposures in Schedule RC-R, Part II, item 9.b. Do not include interest-only securities.
  - The portion of any exposure reported in Schedule RC, item 2.b, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

• *In column I–100% risk weight,* include the exposure amounts of those debt securities reported in Schedule RC-B, column C, that do not qualify as securitization exposures that qualify for the 100 percent risk weight. Such debt securities may include portions of, but may not be limited to:
  - Item 4.a.(3), "Other [residential mortgage] pass-through securities," that represent residential mortgage exposures that qualify for the 100 percent risk weight,
  - Item 4.b.(2), Other residential MBS "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies" (excluding portions subject to an FDIC loss-sharing agreement) that represent residential mortgage exposures that qualify for the 100 percent risk weight,
  - Item 4.b.(3), "All other residential MBS." Include only those MBS that qualify for the 100 percent risk weight. Refer to §.32(g), (h) and (i) of the regulatory capital rules. Note: Do not include MBS portions that are tranched for credit risk; those should be reported as securitization exposures in Schedule RC-R, Part II, item 9.b.
  - Item 4.c.(1)(b), "Other [commercial mortgage] pass-through securities,"

Part II. (cont.)

Item No. Caption and Instructions

2.b (cont.)

- ○ Item 4.c.(2)(b), "All other commercial MBS,"
- ○ Item 5.a, "Asset-backed securities,"
- o Any securities reported as "structured financial products" in Schedule RC-B, item 5.b, that are not securitization exposures and qualify for the 100 percent risk weight. Note: Many of the structured financial products would be considered securitization exposures and must be reported in Schedule RC-R, Part II, item 9.b, for purposes of calculating risk-weighted assets.
- o The portion of any exposure reported in Schedule RC, item 2.b, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.
- o All other AFS debt securities that do not qualify as securitization exposures reported in Schedule RC, item 2.b, that are not included in columns C through H, J through N, or R.

Also include in *column I–100% risk weight* the exposure amounts of publicly traded equity exposures with readily determinable fair values and equity exposures to investment funds with readily determinable fair values (including mutual funds) reported in Schedule RC, item 2.b (for a bank that has not adopted ASU 2016-01) or item 2.c (for a bank that has adopted ASU 2016-01), to the extent that the aggregate carrying value of the bank's equity exposures does not exceed 10 percent of total capital. If the bank's aggregate carrying value of equity exposures is greater than 10 percent of total capital, the bank must report the exposure amount of its equity exposures to investments funds with readily determinable fair values (including mutual funds) in column R (and the risk-weighted asset amount of such equity exposures in column S) and the exposure amount of its other equity exposures with readily determinable fair values in either columns L or N, as appropriate.

~~In addition, for non-advanced approaches institutions, include in *column I–100% risk weight* the portion of Schedule RC, item 2.b (for a bank that has not adopted ASU 2016-01) or item 2.c (for a bank that has adopted ASU 2016-01), that represents the adjusted carrying value of exposures that are significant investments in the common stock of unconsolidated financial institutions that are not deducted from capital. For further information on the treatment of equity exposures, refer to §.51 to §.53 of the regulatory capital rules.~~

- *In column J–150% risk weight*, include the exposure amounts of securities reported in Schedule RC-B, column C, that are past due 90 days or more or in nonaccrual status (except sovereign exposures), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

- *In column K–250% risk weight*, for advanced approaches institutions only, include the portion that does not qualify as a securitization exposure of Schedule RC, item 2.b (for a bank that has not adopted ASU 2016-01) or item 2.c (for a bank that has adopted ASU 2016-01), that represents the adjusted carrying value of exposures that are significant investments in the common stock of unconsolidated financial institutions that are not deducted from capital. For further information on the treatment of equity exposures, refer to §.51 to §.53 of the regulatory capital rules. ~~This risk weight takes effect only for advanced approaches institutions in 2018, and therefore this item is blocked from being completed until that time. Before 2018, all institutions report such significant investments in the 100 percent risk-weight category.~~

Part II. (cont.)

Item No. Caption and Instructions

2.b (cont.)

- *In column L–300% risk weight*,
  - For a bank that has not adopted ASU 2016-01, for publicly traded AFS equity securities with readily determinable fair values reported in Schedule RC-B, item 7 (except equity securities to investment firms), include the fair value of these equity securities (as reported in Schedule RC-B, item 7, column D) if they have a net unrealized loss. If these equity securities have a net unrealized gain, include their adjusted carrying value (as reported in Schedule RC-B, item 7, column C) plus the portion of the unrealized gain (up to 45 percent) included in tier 2 capital (as reported in Schedule RC-R, Part I, item ~~31~~43).
  - For a bank that has adopted ASU 2016-01, for publicly traded equity securities with readily determinable fair values reported in Schedule RC, item 2.c (except equity securities to investment firms), include the fair value of these equity securities as reported in Schedule RC, item 2.c.

- *In column N–600% risk weight*,
  - For a bank that has not adopted ASU 2016-01, for AFS equity securities to investment firms with readily determinable fair values reported in Schedule RC-B, item 7, include the fair value of these equity securities (as reported in Schedule RC-B, item 7, column D) if they have a net unrealized loss. If these equity securities have a net unrealized gain, include their adjusted carrying value (as reported in Schedule RC-B, item 7, column C) plus the portion of the unrealized gain (up to 45 percent) included in tier 2 capital (as reported in Schedule RC-R, Part I, item ~~31~~43).
  - For a bank that has adopted ASU 2016-01, for equity securities to investment firms with readily determinable fair values reported in Schedule RC, item 2.c, include the fair value of these equity securities as reported in Schedule RC, item 2.c.

- *In columns R and S—Application of Other Risk-Weighting Approaches*, include the bank's equity exposures to investment funds with readily determinable fair values (including mutual funds) reported in Schedule RC, item 2.b (for a bank that has not adopted ASU 2016-01) or item 2.c (for a bank that has adopted ASU 2016-01), if the aggregate carrying value of the bank's equity exposures is greater than 10 percent of total capital. Report in column R the exposure amount of these equity exposures to investment funds. Report in column S the risk-weighted asset amount of these equity exposures to investment funds as measured under the full look-through approach, the simple modified look-through approach, or the alternative modified look-through approach described in §.53 of the regulatory capital rules. All three of these approaches require a minimum risk weight of 20 percent. For further information, refer to the discussion of "Treatment of Equity Exposures" in the General Instructions for Schedule RC-R, Part II.

- Available-for-sale debt securities and equity securities with readily determinable fair values not held for trading that must be risk weighted according to the Country Risk Classification (CRC) methodology
  - *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk-weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include the exposure amounts of those securities reported in Schedule RC, item 2.b (for a bank that has not adopted ASU 2016-01) or items 2.b and 2.c (for a bank that has adopted ASU 2016-01), that are directly and unconditionally guaranteed by foreign central governments or are exposures to

Part II. (cont.)

Item No. **Caption and Instructions**

2.b (cont.)

foreign banks that do <u>not</u> qualify as securitization exposures. Such securities may include portions of, but may not be limited to:

- o Schedule RC-B, item 4.a.(3), "Other [residential mortgage] pass-through securities,"
- o Schedule RC-B, item 4.b.(3), "All other residential MBS,"
- o Schedule RC-B, item 4.c.(1)(b), "Other [commercial mortgage] pass-through securities,"
- o Schedule RC-B, item 4.c.(2)(b), "All other commercial MBS,"
- o Schedule RC-B, item 5.a, "Asset-backed securities,"
- o Any securities reported as "structured financial products" in Schedule RC-B, item 5.b, that are <u>not</u> securitization exposures. Note: Many structured financial products would be considered securitization exposures and must be reported in Schedule RC-R, Part II, item 9.b, for purposes of calculating risk-weighted assets,
- o Schedule RC-B, item 6.b, "Other foreign debt securities," and
- o Schedule RC-B, item 7, "Investments in mutual funds and other equity securities with readily determinable fair values" (for a bank that has not adopted ASU 2016-01) or Schedule RC, item 2.c, "Equity securities with readily determinable fair values not held for trading" (for a bank that has adopted ASU 2016-01).

3 **<u>Federal funds sold and securities purchased under agreements to resell:</u>**

3.a **<u>Federal funds sold (in domestic offices).</u>** Report in column A the amount of federal funds sold reported in Schedule RC, item 3.a, <u>excluding</u> those federal funds sold that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. The amount of those federal funds sold reported in Schedule RC, items 3.a, that qualify as securitization exposures are to be reported in Schedule RC-R, Part II, item 9.d, column A.

- *In column C–0% risk weight,* include the portion of Schedule RC, item 3.a, that is directly and unconditionally guaranteed by U.S. Government agencies. Also include the portion of any exposure reported in Schedule RC, item 3.a, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight.

- *In column G–20% risk weight*, include exposures to U.S. depository institution counterparties. Also include the portion of any exposure reported in Schedule RC, item 3.a, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.

- *In column H – 50% risk weight*, include any exposure reported in Schedule RC, item 3.a, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight*, include exposures to non-depository institution counterparties that lack qualifying collateral (refer to the regulatory capital rules for specific criteria). Also include the amount of federal funds sold reported in Schedule RC, item 3.a, that are not included in columns C through H and J. Also include the portion of any exposure reported in Schedule RC, item 3.a, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

Part II. (cont.)

Item No.	Caption and Instructions
3.a (cont.)	• Federal funds sold that must be risk weighted according to the Country Risk Classification (CRC) methodology o *In column C–0% risk weight; column G–20% risk weight; column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk-weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include: o The portion of Schedule RC, item 3.a, that is directly and unconditionally guaranteed by foreign central governments and exposures to foreign banks.
3.b	**Securities purchased under agreements to resell.** Report in columns A and B the amount of securities purchased under agreements to resell (securities resale agreements, i.e., reverse repos) reported in Schedule RC, item 3.b, excluding those securities resale agreements that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. The amount of those securities resale agreements reported in Schedule RC, item 3.b, that qualify as securitization exposures are to be reported in Schedule RC-R, Part II, item 9.d, column A. • Note: For purposes of risk weighting, please distribute on-balance sheet securities purchased under agreements to resell reported in Schedule RC, item 3.b, within the risk-weight categories in Schedule RC-R, Part II, item 16, “Repo-style transactions.” Banks should report their securities purchased under agreements to resell in item 16 in order for institutions to calculate their exposure, and thus risk-weighted assets, based on master netting set agreements covering repo-style transactions.
4	**Loans and leases held for sale.** Report in column A of the appropriate subitem the carrying value of loans and leases held for sale (HFS) reported in Schedule RC, item 4.a, excluding those HFS loans and leases that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. The carrying value of those HFS loans and leases reported in Schedule RC, item 4.a, that qualify as securitization exposures must be reported in Schedule RC-R, Part II, item 9.d, column A. The sum of the amounts reported in column A for items 4.a through 4.d of Schedule RC-R, Part II, plus the carrying value of HFS loans and leases that qualify as securitization exposures and are reported in column A of item 9.d of Schedule RC-R, Part II, must equal Schedule RC, item 4.a.

Part II. (cont.)

Item No. **Caption and Instructions**

4.a **Residential mortgage exposures.** Report in column A the carrying value of loans held for sale (HFS) reported in Schedule RC, item 4.a, that meet the definition of a *residential mortgage exposure* or a *statutory multifamily mortgage*[11b] in §.2 of the regulatory capital rules. Include in column A the carrying value of:

- HFS loans secured by first or subsequent liens on 1-4 family residential properties (excluding those that qualify as securitization exposures) that are reported in Schedule RC-C, Part I, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b), and
- HFS loans secured by first or subsequent liens on multifamily residential properties with an original and outstanding amount of $1 million or less (excluding those that qualify as securitization exposures) that are reported in Schedule RC-C, Part I, item 1.d,

as these HFS loans would meet the regulatory capital rules' definition of *residential mortgage exposure*.

[11b] Statutory multifamily mortgage means a loan secured by a multifamily residential property that meets the requirements under Section 618(b)(1) of the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991, and that meets the following criteria:

(1) The loan is made in accordance with prudent underwriting standards;
(2) The principal amount of the loan at origination does not exceed 80 percent of the value of the property (or 75 percent of the value of the property if the loan is based on an interest rate that changes over the term of the loan) where the value of the property is the lower of the acquisition cost of the property or the appraised (or, if appropriate, evaluated) value of the property;
(3) All principal and interest payments on the loan must have been made on a timely basis in accordance with the terms of the loan for at least one year prior to applying a 50 percent risk weight to the loan, or in the case where an existing owner is refinancing a loan on the property, all principal and interest payments on the loan being refinanced must have been made on a timely basis in accordance with the terms of the loan for at least one year prior to applying a 50 percent risk weight to the loan;
(4) Amortization of principal and interest on the loan must occur over a period of not more than 30 years and the minimum original maturity for repayment of principal must not be less than 7 years;
(5) Annual net operating income (before making any payment on the loan) generated by the property securing the loan during its most recent fiscal year must not be less than 120 percent of the loan's current annual debt service (or 115 percent of current annual debt service if the loan is based on an interest rate that changes over the term of the loan) or, in the case of a cooperative or other not-for-profit housing project, the property must generate sufficient cash flow to provide comparable protection to the institution; and
(6) The loan is not more than 90 days past due, or on nonaccrual.

A loan that meets the requirements of Section 618(b)(1) of the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 is a loan:

(i) secured by a first lien on a residence consisting of more than 4 dwelling units;
(ii) under which
  (I) the rate of interest does not change over the term of the loan, (b) the principal obligation does not exceed 80 percent of the appraised value of the property, and (c) the ratio of annual net operating income generated by the property (before payment of any debt service on the loan) to annual debt service on the loan is not less than 120 percent; or
  (II) the rate of interest changes over the term of the loan, (b) the principal obligation does not exceed 75 percent of the appraised value of the property, and (c) the ratio of annual net operating income generated by the property (before payment of any debt service on the loan) to annual debt service on the loan is not less than 115 percent;
(iii) under which
  (I) amortization of principal and interest occurs over a period of not more than 30 years;
  (II) the minimum maturity for repayment of principal is not less than 7 years; and
  (III) timely payment of all principal and interest, in accordance with the terms of the loan, occurs for a period of not less than 1 year; and
(iv) that meets any other underwriting characteristics that the appropriate Federal banking agency may establish, consistent with the purposes of the minimum acceptable capital requirements to maintain the safety and soundness of financial institutions.

Part II. (cont.)

Item No. Caption and Instructions

4.a (cont.)

Exclude from this item:

- HFS loans secured by multifamily residential properties included in Schedule RC-C, Part I, item 1.d, that do not meet the definition of a *residential mortgage exposure* or a *statutory multifamily mortgage* and are not securitization exposures, and
- HFS 1-4 family residential construction loans reported in Schedule RC-C, Part I, item 1.a.(1), that are not securitization exposures.

These HFS loans should be reported in Schedule RC-R, Part II, item 4.c, if they are past due 90 days or more or on nonaccrual. Otherwise, these HFS loans should be reported in Schedule RC-R, Part II, item 4.d.

- *In column C–0% risk weight*, include the portion of any exposure that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.a, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include loans collateralized by deposits at the reporting institution.

- *In column G–20% risk weight*, include the carrying value of the guaranteed portion of HFS Federal Housing Administration (FHA) and Veterans Administration (VA) mortgage loans included in Schedule RC-C, Part I, item 1.c.(2)(a). Also include the portion of any exposure that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.a, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of such an exposure covered by an FDIC loss-sharing agreement.

- *In column H–50% risk weight*, include the carrying value of HFS loans secured by 1-4 family residential properties included in Schedule RC-C, Part I, item 1.c.(1) (only include qualifying first mortgage loans); qualifying loans from Schedule RC-C, Part I, items 1.c.(2)(a) and 1.d; and those loans that meet the definition of a *residential mortgage exposure* and qualify for 50 percent risk weight under §.32(g) of the regulatory capital rules. For residential mortgage exposures, the loans must be prudently underwritten, be fully secured by first liens on 1-4 family residential properties (regardless of the original and outstanding amount of the loan) or multifamily residential properties (with an original and outstanding amount of $1 million or less), not 90 days or more past due or in nonaccrual status, and have not been restructured or modified (unless modified or restructured solely pursuant to the U.S. Treasury's Home Affordable Mortgage Program (HAMP)). Also include loans that meet the definition of *statutory multifamily mortgage* in §.2 of the regulatory capital rules. Also include the portion of any exposure that meets the definition of *residential mortgage exposure* reported in Schedule RC, item 4.a, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

  Notes:
  1. Refer to the definition of "residential mortgage exposure" in §.2 *of the regulatory capital rules, and refer to the requirements for risk weighting residential mortgage loans in* §.32 *of the regulatory capital rules.*
  2. A residential mortgage loan may receive a 50 percent risk weight if it meets the qualifying criteria in §.32(g) of the regulatory capital rules:
  - o *A property is owner-occupied or rented;*
  - o *The loan is prudently underwritten including the loan amount as a percentage of the appraised value of the real estate collateral.*
  - o *The loan is not 90 days or more past due or on nonaccrual;*

Part II. (cont.)

Item No. Caption and Instructions

4.a (cont.)

- ○ *The loan is not restructured or modified (except for loans restructured solely pursuant to the U.S. Treasury's HAMP).*
- o *If the bank holds the first lien and junior lien(s) on a residential mortgage exposure, and no other party holds an intervening lien, the bank must combine the exposures and treat them as a single first-lien residential mortgage exposure.*

Part II. (cont.)

Item No. Caption and Instructions

4.a (cont.)

3. A first lien home equity line (HELOC) may qualify for 50 percent risk weight if it meets the qualifying criteria in §.32(g) listed above.
4. A residential mortgage loan of $1 million or less on a property of more than 4 units may qualify for 50 percent risk weight if it meets the qualifying criteria in §.32(g) listed above.

- *In column I–100% risk weight*, include the carrying value of HFS loans that are *residential mortgage exposures* reported in Schedule RC, item 4.a, that are not included in columns C, G, H, or R. Include HFS loans that are junior lien *residential mortgage exposures* if the bank does not hold the first lien on the property, except the portion of any junior lien *residential mortgage exposure* that is secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight. Include HFS loans that are *residential mortgage exposures* that have been restructured or modified, except:
  - o Those loans restructured or modified solely pursuant to the U.S. Treasury's HAMP, and
  - o The portion of any restructured or modified *residential mortgage exposure* that is secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any HFS exposure reported in Schedule RC, item 4.a, that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* and is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.
  - o Include in column R the carrying value of the portion of an HFS exposure that is secured by the fair value of securitization exposure or mutual fund collateral that meets the general requirements of the Simple Approach in §.37. In addition, the bank must apply the same approach to securitization exposure collateral – either the Simplified Supervisory Formula Approach or the Gross-Up Approach – that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule RC-R, Part II, items 9 and 10.
  - o Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the HFS exposure secured by such collateral. Any remaining portion of the HFS exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through I, as appropriate.

  For further information, see the discussions of "Treatment of Collateral and Guarantees" and "Risk-Weighted Assets for Securitization Exposures" in the General Instructions for Schedule RC-R, Part II.

Part II. (cont.)

Item No. **Caption and Instructions**

4.b **High volatility commercial real estate exposures.** Report in column A the carrying value of loans held for sale (HFS) reported in Schedule RC, item 4.a, that are high volatility commercial real estate (HVCRE) exposures,[12] including HVCRE exposures that are 90 days or more past due or in nonaccrual status.

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[12] High volatility commercial real estate (HVCRE) exposure means ~~a~~:(1) A credit facility secured by land or improved real property that, prior to ~~conversion~~being reclassified by the institution as a non-HVCRE exposure pursuant to ~~permanent financing,~~paragraph (6) of this definition —

(i) Primarily finances ~~or~~, has financed, or refinances the acquisition, development, or construction ~~(ADC)~~ of real property~~, unless~~;

(ii) Has the purpose of providing financing to acquire, develop, or improve such real property into income-producing real property; and

(iii) Is dependent upon future income or sales proceeds from, or refinancing of, such real property for the repayment of such credit facility ~~finances~~; provided that:

~~(1)~~ (2) An HVCRE exposure does not include a credit facility financing—

(i) The acquisition, development, or construction of properties that are—

(A) One- to four-family residential properties;

(~~2)~~ B) Real property that~~:~~

~~(i)~~ would qualify as an investment in community development ~~under 12 U.S.C. 338a or 12 U.S.C. 24 (Eleventh), as applicable, or as a "qualified investment" under [12 CFR part 25 (national bank), 12 CFR part 195 (federal savings association) (OCC); 12 CFR part 228 (Board); 12 CFR part 345 (FDIC)], and~~; or

~~(ii) is not an ADC loan to any entity described in [12 CFR part 25.12(g)(3) (national banks) and 12 CFR 195.12(g)(3) (federal savings associations) (OCC); 12 CFR 208.22(a)(3) or 228.12(g)(3) (Board); 12 CFR 345.12(g)(3) (FDIC)], unless it is otherwise described in paragraph (1), (2)(i), (3) or (4) of this definition;~~

~~(3) The purchase or development of agricultural land, which includes all land known to be used or usable for agricultural purposes (such as crop and livestock production), provided that the valuation of the agricultural land is based on its value for agricultural purposes and the valuation does not take into consideration any potential use of the land for non-agricultural commercial development or residential development; or~~

~~(4)~~ (C) Agricultural land;

(ii) The acquisition or refinance of existing income-producing real property secured by a mortgage on such property, if the cash flow being generated by the real property is sufficient to support the debt service and expenses of the real property, in accordance with the institution's applicable loan underwriting criteria for permanent financings;

(iii) Improvements to existing income-producing improved real property secured by a mortgage on such property, if the cash flow being generated by the real property is sufficient to support the debt service and expenses of the real property, in accordance with the institution's applicable loan underwriting criteria for permanent financings; or

(iv) Commercial real ~~estate~~property projects in which~~:~~—

~~(i)~~ ~~the~~(A) The loan-to-value ratio is less than or equal to the applicable maximum supervisory loan-to-value ratio ~~in the real estate lending standards at [12 CFR part 34, subpart D (national banks) and 12 CFR part 160, subparts A and B (federal savings associations) (OCC); 12 CFR part 208, appendix C (Board); 12 CFR part 365, subpart A (state nonmember banks) and 12 CFR 390.264 and 390.265 (state savings associations) (FDIC)];~~as determined by the institution's primary federal regulator;

~~(ii)~~ (B) The borrower has contributed capital ~~to the project in the form of cash or unencumbered readily marketable assets (or has paid development expenses out-of-pocket)~~ of at least 15 percent of the real ~~estate's~~property's appraised ~~"~~, 'as ~~completed"~~completed' value to the project in the form of—

(1) Cash;

(2) Unencumbered readily marketable assets;

(3) Paid development expenses out-of-pocket; or

(4) Contributed real property or improvements; and

~~(iii)~~ (C) The borrower contributed the minimum amount of capital ~~required by~~ described under paragraph (~~4)(ii~~2)(iv)(B) of this definition before the ~~bank~~institution advances funds (other than the advance of a nominal sum made in order to secure the institution's lien against the real property) under the credit facility, and ~~the~~ such minimum amount of capital contributed by the borrower~~, or internally generated by the project,~~ is contractually required to remain in the project ~~throughout the life of~~until the ~~project. The life of a project concludes only when the~~HVCRE exposure has been reclassified by the institution as a non-HVCRE exposure under paragraph (6) of this definition;

(3) An HVCRE exposure does not include any loan made prior to January 1, 2015;

(4) An HVCRE exposure does not include a credit facility ~~is converted to permanent financing or is sold or paid in full. Permanent financing may be provided by the bank that provided~~reclassified as a non-HVCRE exposure under paragraph (6).

- *In column C–0% risk weight,* include the portion of any HVCRE exposure included in loans and leases HFS that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of HVCRE exposures collateralized by deposits at the reporting institution.

- *In column G–20% risk weight,* include the portion of any HVCRE exposure included in loans and leases HFS that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of any HVCRE exposure covered by an FDIC loss-sharing agreement.

- *In column H–50% risk weight,* include the portion of any HVCRE exposure included in loans and leases HFS that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight,* include the portion of any HVCRE exposure included in loans and leases HFS that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- *In column J–150% risk weight,* include the carrying value of HVCRE exposures, as defined in §.2 of the regulatory capital rules, included in Schedule RC, item 4.a, excluding those portions of the carrying value that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

(5) Value of contributed real property.—For the purposes of this definition of HVCRE exposure, the ~~ADC~~value of any real property contributed by a borrower as a capital contribution is the appraised value of the property as determined under standards prescribed pursuant to section 1110 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 3339), in connection with the extension of the credit facility ~~as long as the permanent financing is subject to the bank's~~or loan to such borrower.
(6) Reclassification as a non-HVCRE exposure.—For purposes of this definition of HVCRE exposure and with respect to a credit facility and an institution, an institution may reclassify an HVCRE exposure as a non-HVCRE exposure upon—
(i) The substantial completion of the development or construction of the real property being financed by the credit facility; and
(ii) Cash flow being generated by the real property being sufficient to support the debt service and expenses of the real property, in accordance with the institution's applicable loan underwriting criteria for ~~long-term mortgage loans.~~permanent financings.

Part II. (cont.)

Item No. Caption and Instructions

4.b (cont.)

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any HVCRE exposure included in loans and leases HFS reported in Schedule RC, item 4.a, that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.
  - o Include in column R the carrying value of the portion of an HFS HVCRE exposure that is secured by the fair value of securitization exposure or mutual fund collateral that meets the general requirements of the Simple Approach in §.37. In addition, the bank must apply the same approach to securitization exposure collateral – either the Simplified Supervisory Formula Approach or the Gross-Up Approach – that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule RC-R, Part II, items 9 and 10.
  - o Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the HFS exposure that is secured by such collateral. Any remaining portion of the HFS exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J, as appropriate.

  For further information, see the discussions of "Treatment of Collateral and Guarantees" and "Risk-Weighted Assets for Securitization Exposures" in the General Instructions for Schedule RC-R, Part II.

4.c **Exposures past due 90 days or more or on nonaccrual.** Report in column A the carrying value of loans and leases held for sale (HFS) reported in Schedule RC, item 4.a., that are 90 days or more past due or in nonaccrual status according to the requirements set forth in §.32(k) of the regulatory capital rules. Do not include HFS sovereign exposures or HFS residential mortgage exposures, as described in §.32(a) and §.32(g), respectively, that are 90 days or more past due or in nonaccrual status (report such past due and nonaccrual exposures in Schedule RC-R, Part II, item 4.d and item 4.a, respectively). Also do not include HFS high volatility commercial real estate exposures that are 90 days or more past due or in nonaccrual status (report such exposures in Schedule RC-R, Part II, item 4.b).

- *In column C–0% risk weight,* include the portion of loans and leases HFS included in Schedule RC, item 4.a, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of loans and leases HFS collateralized by deposits at the reporting institution.

- *In column G–20% risk weight,* include the portion of loans and leases HFS included in Schedule RC, item 4.a, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of HFS loans covered by an FDIC loss-sharing agreement.

- *In column H–50% risk weight,* include the portion of loans and leases HFS included in Schedule RC, item 4.a, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

Part II. (cont.)

Item No. Caption and Instructions

4.c (cont.)

- *In column I–100% risk weight,,* include the portion of loans and leases HFS included in Schedule RC, item 4.a, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- *In column J–150% risk weight,* include the carrying value of loans and leases HFS included in Schedule RC, item 4.a, that are 90 days or more past due or in nonaccrual status (except as noted above), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any loans and leases HFS included in Schedule RC, item 4.a, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.
  - Include in column R the carrying value of the portion of an HFS loan or lease that is 90 days or more past due or in nonaccrual status that is secured by the fair value of securitization exposure or mutual fund collateral that meets the general requirements of the Simple Approach in §.37. In addition, the bank must apply the same approach to securitization exposure collateral – either the Simplified Supervisory Formula Approach or the Gross-Up Approach – that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule RC-R, Part II, items 9 and 10.
  - Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the HFS exposure that is secured by such collateral. Any remaining portion of the HFS exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J, as appropriate.

  For further information, see the discussions of "Treatment of Collateral and Guarantees" and "Risk-Weighted Assets for Securitization Exposures" in the General Instructions for Schedule RC-R, Part II.

4.d **All other exposures.** Report in column A the carrying value of loans and leases held for sale (HFS) reported in Schedule RC, item 4.a, that are not reported in Schedule RC-R, Part II, items 4.a through 4.c above.

- *In column C–0% risk weight,* include the carrying value of the unconditionally guaranteed portion of HFS Small Business Administration (SBA) "Guaranteed Interest Certificates" purchased in the secondary market that are included in Schedule RC-C, Part I. Also include the portion of any loans and leases HFS that that are not reported in Schedule RC-R, Part II, items 4.a through 4.c above, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of loans and leases HFS collateralized by deposits at the reporting institution.

Part II. (cont.)

Item No.	Caption and Instructions
4.d (cont.)	• *In column G–20% risk weight*, include the carrying value of HFS loans to and acceptances of other U.S. depository institutions that are reported in Schedule RC-C, Part I, item 2, plus the carrying value of the guaranteed portion of HFS SBA loans originated and held by the reporting bank included in Schedule RC-C, Part I, and the carrying value of the portion of HFS student loans reinsured by the U.S. Department of Education included in Schedule RC-C, Part I, item 6.d, "Other consumer loans." Also include the portion of any loans and leases HFS that that are not reported in Schedule RC-R, Part II, items 4.a through 4.c above, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of loans and leases HFS covered by FDIC loss-sharing agreements.

- *In column H–50% risk weight,* include the carrying value of HFS loans that meet the definition of *presold construction loan* in §.2 of the regulatory capital rules that qualify for the 50 percent risk weight. Also include the portion of any loans and leases HFS that that are not reported in Schedule RC-R, Part II, items 4.a through 4.c above, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight*, include the carrying value of HFS loans and leases reported in Schedule RC, item 4.a, that are not included in columns C through H, J, or R. This item would include 1-4 family construction loans reported in Schedule RC-C, Part I, item 1.a.(1) and loans secured by multifamily residential properties reported in Schedule RC-C, Part I, item 1.d, with an original amount of more than $1 million. Also include the carrying value of HFS loans that meet the definition of *presold construction loan* in §.2 of the regulatory capital rules that qualify for the 100 percent risk weight. Also include the portion of any loans and leases HFS that that are not reported in Schedule RC-R, Part II, items 4.a through 4.c above, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any HFS loans and leases, including HFS eligible margin loans, reported in Schedule RC, item 4.a, that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach, or the collateral margin approach for eligible margin loans, outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.
    - Include in column R the carrying value of the portion of such an HFS loan or lease that is secured by the fair value or adjusted fair value of securitization exposure or mutual fund collateral as determined under the Simple Approach or the Collateral Haircut Approach, respectively; however, the bank must apply the same approach for all eligible margin loans. In addition, if the bank applies the Simple Approach, it must apply the same approach to securitization exposure collateral – either the Simplified Supervisory Formula Approach or the Gross-Up Approach – that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule RC-R, Part II, items 9 and 10.
    - Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the HFS exposure that is secured by such collateral. Any remaining portion of the HFS exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J, as appropriate.

  For further information, see the discussions of “Treatment of Collateral and Guarantees” and “Risk-Weighted Assets for Securitization Exposures” in the General Instructions for Schedule RC-R, Part II.

Part II. (cont.)

Item No. Caption and Instructions

4.d (cont.)

- All other HFS loans and leases that must be risk weighted according to the Country Risk Classification (CRC) methodology
  - o *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk-weight categories based on the CRC methodology described above in the General Instructions for Part II:*
  - o The carrying value of other loans and leases held for sale reported in Schedule RC, item 4.a, that are not reported in Schedule RC-R, Part II, items 4.a through 4.c above.

5 **Loans and leases held for investment.** Report in column A of the appropriate subitem the carrying value of loans and leases held for investment (HFI) reported in Schedule RC, item 4.b, excluding those loans and leases HFI that qualify as securitization exposures as defined in §.2 of the regulatory capital rules.

The carrying value of those loans and leases HFI that qualify as securitization exposures must be reported in Schedule RC-R, Part II, item 9.d, column A.

The sum of the amounts reported in column A for items 5.a through 5.d of Schedule RC-R, Part II, plus the carrying value of loans and leases HFI that qualify as securitization exposures and are reported in column A of item 9.d of Schedule RC-R, Part II, must equal Schedule RC, item 4.b.

5.a **Residential mortgage exposures.** Report in column A the carrying value of loans HFI reported in Schedule RC, item 4.b, that meet the definition of a *residential mortgage exposure* or a *statutory multifamily mortgage*[12a] in §.2 of the regulatory capital rules. Include in column A the carrying value of:

- Loans HFI secured by first or subsequent liens on 1-4 family residential properties (excluding those that qualify as securitization exposures) that are reported in Schedule RC-C, Part I, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b), and
- Loans HFI secured by first or subsequent liens on multifamily residential properties with an original and outstanding amount of $1 million or less (excluding those that qualify as securitization exposures) that are reported in Schedule RC-C, Part I, item 1.d,

as these loans would meet the regulatory capital rules' definition of *residential mortgage exposure*.

Exclude from this item:

- Loans HFI secured by multifamily residential properties included in Schedule RC-C, Part I, item 1.d, that do not meet the definition of a *residential mortgage exposure* or a *statutory multifamily mortgage* and are not securitization exposures, and
- 1-4 family residential construction loans HFI reported in Schedule RC-C, Part I, item 1.a.(1), that are not securitization exposures,

These loans should be reported in Schedule RC-R, Part II, item 5.c, if they are past due 90 days or more or on nonaccrual. Otherwise, these HFI loans should be reported in Schedule RC-R, Part II, item 5.d.

- *In column B*, an institution that has adopted the current expected credit losses methodology (CECL) should include as a positive number the portion of Schedule RC-R, Part II, Memorandum item 4.a, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for loans and leases held for investment that are applicable to purchased credit-deteriorated residential mortgage exposures.

[12a] See the instructions for Schedule RC-R, Part II, item 4.a, above for the definition of statutory multifamily mortgage.

Part II. (cont.)

Item No. Caption and Instructions

5.a (cont.)

- *In column C–0% risk weight*, include the portion of any HFI exposure that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.b, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include loans HFI collateralized by deposits at the reporting institution.

- *In column G–20% risk weight*, include the carrying value of the guaranteed portion of FHA and VA mortgage loans HFI included in Schedule RC-C, Part I, item 1.c.(2)(a). Also include the portion of any loan HFI which meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.b, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of loans HFI covered by an FDIC loss-sharing agreement.

- *In column H–50% risk weight*, include the carrying value of loans HFI secured by 1-4 family residential properties included in Schedule RC-C, Part I, item 1.c.(1) (only include qualifying first mortgage loans); qualifying loans from Schedule RC-C, Part I, items 1.c.(2)(a) and 1.d; and those loans that meet the definition of a *residential mortgage exposure* and qualify for 50 percent risk weight under §.32(g) of the regulatory capital rules. For residential mortgage exposures, the loans must be prudently underwritten, be fully secured by first liens on 1-4 family residential properties (regardless of the original and outstanding amount of the loan) or multifamily residential properties (with an original and outstanding amount of $1 million or less), not 90 days or more past due or in nonaccrual status, and have not been restructured or modified (unless modified or restructured solely pursuant to the U.S. Treasury's Home Affordable Mortgage Program (HAMP)). Also include loans HFI that meet the definition of *statutory multifamily mortgage* in §.2 of the regulatory capital rules. Also include the portion of any loan HFI which meets the definition of *residential mortgage exposure* reported in Schedule RC, item 4.b, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

  Notes:
  1. Refer to the definition of "residential mortgage exposure" in §.2 of the regulatory capital rules, and refer to the requirements for risk weighting residential mortgage loans in §.32 of the regulatory capital rules.
  2. A residential mortgage loan may receive a 50 percent risk weight if it meets the qualifying criteria in §.32(g) of the regulatory capital rules:
  - *A property is owner-occupied or rented;*
  - *The loan is prudently underwritten including the loan amount as a percentage of the appraised value of the real estate collateral.*
  - *The loan is not 90 days or more past due or on nonaccrual;*
  - *The loan is not restructured or modified (except for loans restructured solely pursuant to the U.S. Treasury's HAMP).*
  - *If the bank holds the first lien and junior lien(s) on a residential mortgage exposure, and no other party holds an intervening lien, the bank must combine the exposures and treat them as a single first-lien residential mortgage exposure.*

  3. A first lien home equity line (HELOC) may qualify for 50 percent risk weight if it meets the qualifying criteria in §.32(g) listed above.
  4. A residential mortgage loan of $1 million or less on a property of more than 4 units may qualify for 50 percent risk weight if it meets the qualifying criteria in §.32(g) listed above.

Part II. (cont.)

Item No. Caption and Instructions

5.a (cont.)

- *In column I–100% risk weight*, include the carrying value of loans HFI related to residential mortgages exposures reported in Schedule RC, item 4.b, that are not included in columns C, G, H, or R. Include loans HFI that are junior lien *residential mortgage exposures* if the bank does not hold the first lien on the property, except the portion of any junior lien *residential mortgage exposure* that is secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight. Also include loans HFI that are *residential mortgage exposures* that have been restructured or modified, except
  - Those loans restructured or modified solely pursuant to the U.S. Treasury's HAMP, and
  - The portion of any restructured or modified *residential mortgage exposure* that is secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any loan HFI reported in Schedule RC, item 4.b, that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* and is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.
  - Include in column R the carrying value of the portion of an HFI loan exposure that is secured by the fair value of securitization exposure or mutual fund collateral that meets the general requirements of the Simple Approach in §.37. In addition, the bank must apply the same approach to securitization exposure collateral – either the Simplified Supervisory Formula Approach or the Gross-Up Approach – that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule RC-R, Part II, items 9 and 10.
  - Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the HFI loan exposure secured by such collateral. Any remaining portion of the HFI loan exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through I, as appropriate.

  For further information, see the discussions of "Treatment of Collateral and Guarantees" and "Risk-Weighted Assets for Securitization Exposures" in the General Instructions for Schedule RC-R, Part II.

5.b **High volatility commercial real estate exposures.** Report in column A the portion of the carrying value of loans HFI reported in Schedule RC, item 4.b, that are high volatility commercial real estate (HVCRE) exposures,[13] including HVCRE exposures that are 90 days or more past due or in nonaccrual status.

- *In column B*, an institution that has adopted the current expected credit losses methodology (CECL) should include as a positive number the portion of Schedule RC-R, Part II, Memorandum item 4.a, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for loans and leases held for investment that are applicable to purchased credit-deteriorated high volatility commercial real estate exposures.

[13] See the instructions for Schedule RC-R, Part II, item 4.b, above for the definition of HVCRE exposure.

Part II. (cont.)

Item No.	Caption and Instructions
5.b (cont.)	• *In column C–0% risk weight,* include the portion of any HVCRE exposure included in loans and leases HFI that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of HVCRE loans HFI collateralized by deposits at the reporting institution. • *In column G–20% risk weight,* include the portion of any HVCRE exposure included in loans and leases HFI which is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of any HVCRE exposure covered by an FDIC loss-sharing agreement. • *In column H–50% risk weight,* include the portion of any HVCRE exposure included in loans and leases HFI which is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight • *In column I–100% risk weight,* include the portion of any HVCRE exposure included in loans and leases HFI which is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight. • *In column J–150% risk weight,* include the carrying value of HFI HVCRE exposures, as defined in §.2 of the regulatory capital rules, included in Schedule RC, item 4.b, excluding those portions of the carrying value that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules. • *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any HVCRE exposure included in loans and leases HFI reported in Schedule RC, item 4.b, that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent. o Include in column R the carrying value of the portion of an HFI HVCRE exposure that is secured by the fair value of securitization exposure or mutual fund collateral that meets the general requirements of the Simple Approach in §.37. In addition, the bank must apply the same approach to securitization exposure collateral – either the Simplified Supervisory Formula Approach or the Gross-Up Approach – that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule RC-R, Part II, items 9 and 10. o Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the HFI HVCRE exposure that is secured by such collateral. Any remaining portion of the HFI exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J, as appropriate. For further information, see the discussions of “Treatment of Collateral and Guarantees” and “Risk-Weighted Assets for Securitization Exposures” in the General Instructions for Schedule RC-R, Part II.
5.c	**Exposures past due 90 days or more or on nonaccrual.** Report in column A the carrying value of loans and leases HFI reported in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status according to the requirements set forth in §.32(k) of the regulatory capital rules. Do not include sovereign exposures or residential mortgage exposures, as described in §.32(a) and §.32(g), respectively, that are 90 days or more

Part II. (cont.)

Item No. **Caption and Instructions**

5.c (cont.) past due or in nonaccrual status (report such past due and nonaccrual exposures in Schedule RC-R, Part II, items 5.d and 5.a, respectively). Also do not include high volatility commercial real estate exposures that are 90 days or more past due or in nonaccrual status (report such exposures in Schedule RC-R, Part II, item 5.b).

- *In column B*, an institution that has adopted the current expected credit losses methodology (CECL) should include as a positive number the portion of Schedule RC-R, Part II, Memorandum item 4.a, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for loans and leases held for investment that are applicable to purchased credit-deteriorated exposures past due 90 days or more or on nonaccrual.

- *In column C–0% risk weight,* include the portion of loans and leases HFI included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of loans and leases HFI collateralized by deposits at the reporting institution.

- *In column G–20% risk weight,* include the portion of loans and leases HFI included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of loans and leases HFI covered by an FDIC loss-sharing agreement.

- *In column H–50% risk weight,* include the portion of loans and leases HFI included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight,* include the portion of loans and leases HFI included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- *In column J–150% risk weight,* include the carrying value of loans and leases HFI included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any loans and leases HFI included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.
  - Include in column R the carrying value of the portion of a loan or lease HFI that is 90 days or more past due or in nonaccrual status that is secured by the fair value of securitization exposure or mutual fund collateral that meets the general requirements

Part II. (cont.)

Item No. Caption and Instructions

5.c (cont.)

of the Simple Approach in §.37. In addition, the bank must apply the same approach to securitization exposure collateral – either the Simplified Supervisory Formula Approach or the Gross-Up Approach – that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule RC-R, Part II, items 9 and 10.

- o Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the loan or lease HFI that is secured by such collateral. Any remaining portion of the HFI loan or lease exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J, as appropriate.

For further information, see the discussions of "Treatment of Collateral and Guarantees" and "Risk-Weighted Assets for Securitization Exposures" in the General Instructions for Schedule RC-R, Part II.

5.d **All other exposures.** Report in column A the carrying value of loans and leases HFI reported in Schedule RC, item 4.b., that are not reported in items 5.a through 5.c above.

- *In column B*, an institution that has adopted the current expected credit losses methodology (CECL) should include as a positive number the portion of Schedule RC-R, Part II, Memorandum item 4.a, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for loans and leases held for investment that are applicable to all purchased credit-deteriorated exposures not reported in items 5.a through 5.c above.

- *In column C–0% risk weight,* include the carrying value of the unconditionally guaranteed portion of HFI SBA "Guaranteed Interest Certificates" purchased in the secondary market that are included in Schedule RC-C, Part I, net of unearned income. Also include the portion of any loans and leases HFI not reported in Schedule RC-R, Part II, items 5.a through 5.c above, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of loans and leases HFI collateralized by deposits at the reporting institution.

- *In column G–20% risk weight*, include the carrying value of HFI loans to and acceptances of other U.S. depository institutions that are reported in Schedule RC-C, Part I, item 2 (excluding the carrying value of any long-term exposures to non-OECD banks), plus the carrying value of the HFI guaranteed portion of SBA loans originated and held by the reporting bank included in Schedule RC-C, Part I, and the carrying value of the portion of HFI student loans reinsured by the U.S. Department of Education included in Schedule RC-C, Part I, item 6.d, "Other consumer loans." Also include the portion of any loans and leases HFI not reported in Schedule RC-R, Part II, items 5.a through 5.c above, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of loans and leases HFI covered by FDIC loss-sharing agreements.

- *In column H–50% risk weight*, include the carrying value of loans and leases HFI that meet the definition of *presold construction loan* in §.2 of the regulatory capital rules that qualify for the 50 percent risk weight. Also include the portion of any loans and leases HFI not reported in Schedule RC-R, Part II, items 5.a through 5.c above, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight,* include the carrying value of loans and leases HFI reported in Schedule RC, item 4.b, that is not included in columns C through H, J, or R (excluding loans that are assigned a higher than 100 percent risk weight, such as

Part II. (cont.)

Item No.	Caption and Instructions

5.d (cont.)

HVCRE loans and past due loans). This item would include 1-4 family construction loans and leases HFI reported in Schedule RC-C, Part I, item 1.a.(1) and the portion of loans HFI secured by multifamily residential property reported in Schedule RC-C, Part I, item 1.d, with an original amount of more than $1 million. Also include the carrying value of loans HFI that meet the definition of *presold construction loan* in §.2 of the regulatory capital rules that qualify for the 100 percent risk weight. Also include the portion of any loans and leases HFI not reported in Schedule RC-R, Part II, items 5.a through 5.c above, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any loans and leases HFI including eligible margin loans, reported in Schedule RC, item 4.b, that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach, or the collateral margin approach for eligible margin loans, outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.
  - Include in column R the carrying value of the portion of such a loan or lease HFI that is secured by the fair value or adjusted fair value of securitization exposure or mutual fund collateral as determined under the Simple Approach or the Collateral Haircut Approach, respectively; however, the bank must apply the same approach for all eligible margin loans. In addition, if the bank applies the Simple Approach, it must apply the same approach to securitization exposure collateral – either the Simplified Supervisory Formula Approach or the Gross-Up Approach – that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule RC-R, Part II, items 9 and 10.
  - Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the loan or lease HFI that is secured by such collateral. Any remaining portion of the HFI loan or lease exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J, as appropriate.

  For further information, see the discussions of "Treatment of Collateral and Guarantees" and "Risk-Weighted Assets for Securitization Exposures" in the General Instructions for Schedule RC-R, Part II.

- All other loans and leases HFI that must be risk weighted according to the Country Risk Classification (CRC) methodology
  - *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk-weight categories based on the CRC methodology described above in the General Instructions for Part II:*
  - The carrying value of other loans and leases HFI reported in Schedule RC, item 4.b, that are not reported in Schedule RC-R, Part II, items 5.a through 5.c above.

6 **LESS: Allowance for loan and lease losses.** Report in columns A and B the balance of the allowance for loan and lease losses or the allowance for credit losses on loans and leases, as applicable, reported in Schedule RC, item 4.c.

Part II. (cont.)

Item No. Caption and Instructions

7 **Trading assets.** Report in column A the fair value of trading assets reported in Schedule RC, item 5, excluding those trading assets that are securitization exposures, as defined in §.2 of the regulatory capital rules.

The fair value of those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures must be reported in Schedule RC-R, Part II, item 9.c, column A. The sum of Schedule RC-R, Part II, items 7 and 9.c, column A, must equal Schedule RC, item 5.

If the bank is subject to the market risk capital rule, include in column B the fair value of all trading assets that are covered positions as defined in Schedule RC-R, Part II, item 27 (except those trading assets that are both securitization exposures and covered positions, which are excluded from column A of this item 7 and are to be reported instead in Schedule RC-R, Part II, item 9.c, column A). The bank will report its standardized market risk-weighted assets in Schedule RC-R, Part II, item 27.

For banks not subject to the market risk capital rule and for those trading assets reported in column A that are held by banks subject to the market risk capital rule and do not meet the definition of a covered position:

- *In column B*, if the bank completes Schedule RC-D, include the fair value of derivative contracts that are reported as assets in Schedule RC-D, item 11. If the bank does not complete Schedule RC-D, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of derivative contracts that are assets. Exclude from column B those derivative contracts reported in these items that qualify as securitization exposures. For purposes of risk weighting, include the credit equivalent amounts of these derivatives, determined in accordance with the regulatory capital rules, in the risk-weight categories in Schedule RC-R, Part II, items 20 and 21, as appropriate. Do not risk weight these derivatives in this item.

  In column B for non-advanced approaches institutions, include the amount of:
  - ~~o~~ ○ Investments in the capital of unconsolidated financial institutions that are reported in Schedule RC, item 5, and have been deducted from capital in Schedule RC-R, Part I, item 13.a, item 17, item 24, and item 45.

  In column B for advanced approaches institutions, include the amount of:
  - o Non-significant investments in the capital and covered debt instruments of unconsolidated financial institutions that are reported in Schedule RC, item 5, and have been deducted from capital in Schedule RC-R, Part I, item 11, item 24, and item ~~33~~45.
  - o Investments in excluded covered debt instruments that are reported in Schedule RC, item 5, and have been deducted from capital in Schedule RC-R, Part I, item 24 and item 45.
  - o Significant investments in the capital and covered debt instruments of unconsolidated financial institutions not in the form of common stock that are reported in Schedule RC, item 5, and have been deducted from capital in Schedule RC-R, Part I, item 24 and item ~~33~~45.
  - o Significant investments in the capital of unconsolidated financial institutions in the form of common stock reported in Schedule RC, item 5, that are subject to the 10 percent and 15 percent common equity tier 1 capital threshold limitations and have been deducted for risk-based capital purposes in Schedule RC-R, Part I, items 13.b and 16.

Also include in column B the fair value of any unsettled transactions (failed trades) that are reported as trading assets in Schedule RC, item 5. For purposes of risk weighting, unsettled transactions are to be reported in Schedule RC-R, Part II, item 22.

- *In column C–0% risk weight*, if the bank completes Schedule RC-D, include the fair value of those trading assets reported in Schedule RC-D that do <u>not</u> qualify as securitization exposures that qualify for the zero percent risk weight. Such trading assets may include portions of, but may not be limited to:

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Part II. (cont.)

Item No. **Caption and Instructions**

7 (cont.)

- ○ Item 1, "U.S. Treasury securities,"
- ○ The portion of the amount reported in item 2 that represents the fair value of securities issued by U.S. Government agencies, and
- o The portion of the amounts reported in item 4 that represents the fair value of mortgage-backed securities (MBS) guaranteed by GNMA.
- o If the bank does not complete Schedule RC-D, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of the preceding types of securities. Exclude those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures and report them in Schedule RC-R, Part II, item 9.c.
- o Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of trading assets collateralized by deposits at the reporting institution.

- *In column G–20% risk weight*, if the bank completes Schedule RC-D, include the fair value of those trading assets reported in Schedule RC-D that do not qualify as securitization exposures that qualify for the 20 percent risk weight. Such trading assets may include portions of, but may not be limited to:
  - o The portion of the amount reported in item 2 that represents the fair value of securities issued by U.S. Government-sponsored agencies,
  - ○ The portion of the amount reported in item 3 that represents the fair value of general obligations issued by states and political subdivisions in the United States,
  - o The portion of the amount reported in item 4 that represents the fair value of MBS issued by FNMA and FHLMC,
  - o The fair value of those asset-backed securities, structured financial products, and other debt securities reported in item 5, "Other debt securities," that represent exposures to U.S. depository institutions,
  - o The portion of the amount reported in item 6.d, "Other loans," that represents loans to and acceptances of U.S. depository institutions, and
  - o The portion of the amount reported in item 9, "Other trading assets," that represents the fair value of certificates of deposit.
  - o If the bank does not complete Schedule RC-D, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of the preceding types of trading assets. Exclude those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures and report them in Schedule RC-R, Part II, item 9.c.
  - o Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of trading assets covered by FDIC loss-sharing agreements.

- *In column H–50% risk weight*, if the bank completes Schedule RC-D, include the fair value of those trading assets reported in Schedule RC-D that do not qualify as securitization exposures that qualify for the 50 percent risk weight. Such trading assets may include portions of, but may not be limited to:
  - o The portion of the amount reported in item 3 that represents the fair value of revenue obligations issued by states and political subdivisions in the United States, and
  - o The fair value of those MBS reported in item 4, "Mortgage-backed securities."
  - o If the bank does not complete Schedule RC-D, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of the preceding types

Part II. (cont.)

Item No. **Caption and Instructions**

7 (cont.)

of trading assets. Exclude those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures and report them in Schedule RC-R, Part II, item 9.c.

- o Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight*, if the bank completes Schedule RC-D, include the fair value of those trading assets reported in Schedule RC-D that do not qualify as securitization exposures that qualify for the 100 percent risk weight. Such trading assets may include portions of, but may not be limited to:
  - o The fair value of those MBS reported in item 4, "Mortgage-backed securities," and
  - o Item 5, "Other debt securities," that represent exposures to corporate entities and special purpose vehicles (SPVs).
  - o If the bank does not complete Schedule RC-D, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of the preceding types of trading assets. Exclude those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures and report them in Schedule RC-R, Part II, item 9.c.
  - o Also include the fair value of ~~significant investments in the capital of unconsolidated financial institutions in the form of common stock held as trading assets that does not exceed the 10 percent and 15 percent common equity tier 1 capital deduction thresholds and are included in capital, as described in §.22 of the regulatory capital rules.[14] Publicly~~publicly traded and not publicly traded equity exposures and equity exposures to investment funds (including mutual funds) reported in Schedule RC, item 5, to the extent that the aggregate carrying value of the bank's equity exposures does not exceed 10 percent of total capital. If the bank's aggregate carrying value of equity exposures is greater than 10 percent of total capital, the bank must report its trading equity exposures in columns L, M, or N, as appropriate.
  - o Also include the fair value of trading assets reported in Schedule RC, item 5, that is not included in columns C through H, J through N, and R. Exclude those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures and report them in Schedule RC-R, Part II, item 9.c.
  - o Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- *In column J–150% risk weight*, include the exposure amounts of trading assets reported in Schedule RC, item 5, that are past due 90 days or more or in nonaccrual status (except sovereign exposures), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

- *In column K–250% risk weight, for advanced approaches institutions only*, if the bank completes Schedule RC-D, include the fair value of those trading assets reported in Schedule RC-D, item 9, that do not qualify as securitization exposures that represent exposures that are significant investments in the common stock of unconsolidated financial institutions that are not deducted from capital. For further information on the treatment of equity exposures, refer to §.51 to .53 of regulatory capital rules. ~~This risk weight takes effect only for advanced approaches institutions in 2018, and therefore this item is blocked from being completed until that time. Before 2018, all institutions report such significant investments in the 100 percent~~

~~[14] Note: For advanced approaches institutions, this item will become subject to a 250 percent risk weight beginning in 2018. Non-advanced approaches institutions should continue to apply a 100 percent risk weight.~~

Part II. (cont.)

Item No. **Caption and Instructions**

7 (cont.)

~~risk weight category.~~ If the bank does not complete Schedule RC-D, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of the preceding type of trading assets.

- *In column L–300% risk weight*, if the bank completes Schedule RC-D, include the fair value of those trading assets reported in Schedule RC-D, item 9, that do not qualify as securitization exposures that represent publicly traded equity securities with readily determinable fair values. (NOTE: Certain investments in mutual funds reported in Schedule RC-D, item 9, may be risk weighted using the simple risk-weight and look-through approaches as described in §.51 to .53 of the regulatory capital rules.) If the bank does not complete Schedule RC-D, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of the preceding type of trading assets.

- *In column M–400% risk weight*, if the bank completes Schedule RC-D, include the fair value of those trading assets reported in Schedule RC-D, item 9, that do not qualify as securitization exposures that represent equity securities (other than those issued by investment firms) that do not have readily determinable fair values. If the bank does not complete Schedule RC-D, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of the preceding type of trading assets.

- *In column N–600% risk weight*, if the bank completes Schedule RC-D, include the fair value of those trading assets reported in Schedule RC-D, item 9, that do not qualify as securitization exposures that represent equity exposures to investment firms. If the bank does not complete Schedule RC-D, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of the preceding type of trading assets.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any trading assets reported in Schedule RC, item 5, that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.
  - o Include in column R the fair value of the portion of a trading asset that is secured by the fair value of securitization exposure or mutual fund collateral that meets the general requirements of the Simple Approach in §.37. In addition the bank must apply the same approach to securitization exposure collateral – either the Simplified Supervisory Formula Approach or the Gross-up Approach – that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule RC-R, Part II, items 9 and 10.
  - o Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the trading asset secured by such collateral. Any remaining portion of the trading asset that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J.

  For further information, see the discussions of “Treatment of Collateral and Guarantees” and “Risk-Weighted Assets for Securitization Exposures” in the General Instructions for Schedule RC-R, Part II.

Part II. (cont.)

Item No.	**Caption and Instructions**

7 (cont.)

- *In columns R and S—Application of Other Risk-Weighting Approaches*, also include the bank's equity exposures to investment funds (including mutual funds) reported as trading assets in Schedule RC, item 5, if the aggregate carrying value of the bank's equity exposures is greater than 10 percent of total capital. Report in column R the exposure amount of these equity exposures to investment funds. Report in column S the risk-weighted asset amount of these equity exposures to investment funds as measured under the full look-through approach, the simple modified look-through approach, or the alternative modified look-through approach described in §.53 of the regulatory capital rules. All three of these approaches require a minimum risk weight of 20 percent. For further information, refer to the discussion of "Treatment of Equity Exposures" in the General Instructions for Schedule RC-R, Part II.

- Trading assets that must be risk-weighted according to the Country Risk Classification (CRC) methodology
  - *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk-weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include the portions of those exposures reported in Schedule RC-D that are directly and unconditionally guaranteed by foreign central governments or are exposures on foreign banks that do not qualify as securitization exposures. Such exposures may include portions of, but may not be limited to:
  - The fair value of those MBS reported in Schedule RC-D, item 4, "Mortgage-backed securities," and other debt securities reported in Schedule RC-D, Item 5, "Other debt securities," issued by foreign banks and foreign sovereign units.
  - If the bank does not complete Schedule RC-D, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of the preceding types of trading assets. Exclude those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures and report them in Schedule RC-R, Part II, item 9.c.

8 **All other assets.** Report in column A the sum of the amounts reported in Schedule RC, item 6, "Premises and fixed assets"; item 7, "Other real estate owned"; item 8, "Investments in unconsolidated subsidiaries and associated companies"; item 9, "Direct and indirect investments in real estate ventures"; item 10, "Intangible assets"; and item 11, "Other assets," excluding those assets reported in Schedule RC, items 6 through 11, that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. The amount of those assets reported in Schedule RC, items 6 through 11, that qualify as securitization exposures (as well as the amount reported in Schedule RC, item 11, for accrued interest receivable on on-balance sheet securitization exposures, regardless of where the securitization exposures are reported on the balance sheet in Schedule RC) must be reported in Schedule RC-R, Part II, item 9.d, column A.

The sum of item 8, columns B through R (including items 8.a and 8.b, column R), must equal item 8, column A. Amounts reported in Schedule RC-R, Part II, items 8.a and 8.b, column R, should not also be reported in Schedule RC-R, Part II, item 8, column R.

Treatment of Defined Benefit Postretirement Plan Assets – Applicable Only to Banks That Have Made the Accumulated Other Comprehensive Income (AOCI) Opt-Out Election in Schedule RC-R, Part I, item 3.a

If the reporting institution sponsors a single-employer defined benefit postretirement plan, such as a pension plan or health care plan, accounted for in accordance with ASC Topic 715, Compensation-Retirement Benefits (formerly FASB Statement No. 158, "Employers'

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8 (cont.) Accounting for Defined Benefit Pension and Other Postretirement Plans"), the institution should adjust the asset amount reported in column A of this item for any amounts included in Schedule RC, item 26.b, "Accumulated other comprehensive income," affecting assets as a result of the initial and subsequent application of the funded status and measurement date provisions of ASC Topic 715. The adjustment also should take into account subsequent amortization of these amounts from AOCI into earnings. The intent of the adjustment reported in this item (together with the amount reported in Schedule RC-R, Part I, item 9.d) is to reverse the effects on AOCI of applying ASC Topic 715 for regulatory capital purposes. Specifically, assets recognized or derecognized as an adjustment to AOCI as part of the incremental effect of applying ASC Topic 715 should be reported as an adjustment to assets in column B of this item. For example, the derecognition of an asset recorded as an offset to AOCI as part of the initial incremental effect of applying ASC Topic 715 should be reported in this item as a negative amount in column B and as a positive amount in column I. As another example, the portion of a benefit plan surplus asset that is included in Schedule RC, item 26.b, as an increase to AOCI and in column A of this item should be excluded from risk-weighted assets by reporting the amount as a positive number in column B of this item.

- *In column B for all institutions*, include the amount of:
  - Any goodwill reported in Schedule RC-M, item 2.b, without regard to any associated DTLs;
  - Intangible assets (other than goodwill and mortgage servicing assets (MSAs)) reported as a deduction from common equity tier 1 capital in Schedule RC-R, Part I, item 7, without regard to any associated DTLs;
  - Deferred tax assets (DTAs) that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs reported in Schedule RC-R, Part I, item 8~~, as well as the amount of such DTAs that are deducted from additional tier 1 capital in Schedule RC-R, Part I, item 24, or from common equity tier 1 capital in Schedule RC-R, Part I, item 17, during the transition period;~~;
  - The fair value of over-the-counter derivative contracts (as defined in §.2 of the regulatory capital rules) and derivative contracts that are cleared transactions (as described in §.2 of the regulatory capital rules) that are reported as assets in Schedule RC, item 11 (banks should risk weight the credit equivalent amount of these derivative contracts in Schedule RC-R, Part II, item 20 or 21, as appropriate); and
    - Note: The fair value of derivative contracts reported as assets in Schedule RC, item 11, that are neither over-the-counter derivative contracts nor derivative contracts that are cleared transactions under §.2 of the regulatory capital rules should not be reported in column B. Such derivative contracts include written option contracts, including so-called "derivative loan commitments," i.e., a lender's commitment to originate a mortgage loan that will be held for resale. The fair value of such derivative contracts should be reported in the appropriate risk-weight category in this item 8.
  - ~~Non-significant investments in the capital of unconsolidated financial institutions that are reported in Schedule RC, item 8 or item 11, and have been deducted from capital in Schedule RC-R, Part I, item 11, item 24, and item 33.~~
  - ~~Significant investments in the capital of unconsolidated financial institutions not in the form of common stock that are reported in Schedule RC, item 8 or item 11, and have been deducted from capital in Schedule RC-R, Part I, item 24 and item 33.~~
  - ~~Items subject to the 10 percent and 15 percent common equity tier 1 capital threshold limitations that have been deducted for risk-based capital purposes in Schedule RC-R, Part I, items 13 through 16.~~
  - ~~These excess amounts pertain to three items:~~
    - ~~Significant investments in the capital of unconsolidated financial institutions in the form of common stock;~~

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- ~~MSAs; and~~
- ~~DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances; and~~
- Unsettled transactions (failed trades) that are reported as "Other assets" in Schedule RC, item 11. For purposes of risk weighting, unsettled transactions are to be reported in Schedule RC-R, Part II, item 22.

- *In column B for non-advanced approaches institutions*, also include the amount of:
  - Investments in the capital of unconsolidated financial institutions that are reported in Schedule RC, item 8 or item 11, and have been deducted from capital in Schedule RC-R, Part I, item 13.a, item 24, and item 45; and
  - Items subject to the 25 percent common equity tier 1 capital threshold limitations that have been deducted for risk-based capital purposes in Schedule RC-R, Part I, items 13 through 15 on the FFIEC 041; items 13.a, 14.a, and 15.a on the FFIEC 031. These excess amounts pertain to three items:
    - Investments in the capital of unconsolidated financial institutions;
    - MSAs; and
    - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances.

- *In column B for advanced approaches institutions*, also include the amount of:
  - Non-significant investments in the capital and covered debt instruments of unconsolidated financial institutions that are reported in Schedule RC, item 8 or item 11, and have been deducted from capital in Schedule RC-R, Part I, item 11, item 24, and item 45;
  - Investments in excluded covered debt instruments that are reported in Schedule RC, item 8 or item 11, and have been deducted from capital in Schedule RC-R, Part I, item 11, item 24, and item 45;
  - Significant investments in the capital and covered debt instruments of unconsolidated financial institutions not in the form of common stock that are reported in Schedule RC, item 8 or item 11, and have been deducted from capital in Schedule RC-R, Part I, item 24, and item 45; and.
  - Items subject to the 10 percent and 15 percent common equity tier 1 capital threshold limitations that have been deducted for risk-based capital purposes in Schedule RC-R, Part I, items 13.b, 14.b, 15.b, and 16. These excess amounts pertain to three items:
    - Significant investments in the capital of unconsolidated financial institutions in the form of common stock;
    - MSAs; and
    - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances.

An institution that has adopted the current expected credit losses methodology (CECL) should report as a negative number in column B:
- The portion of Schedule RI-B, Part II, Memorandum item 6, "Allowance for credit losses on other financial assets measured at amortized cost," that relates to assets reported in column A of this item, less
- The portion of Schedule RC-R, Part II, Memorandum item 4.c, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for other financial assets measured at amortized cost that relates to assets reported in column A of this item.

For example, if an institution reports $100 in Schedule RI-B, Part II, Memorandum item 6 (and the entire amount relates to assets reported in this item 8, column A), and $10 in Schedule RC-R, Part II, Memorandum item 4.c (and the entire amount relates to assets reported in this item 8, column A), the institution would report ($90) in this column B.

An institution that has adopted CECL and has elected to apply the CECL transition provision (CECL electing institution) should report as a positive number in column B its applicable DTA transitional amount from temporary difference DTAs, in accordance with section 301 of the regulatory capital rules. Specifically, ~~an~~a CECL electing institution reduces its temporary difference DTAs by 75 percent of its DTA transitional amount during the first year of the transition period, 50 percent of its DTA transitional amount during the second year of the transition period, and 25 percent of its DTA transitional amount during the third year of the transition period.

Report as a negative number in column B the amount of default fund contributions in the form of commitments made by a clearing member to a central counterparty's mutualized loss-sharing arrangement.

- *In column C–0% risk weight*, include:
  - The carrying value of Federal Reserve Bank stock included in Schedule RC-F, item 4;
  - Accrued interest receivable on assets included in the zero percent risk weight category (column C of Schedule RC-R, Part II, items 1 through 7);
  - The carrying value of gold bullion not held for trading that is held in the bank's own vault or in another bank's vault on an allocated basis, and exposures that arise from the settlement of cash transactions (such as equities, fixed income, spot foreign exchange, and spot commodities) with a central counterparty where there is no assumption of ongoing credit risk by the central counterparty after settlement of the trade and associated default fund contributions; and
  - The portion of assets reported in Schedule RC, items 6 through 11, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of these assets collateralized by deposits in the reporting institution.

- *In column G–20% risk weight*, include:
  - The carrying value of Federal Home Loan Bank stock included in Schedule RC-F, item 4;

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- ○ Accrued interest receivable on assets included in the 20 percent risk weight category (column G of Schedule RC-R, Part II, items 1 through 7);
- o The portion of customers' acceptance liability reported in Schedule RC, item 11, that has been participated to other depository institutions; and
- o The portion of assets reported in Schedule RC, items 6 through 11, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of these assets covered by FDIC loss-sharing agreements.

- *In column H–50% risk weight*, include accrued interest receivable on assets included in the 50 percent risk weight category (column H of Schedule RC-R, Part II, items 1 through 7). Also include the portion of assets reported in Schedule RC, items 6 through 11, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight*, include:
  - o Accrued interest receivable on assets included in the 100 percent risk weight category (column I of Schedule RC-R, Part II, items 1 through 7);
  - o The amount of all other assets reported in column A that is not included in columns B through H, J through N, or R;
  - ~~o The amounts of items that do not exceed the 10 percent and 15 percent common equity tier 1 capital deduction thresholds and are included in capital, as described in §.22 of the regulatory capital rules. These amounts pertain to three items:[15]~~
    - ~~Significant investments in the capital of unconsolidated financial institutions in the form of common stock;~~
    - ~~MSAs; and~~
    - ~~DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances;~~
  - o Publicly traded and not publicly traded equity exposures, equity exposures without readily determinable fair values, and equity exposures to investment funds, to the extent that the aggregate carrying value of the bank's equity exposures does not exceed 10 percent of total capital. If the bank's aggregate carrying value of equity exposures is greater than 10 percent of total capital, the bank must report its equity exposures reported in Schedule RC, items 6 through 11, in either columns L, M, or N, as appropriate; and
  - ○ The portion of assets reported in Schedule RC, items 6 through 11, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- *In column J–150% risk weight*, include accrued interest receivable on assets included in the 150 percent risk weight category (column J of Schedule RC-R, Part II, items 1 through 7). Also include the portion of assets reported in Schedule RC, items 6 through 11, that is secured by collateral or has a guarantee that qualifies for the 150 percent risk weight.

- *In column K–250% risk weight*, include the amounts of items that do not exceed the ~~10 percent and 15 percent~~applicable common equity tier 1 capital deduction thresholds and are included in capital, as described in §.22 of the regulatory capital rules. These amounts pertain to three items:
  - o Significant investments in the capital of unconsolidated financial institutions in the form of common stock~~;~~ (for advanced approaches institutions only);

~~[15] Note: For advanced approaches institutions, these items will become subject to a 250 percent risk weight beginning in 2018. Non-advanced approaches institutions should continue to apply a 100 percent risk weight.~~

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- ○ MSAs~~;~~ (for all institutions); and
- ○ DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances~~.~~ (for all institutions).

~~This risk weight takes effect only for advanced approaches institutions in 2018, and therefore this item is blocked from being completed until that time. Before 2018, all institutions report such significant investments in the 100 percent risk weight category.~~

- *In column L–300% risk weight*, include the fair value of publicly traded equity securities with readily determinable fair values that are reported in Schedule RC, items 8 and 9.

- *In column M–400% risk weight*, include the historical cost of equity securities (other than those issued by investment firms) that do not have readily determinable fair values that are reported in Schedule RC-F, item 4.

- *In column N–600% risk weight,* include the historical cost of equity securities issued by investment firms that do not have readily determinable fair values that are reported in Schedule RC-F, item 4.

- *In columns R and S of item 8–Application of Other Risk-Weighting Approaches*, include the portion of any asset reported in Schedule RC, items 6 through 11 (except separate account bank-owned life insurance and default fund contributions to central counterparties, which are to be reported in columns R and S of items 8.a and 8.b, respectively), that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.
  - o Include in column R the carrying value of the portion of an asset that is secured by the fair value of securitization exposure or mutual fund collateral that meets the general requirements of the Simple Approach in §.37. In addition, the bank must apply the same approach to securitization exposure collateral – either the Simplified Supervisory Formula Approach or the Gross-up Approach – that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule RC-R, Part II, items 9 and 10.
  - o Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the asset secured by such collateral. Any remaining portion of the asset that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J.

  For further information, see the discussions of “Treatment of Collateral and Guarantees” and “Risk-Weighted Assets for Securitization Exposures” in the General Instructions for Schedule RC-R, Part II.

- *In columns R and S of item 8—Application of Other Risk-Weighting Approaches*, also include the bank’s equity exposures to investment funds (including mutual funds) reported in Schedule RC, item 8 or 11 (except separate account bank-owned life insurance and default fund contributions to central counterparties, which are to be reported in columns R and S of items 8.a and 8.b, respectively), if the aggregate carrying value of the bank’s equity exposures is greater than 10 percent of total capital. Report in column R the exposure amount of these equity exposures to investment funds. Report in column S the risk-weighted asset amount of these equity exposures to investment funds as measured under the full look-through approach, the simple modified look-through

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8 (cont.) approach, or the alternative modified look-through approach described in §.53 of the regulatory capital rules. All three of these approaches require a minimum risk weight of 20 percent. For further information, refer to the discussion of "Treatment of Equity Exposures" in the General Instructions for Schedule RC-R, Part II.

- *In columns R and S of item 8.a—Separate Account Bank-Owned Life Insurance*, include the bank's investments in separate account life insurance products, including hybrid separate account life insurance products. Exclude from columns R and S any investment in bank-owned life insurance that is solely a general account insurance product (report such general account insurance products in *column I—100 percent risk weight*). Report in column R the carrying value of the bank's investments in separate account life insurance products, including hybrid separate account products. Report in column S the risk-weighted asset amount of these insurance products. When a bank has a separate account policy, the portion of the carrying value that represents general account claims on the insurer, including items such as deferred acquisition costs (DAC) and mortality reserves realizable as of the balance sheet date, and any portion of the carrying value attributable to a Stable Value Protection (SVP) contract should be risk weighted at the 100 percent risk weight as claims on the insurer or the SVP provider. The remaining portion of the investment in separate account life insurance products is an equity exposure to an investment fund that should be measured under the full look-through approach, the simple modified look-through approach, or the alternative modified look-through approach, all three of which require a minimum risk weight of 20 percent. For further information, refer to the discussion of "Treatment of Equity Exposures" in the General Instructions for Schedule RC-R, Part II.

- *In columns R and S of item 8.b—Default Fund Contributions to Central Counterparties*

  Note: Item 8.b only applies to banks that are clearing members, and therefore will not be applicable to the vast majority of banks. Banks must report the aggregate on-balance sheet amount of default fund contributions to central counterparties (CCPs) in column A. Banks must report the aggregate off-balance sheet amount, if any, of default fund contributions to CCPs as a negative amount in column B of item 8. Banks must report the aggregate on- and off-balance sheet amount of such contributions in column R. See §.35(d) of the regulatory capital rules for more details.

  Clearing Member Banks must report in column S the total amount of risk-weighted assets for a clearing member bank's default fund contributions to CCPs. This will be the sum of:
  - o Component A: the sum of risk-weighted assets for a clearing member bank's default fund contributions to all non-qualifying CCPs; and,
  - o Component B: the sum of risk-weighted assets for a clearing member bank's default fund contributions to all qualifying central counterparties (QCCPs).

  Report the sum of Components A and B in Schedule RC-R, Part II, item 8.b, column S.

  Component A: risk-weighted asset amount for default fund contributions to non-qualifying CCPs
  As required by §.35(d)(2) of the regulatory capital rules, a clearing member bank's risk-weighted asset amount for default fund contributions to CCPs that are not QCCPs equals the sum of such default fund contributions multiplied by 1,250 percent, or an amount determined by the bank's federal supervisor based on factors such as size, structure and membership characteristics of the CCP and riskiness of its transactions, in cases where such default fund contributions may be

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unlimited. Therefore, unless otherwise advised by its supervisor or through agency-issued guidance, a bank will sum each of its non-QCCP default fund contributions, and multiply the total by 1,250 percent, and add any additional risk-weighted asset amount determined by the agency, if any. This will be Component A above.

Component B: risk-weighted asset amount for default fund contributions to QCCPs
A clearing member bank's risk-weighted asset amount for default fund contributions to QCCPs equals the sum of its capital requirement, K_{CM} for each QCCP, as calculated under the methodology set forth in §.35(d)(3) or §.133(d) of the regulatory capital rules ~~provides~~.

When a bank uses CEM to determine default fund contributions, the regulatory capital rules provide two methods to determine the capital requirement for a clearing member bank's default fund contributions to a QCCP. A clearing member bank may use either method. A clearing member bank's risk-weighted asset amount for default fund contributions to a QCCP equals the sum of its capital requirement, K_{CM}, for each QCCP as calculated under Method 1 multiplied by 1,250 percent, or under Method 2.

Method 1: The bank calculates the capital charge for a clearing member in a 3-step process, depending on the funded status of the QCCP. The process is summarized briefly below:

- Step 1: The bank must calculate the hypothetical capital requirement of all the trades conducted through the QCCP as if the QCCP were a bank. This depends on the type of trade and netting sets with each counterparty. Alternately, the QCCP may provide this number to the clearing member.
- Step 2: The bank compares the hypothetical capital requirement (calculated in Step 1) to the funded default fund of the QCCP to include the internally funded resources of the QCCP. This step determines the aggregate capital requirement for all clearing members assuming a default of two average clearing members.
- Step 3: The aggregate capital requirement of all clearing members (assuming the default of two members) is then allocated back to the individual clearing member firm and converted to a risk-weighted asset amount.

Using the 3-step process and formulas provided in the regulatory capital rules, the bank will determine a dollar capital requirement for its default fund contribution for each QCCP (K_{CMi}). The bank must then multiply each K_{CMi} by 1,250 percent to calculate the risk-weighted asset amount. The bank must sum the risk-weighted assets calculated for each QCCP default fund contribution to produce a total risk-weighted asset amount for all QCCP default fund contributions for which the bank uses this method. For example, the total risk-weight asset amount for a bank with default fund contributions to two QCCPs will be the sum of K_{CMi} for QCCP A and K_{CMi} for QCCP B. This sum will be included in Component B above for all QCCPs for which the bank uses Method 1.

Method 2: Under Method 2, the risk-weighted assets for a clearing member's default fund contribution is the minimum of:

- 1,250 percent times the bank's funded contributions to the QCCP default fund, or,
- 18 percent times the total trade exposures of the member to the QCCP.

A bank will make this calculation for each QCCP for which it uses Method 2. The sum of risk-weighted assets for all QCCP contributions for which the bank uses Method 2 will be included in Component B above.

When a bank uses SA-CCR to determine default fund contributions, the regulatory capital rules provide that a clearing member bank first calculates the hypothetical capital requirement of the QCCP (K_{CCP}), unless the QCCP has already disclosed it, in which case the bank must rely on that disclosed figure. In either case, a bank may choose to use a higher amount of K_{CCP} than the minimum calculated under the formula or disclosed by the QCCP if the bank has concerns about the nature, structure, or characteristics of the QCCP.

For purposes of calculating K_{CCP}, the PFE multiplier includes collateral held by a QCCP in which the QCCP has a legal claim in the event of the default of the member or client, including default fund contributions of that member. In addition, the QCCP must use a margin period of risk of 10 days in the maturity factor adjustment. Notwithstanding §.133(d)(5) and (6)(ii) of the regulatory capital rules, with the prior approval of the regulator, a bank may rely on a hypothetical capital requirement of a QCCP based on a methodology other than SA-CCR for calculating the exposure amount of a clearing member of a QCCP to the QCCP.

A banking organization that elects to use SA-CCR is allowed to continue to use method 1 or method 2 in under CEM to calculate the risk-weighted asset amount for default fund contributions until January 1, 2022.

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- The portion of Schedule RC, items 6 through 11, that must be risk-weighted according to the Country Risk Classification (CRC) methodology:
  - *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk-weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include the portions of those exposures described above in the instructions for Schedule RC-R, Part II, item 8 that are exposures on sovereigns or foreign banks that do not qualify as securitization exposures.

9 **On-balance sheet securitization exposures.** When determining the amount of risk-weighted assets for securitization exposures, banks that are not subject to the market risk capital rule may elect to use either the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach, as described above and in §.41 to §.45 of the regulatory capital rules. However, such banks must use the SSFA or Gross-Up Approach consistently across all securitization exposures (items 9.a through 10), but banks may risk weight any individual securitization exposure at 1,250 percent in lieu of applying the SSFA or Gross-Up Approach to that individual exposure.

Banks subject to the market risk capital rule must use the SSFA when determining the amount of risk-weighted assets for securitization exposures.

For further information, refer to the discussion of “Risk-Weighted Assets for Securitization Exposures” in the General Instructions for Schedule RC-R, Part II.

9.a **Held-to-maturity securities.** Report in column A the amount of held-to-maturity (HTM) securities reported in Schedule RC, item 2.a, that qualify as *securitization exposures* as defined in §.2 of the regulatory capital rules. Refer to the instructions for Schedule RC-R, Part II, item 2.a, for a summary of the reporting locations of HTM securitization exposures.

Exposure amount to be used for purposes of risk weighting – bank cannot or has not made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule RC-R, Part I, item 3.a:
For a security classified as HTM where the bank cannot or has not made the AOCI opt-out election (i.e., most AOCI is included in regulatory capital), the exposure amount to be risk weighted by the bank is the carrying value of the security, which is the value of the asset reported on the balance sheet of the bank determined in accordance with GAAP and in column A.

Exposure amount to be used for purposes of risk weighting – bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a:
For a security classified as HTM where the bank has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount to be risk weighted by the bank is the carrying value of the security reported on the balance sheet of the bank and in column A, less any unrealized gain on the exposure or plus any unrealized loss on the exposure included in AOCI.

If an HTM securitization exposure will be risk weighted using either the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach, include as part of the exposure amount to be risk weighted in this item any accrued interest receivable on the HTM security that is reported in Schedule RC, item 11, “Other assets,” and included in Schedule RC-R, Part II, item 9.d, columns A and B. Do not report this accrued interest receivable in column A or B of this item.

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9.a (cont.)

- *In column B:*
  - If an HTM securitization exposure will be risk weighted using the 1,250 percent risk weight approach, report any difference between the carrying value of the HTM securitization exposure reported in column A of this item and the exposure amount of the HTM securitization exposure that is to be risk weighted.
  - If an HTM securitization exposure will be risk weighted using either the SSFA or the Gross-Up Approach, report the carrying value of the HTM securitization exposure reported in column A of this item.
  - For an institution that has adopted the current expected credit losses methodology (CECL), include as a negative number:
    - The portion of Schedule RI-B, Part II, item 7, column B, "Balance end of current period" for HTM debt securities that relates to HTM securitization exposures, less
    - The portion of Schedule RC-R, Part II, Memorandum item 4.b, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for HTM debt securities that relates to purchased credit-deteriorated HTM securitization exposures.

    For example, if an institution reports $100 in Schedule RI-B, Part II, item 7, column B, that relates to HTM securitization exposures and $10 in Schedule RC-R, Part II, Memorandum item 4.b, that relates to purchased credit-deteriorated HTM securitization exposures, the institution would report ($90) in this column B.

- *In column Q*, report the exposure amount of those HTM securitization exposures that are assigned a 1,250 percent risk weight (i.e., those HTM securitization exposures for which the risk-weighted asset amount is <u>not</u> calculated using the SSFA or the Gross-Up Approach).

- *In column T,* report the risk-weighted asset amount (<u>not</u> the exposure amount) of those HTM securitization exposures for which the risk-weighted asset amount is calculated using the SSFA, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

- *In column U*, report the risk-weighted asset amount (<u>not</u> the exposure amount) of HTM securitization exposures for which the risk-weighted asset amount is calculated using the Gross-Up Approach, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

9.b **<u>Available-for-sale securities.</u>** Report in column A the fair value of those available-for-sale (AFS) securities reported in Schedule RC, item 2.b, that qualify as *securitization exposures* as defined in §.2 of the regulatory capital rules. Refer to the instructions for Schedule RC-R, Part II, item 2.b, for a summary of the reporting locations of AFS securitization exposures.

<u>Exposure amount to be used for purposes of risk weighting – bank that cannot or has not made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule RC-R, Part I, item 3.a:</u>
For an AFS debt security that is a securitization exposure where the bank cannot make or has not made the AOCI opt-out election (i.e., most AOCI is included in regulatory capital), the exposure amount of the AFS securitization exposure to be risk weighted by the bank is the carrying value of the debt security, which is the value of the asset reported on the balance sheet of the bank (Schedule RC, item 2.b) determined in accordance with GAAP (i.e., the fair value of the AFS debt security) and in column A of this item.

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9.b (cont.) Exposure amount to be used for purposes of risk weighting – bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a:
For an AFS debt security that is a securitization exposure where the bank has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount of the AFS securitization exposure to be risk weighted by the bank is the carrying value of the debt security, less any unrealized gain on the exposure or plus any unrealized loss on the exposure included in AOCI.

If an AFS securitization exposure will be risk weighted using either the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach, include as part of the exposure amount to be risk weighted in this item any accrued interest receivable on the AFS debt security that is reported in Schedule RC, item 11, "Other assets," and included in Schedule RC-R, Part II, item 9.d, columns A and B. Do not report this accrued interest receivable in column A or B of this item.

- *In column B:*
  - If an AFS securitization exposure will be risk weighted using the 1,250 percent risk weight approach, a bank that has made the AOCI opt-out election should include the difference between the fair value and amortized cost of those AFS debt securities that qualify as securitization exposures. This difference equals the amounts reported in Schedule RC-B, items 4 and 5, column D, minus items 4 and 5, column C, for those AFS debt securities included in these items that are securitization exposures. When fair value exceeds cost, report the difference as a positive number in Schedule RC-R, Part II, item 9.b, column B. When cost exceeds fair value, report the difference as a negative number (i.e., with a minus (-) sign) in Schedule RC-R, Part II, item 9.b, column B.
  - If an AFS securitization exposure will be risk weighted using either the SSFA or the Gross-Up Approach, a bank should report the carrying value of the AFS securitization exposure reported in column A of this item.

- *In column Q*, report the exposure amount of those AFS securitization exposures that are assigned a 1,250 percent risk weight (i.e., those AFS securitization exposures for which the risk-weighted asset amount is not calculated using the SSFA or the Gross-Up Approach).

- *In column T,* report the risk-weighted asset amount (not the exposure amount) of those AFS securitization exposures for which the risk-weighted asset amount is calculated using the SSFA, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

- *In column U*, report the risk-weighted asset amount (not the exposure amount) of those AFS securitization exposures for which the risk-weighted asset amount is calculated using the Gross-Up Approach, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

Example 1: A bank reports an AFS securitization exposure on its balance sheet in Schedule RC, item 2.b, at a carrying value (i.e., fair value) of $105. The amortized cost of the AFS securitization exposure is $100. The AFS securitization exposure has a $5 unrealized gain that is included in AOCI. The AFS securitization exposure also has $1 of accrued interest receivable that is reported in Schedule RC, item 11, and included in Schedule RC-R, Part II, item 9.d, column A. The bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a. The AFS securitization exposure will be risk weighted using the 1,250 percent risk weight approach. The bank would report in Schedule RC-R, Part II, item 9.b:

Part II. (cont.)

Item No.	Caption and Instructions
9.b (cont.)	• $105 in column A. This is the carrying value of the AFS securitization exposure on the bank's balance sheet. • $5 in column B. This is the difference between the carrying value (i.e., fair value) of the AFS securitization exposure and its exposure amount that is subject to risk weighting. For a bank that has made the AOCI opt-out election, column B will typically represent the amount of the unrealized gain or unrealized loss on securitization exposure. Gains are reported as positive numbers; losses as negative numbers. (Note: If the bank has not made or cannot make the opt-out election, there will not be an adjustment for the unrealized gain or loss to be reported in column B.) • $100 is the exposure amount subject to risk weighting in this item (i.e., without regard to the accrued interest receivable on the AFS securitization exposure that is included in Schedule RC-R, Part II, item 9.d). This $100 amount will be reported in item 9.b, column Q–1250% risk weight. For a bank that has made the AOCI opt-out election, the exposure amount typically will be the carrying value (i.e., fair value) of the AFS securitization exposure excluding any unrealized gain or loss.

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Part II. (cont.)

Item No. **Caption and Instructions**

9.b (cont.) The bank would also report the $1 of accrued interest receivable on the AFS securitization exposure that is included in Schedule RC-R, Part II, item 9.d, column A, in column Q–1250% risk weight of item 9.d.

Example 2: A bank reports an AFS securitization exposure on its balance sheet in Schedule RC, item 2.b, at a carrying value (i.e., fair value) of $105. The AFS securitization exposure has a $5 unrealized gain that is included in AOCI. The AFS securitization exposure also has $1 of accrued interest receivable that is reported in Schedule RC, item 11, and included in Schedule RC-R, Part II, item 9.d, column A. The bank's AFS securitization exposure provides credit enhancement for an additional $800 in more senior securities. Therefore, the bank will need to risk weight a $900 exposure composed of the carrying value of its AFS securitization exposure, less the unrealized gain, plus the amount of the more senior exposures that it supports. The bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a. The AFS securitization exposure will be risk weighted using the Gross-Up Approach and the weighted-average risk weight of the underlying exposures is 100 percent. The bank would report in Schedule RC-R, Part II, item 9.b:

- $105 in column A. This is the carrying value of the AFS securitization exposure on the bank's balance sheet.
- $105 in column B. When the Gross-Up Approach is being used, the carrying value of the AFS securitization exposure on the bank's balance sheet, as reported in column A, of item 9.b, is to be reported in column B. Because the bank has made the AOCI opt-out election, the exposure amount to be risk weighted at the 100 percent weighted-average risk weight is the $105 carrying value of the AFS securitization exposure, less the $5 unrealized gain on the exposure included in AOCI, plus the $1 accrued interest receivable on the exposure (included in Schedule RC-R, Part II, item 9.d, column A), plus the additional $800 in more senior exposures that the AFS securitization exposure supports, which equals $901.
- $901 in column U. This is the risk-weighted asset amount of the AFS securitization exposure. This amount ($901) will be reported in item 9.b, column U—Gross-Up. (Note: $901 is the product of the $901 exposure amount multiplied by the 100 percent weighted-average risk weight.)

9.c **Trading assets.** Report in column A the fair value of those trading assets reported in Schedule RC, item 5, that qualify as *securitization exposures* as defined in §.2 of the regulatory capital rules. Refer to the instructions for Schedule RC-R, Part II, item 7, for a summary of the reporting locations of trading assets that are securitization exposures.

If the bank is subject to the market risk capital rule, report in column B the fair value of those securitization exposures reported in column A of this item that are covered positions as defined in Schedule RC-R, Part II, item 27. The bank will report its standardized market risk-weighted assets in Schedule RC-R, Part II, item 27.

If a trading asset securitization exposure will be risk weighted using either the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach, include as part of the exposure amount to be risk weighted in this item any accrued interest receivable on the trading asset that is reported in Schedule RC, item 11, "Other assets," and included in Schedule RC-R, Part II, item 9.d, columns A and B. Do not report this accrued interest receivable in column A or B of this item.

For banks not subject to the market risk capital rule and for those trading assets held by banks subject to the market risk capital rule that are securitization exposures that do not meet the definition of a covered position:

Part II. (cont.)

Item No. **Caption and Instructions**

9.c (cont.)

- *In column B,* report the fair value reported in column A of this item for those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures and will be risk-weighted using either the SSFA or the Gross-Up Approach.

- *In column Q*, report the fair value reported in column A of this item of those trading assets that are securitization exposures that are assigned a 1,250 percent risk weight (i.e., those trading asset securitization exposures for which the risk-weighted asset amount is not calculated using the SSFA or the Gross-Up Approach).

- *In column T*, report the risk-weighted asset amount (not the exposure amount) of those trading assets that are securitization exposures for which the risk-weighted asset amount is calculated using the SSFA, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

- *In column U*, report the risk-weighted asset amount (not the exposure amount) of those trading assets that are securitization exposures for which the risk-weighted asset amount is calculated using the Gross-Up Approach, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

9.d **All other on-balance sheet securitization exposures.** Report in column A the amount of all on-balance sheet assets included in Schedule RC that qualify as *securitization exposures* as defined in §.2 of the regulatory capital rules and are not reported in Schedule RC-R, Part II, items 9.a, 9.b, or 9.c. Include in column A the amount reported in Schedule RC, item 11, "Other assets," for accrued interest receivable on on-balance sheet securitization exposures, regardless of where the securitization exposures are reported on the balance sheet in Schedule RC. Refer to the instructions for Schedule RC-R, Part II, items 1, 3, 4, 5, and 8, above for a summary of the reporting locations of other on-balance sheet securitization exposures.

Exposure amount to be used for purposes of risk weighting – bank that cannot or has not made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a:
For other on-balance sheet securitization exposures where the bank cannot or has not made the AOCI opt-out election (i.e., most AOCI is included in regulatory capital), the exposure amount to be risk weighted by the bank is the exposure's carrying value, which is the value of the exposure reported on the balance sheet of the bank determined in accordance with GAAP and in column A.

Exposure amount to be used for purposes of risk weighting – bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a:
For other on-balance sheet securitization exposures where the bank has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount to be risk weighted by the bank is the exposure's carrying value, less any unrealized gain on the exposure or plus any unrealized loss on the exposure included in AOCI. *In column B*, report any difference between the carrying value and the exposure amount of those other on-balance sheet securitization exposures reported in column A of this item that will be risk weighted by applying the 1,250 percent risk weight.

- *In column B*, all banks should include the amount reported in column A of this item for those other on-balance sheet securitization exposures that will be risk weighted using either the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach, including any accrued interest receivable reported in column A that has been accrued on these other on-balance sheet securitization exposures. Also include in column B any

Part II. (cont.)

Item No. Caption and Instructions

9.d (cont.) accrued interest receivable reported in column A that has been accrued on securitization exposures reported as held-to-maturity securities, available-for-sale securities, and trading assets in Schedule RC-R, Part II, items 9.a, 9.b, and 9.c, respectively.

- *In column Q*, report the exposure amount of those other on-balance sheet securitization exposures that are assigned a 1,250 percent risk weight (i.e., those other on-balance sheet securitization exposures for which the risk-weighted asset amount is not calculated using the SSFA or the Gross-Up Approach), including any accrued interest receivable reported in column A that has been accrued on these other on-balance sheet securitization exposures. Also include in column Q any accrued interest receivable reported in column A that has been accrued on securitization exposures reported as held-to-maturity securities, available-for-sale securities, and trading assets in Schedule RC-R, Part II, items 9.a, 9.b, and 9.c, respectively, that are assigned a 1,250 percent risk weight.

- *In column T,* report the risk-weighted asset amount (not the exposure amount) of those other on-balance sheet securitization exposures for which the risk-weighted asset amount is calculated using the SSFA, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

- *In column U,* report the risk-weighted asset amount (not the exposure amount) of those other on-balance sheet securitization exposures for which the risk-weighted asset amount is calculated using the Gross-Up Approach, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

10 **Off-balance sheet securitization exposures.** Report in column A the notional amount of all derivatives and off-balance sheet items reported in Schedule RC-L or Schedule RC-S that qualify as *securitization exposures* as defined in §.2 of the regulatory capital rules. Refer to the instructions for Schedule RC-R, Part II, items 12 through 21, for a summary of the reporting locations of off-balance sheet securitization exposures.

Exposure amount to be used for purposes of risk weighting

For an off-balance sheet securitization exposure that is not a repo-style transaction or eligible margin loan for which the bank calculates an exposure amount under §.37 of the regulatory capital rules, cleared transaction (other than a credit derivative), or over-the-counter (OTC) derivative contract (other than a credit derivative), the exposure amount is the notional amount of the exposure.

For an off-balance sheet securitization exposure to an asset-backed commercial paper (ABCP) program, such as an eligible ABCP liquidity facility, the notional amount may be reduced to the maximum potential amount that the bank could be required to fund given the ABCP program's current underlying assets (calculated without regard to the current credit quality of those assets).

The exposure amount of an eligible ABCP liquidity facility for which the Simplified Supervisory Formula Approach (SSFA) does not apply is equal to the notional amount of the exposure multiplied by a credit conversion factor (CCF) of 50 percent.

The exposure amount of an eligible ABCP liquidity facility for which the SSFA applies is equal to the notional amount of the exposure multiplied by a CCF of 100 percent.

Part II. (cont.)

Item No.	Caption and Instructions
10 (cont.)	For an off-balance sheet securitization exposure that is a repo-style transaction or eligible margin loan for which the bank calculates an exposure amount under §.37 of the regulatory capital rules, a cleared transaction (other than a credit derivative), or a derivative contract (other than a credit derivative), the exposure amount is the amount calculated under §.34, §.35, §.37, §.132, or §.~~37~~133, as applicable, of the regulatory capital rules.

For a credit-enhancing representation and warranty that is an off-balance sheet securitization exposure, see the discussion of "Treatment of Sales of 1-4 Family Residential First Mortgage Loans with Credit-Enhancing Representations and Warranties," which includes an example, in the General Instructions for Schedule RC-R, Part II.

- *In column B*, report the notional amount of those off-balance sheet securitization exposures reported in column A of this item for which the exposure amount (as described above) will be risk weighted using either the SSFA or the Gross-Up Approach. Also include in column B the difference between the notional amount reported in column A of this item and the exposure amount for those off-balance sheet items that qualify as securitization exposures and will be risk weighted by applying the 1,250 percent risk weight.

- *In column Q*, report the exposure amount of those off-balance sheet securitization exposures that are assigned a 1,250 percent risk weight (i.e., those off-balance sheet securitization exposures for which the risk-weighted asset amount is not calculated using the SSFA or the Gross-Up Approach).

- *In column T,* report the risk-weighted asset amount (not the exposure amount) of those off-balance sheet securitization exposures for which the risk-weighted asset amount is calculated using the SSFA, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

- *In column U,* report the risk-weighted asset amount (not the exposure amount) of those off-balance sheet securitization exposures for which the risk-weighted asset amount is calculated using the Gross-Up Approach, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

11 **Total assets.** For columns A through R, report the sum of items 1 through 9. The sum of columns B through R must equal column A. Schedule RC-R, Part II, item 11, column A, must equal Schedule RC, item 12, "Total assets."

Part II. (cont.)

Derivatives, Off-Balance Sheet Items, and Other Items Subject to Risk Weighting (Excluding Securitization Exposures)

Treatment of Derivatives and Off-Balance Sheet Items that are Securitization Exposures – Any derivatives or off-balance sheet items reported in Schedule RC-L or Schedule RC-S that qualify as securitization exposures, including liquidity facilities to asset-backed commercial paper programs, are to be reported in Schedule RC-R, Part II, item 10, column A, and excluded from Schedule RC-R, Part II, items 12 through 21 below.

Repo-style Transactions – The regulatory capital rules permit some repo-style transactions to be risk weighted on a netting set basis. Where netting is permitted, a bank will combine both on-balance and off-balance sheet repo-style transactions in order to determine a capital requirement for a netting set to a single counterparty. In such cases, a bank should combine securities purchased under agreements to resell (i.e., reverse repos) and securities sold under agreements to repurchase (i.e., repos) with off-balance sheet repo-style transactions (i.e., securities borrowing and securities lending transactions) in Schedule RC-R, Part II, item 16, and report the netting set exposure to each counterparty under the appropriate risk weight column.

Credit Conversion Factors for Off-Balance Sheet Items – A summary of the credit conversion factors (CCFs) by which the exposure amount of off-balance sheet items are to be multiplied follows. For further information on these factors, refer to the regulatory capital rules.

Off-balance sheet items subject to a zero percent CCF:
(1) Unused portions of commitments that are unconditionally cancelable at any time by the bank.

Off-balance sheet items subject to a 20 percent CCF:
(1) Commercial and similar letters of credit with an original maturity of one year or less, including short-term, self-liquidating, trade-related contingent items that arise from the movement of goods.
(2) Commitments with an original maturity of one year or less that are not unconditionally cancelable.

Off-balance sheet items subject to a 50 percent CCF:
(1) Transaction-related contingent items, including performance standby letters of credit, bid bonds, performance bonds, and warranties.
(2) Commercial and similar letters of credit with an original maturity exceeding one year.
(3) Commitments with an original maturity exceeding one year that are not unconditionally cancelable by the bank, including underwriting commitments and commercial credit lines.

Off-balance sheet items subject to a 100 CCF:
(1) Financial standby letters of credit.
(2) Repo-style transactions, including off-balance sheet securities lending transactions, off-balance sheet securities borrowing transactions, securities purchased under agreements to resell, and securities sold under agreements to repurchase.
(3) Guarantees, certain credit-enhancing representations and warranties, and forward agreements.

Item No. **Caption and Instructions**

12 **Financial standby letters of credit.** For financial standby letters of credit reported in Schedule RC-L, item 2, that do not meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules, but are credit enhancements for assets, report *in column A:*

(1) The amount outstanding and unused of those letters of credit for which this amount is less than the effective risk-based capital requirement for the assets that are credit-enhanced by the letter of credit multiplied by 12.5.

Part II. (cont.)

Item No. **Caption and Instructions**

12 (cont.) (2) The full amount of the assets that are credit-enhanced by those letters of credit that are not multiplied by 12.5.

For all other financial standby letters of credit reported in Schedule RC-L, item 2, that do not meet the definition of a *securitization exposure*, report in column A the amount outstanding and unused of these letters of credit.

- *In column B,* report 100 percent of the amount reported in column A.

- *In column C–0% risk weight*, include the credit equivalent amount of the portion of financial standby letters of credit reported in Schedule RC-L, item 2, that are secured by collateral or has a guarantee that qualifies for the zero percent risk weight.

- *In column G–20% risk weight*, include the credit equivalent amount of the portion of financial standby letters of credit reported in Schedule RC-L, item 2, that has been conveyed to U.S. depository institutions. Also include the credit equivalent amount of the portion of financial standby letters of credit reported in Schedule RC-L, item 2, that are secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.

- *In column H–50% risk weight*, include the credit equivalent amount of the portion of financial standby letters of credit reported in Schedule RC-L, item 2, that are secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J. Also include the credit equivalent amount of the portion of financial standby letters of credit reported in Schedule RC-L, item 2, that are secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- Financial standby letters of credit that must be risk weighted according to the Country Risk Classification (CRC) methodology
  - o *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk-weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include:
  - o The credit equivalent amount of the portion of financial standby letters of credit reported in Schedule RC-L, item 2, that have been conveyed to foreign banks.

13 **Performance standby letters of credit and transaction-related contingent items.** Report in column A transaction-related contingent items, which includes the face amount of performance standby letters of credit reported in Schedule RC-L, item 3, and any other transaction-related contingent items that do not meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules.

- *In column B*, report 50 percent of the face amount reported in column A.

- *In column C–0% risk weight*, include the credit equivalent amount of the portion of performance standby letters of credit and transaction-related contingent items reported in Schedule RC-L, item 3, that are secured by collateral or has a guarantee that qualifies for the zero percent risk weight.

Part II. (cont.)

Item No.	Caption and Instructions
13 (cont.)	• *In column G–20% risk weight*, include the credit equivalent amount of the portion of performance standby letters of credit, performance bids, bid bonds, and warranties reported in Schedule RC-L, item 3, that have been conveyed to U.S. depository institutions. Also include the credit equivalent amount of the portion of performance standby letters of credit and transaction-related contingent items reported in Schedule RC-L, item 3, that are secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.
	• *In column H–50% risk weight*, include the credit equivalent amount of the portion of performance standby letters of credit and transaction-related contingent items reported in Schedule RC-L, item 3, that are secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.
	• *In column I–100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J. Also include the credit equivalent amount of the portion of performance standby letters of credit and transaction-related contingent items reported in Schedule RC-L, item 3, that are secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

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Part II. (cont.)

Item No. **Caption and Instructions**

13 (cont.)

- Performance standby letters of credit and transaction-related contingent items that must be risk weighted according to the Country Risk Classification (CRC) methodology
  - *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk-weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include:
  - The credit equivalent amount of the portion of performance standby letters of credit, performance bids, bid bonds, and warranties reported in Schedule RC-L, item 3, that have been conveyed to foreign banks.

14 **Commercial and similar letters of credit with an original maturity of one year or less.** Report in column A the face amount of those commercial and similar letters of credit, including self-liquidating trade-related contingent items that arise from the movement of goods, reported in Schedule RC-L, item 4, with an original maturity of one year or less that do not meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules. Report those commercial letters of credit with an original maturity exceeding one year that do not meet the definition of a *securitization exposure* in Schedule RC-R, Part II, item 18.b.

- *In column B*, report 20 percent of the face amount reported in column A.

- *In column C–0% risk weight*, include the credit equivalent amount of the portion of commercial or similar letters of credit with an original maturity of one year or less reported in Schedule RC-L, item 4, that are secured by collateral or has a guarantee that qualifies for the zero percent risk weight.

- *In column G–20% risk weight*, include the credit equivalent amount of the portion of commercial and similar letters of credit, including self-liquidating, trade-related contingent items that arise from the movement of goods, with an original maturity of one year or less, reported in Schedule RC-L, item 4, that have been conveyed to U.S. depository institutions. Also include the credit equivalent amount of the portion of commercial or similar letters of credit with an original maturity of one year or less reported in Schedule RC-L, item 4, that are secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.

- *In column H–50% risk weight*, include the credit equivalent amount of the portion of commercial or similar letters of credit with an original maturity of one year or less reported in Schedule RC-L, item 4, that are secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J. Also include the credit equivalent amount of the portion of commercial or similar letters of credit with an original maturity of one year or less reported in Schedule RC-L, item 4, that are secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

Part II. (cont.)

Item No. **Caption and Instructions**

14 (cont.)

- Commercial and similar letters of credit that must be risk weighted according to the Country Risk Classification (CRC) methodology
    - o *In column C–0% risk weight; column G–20% risk weight; column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk-weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include:
    - o The credit equivalent amount of commercial and similar letters of credit, including self-liquidating, trade-related contingent items that arise from the movement of goods, with an original maturity of one year or less, reported in Schedule RC-L, item 4, that have been conveyed to foreign banks.

15 **Retained recourse on small business obligations sold with recourse.** Report in column A the amount of retained recourse on small business obligations reported in Schedule RC-S, Memorandum item 1.b, that do not meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules.

For retained recourse on small business obligations sold with recourse that qualify as securitization exposures, please see §.42(h) of the regulatory capital rule for purposes of risk weighting and report these exposures in Schedule RC-R, Part II, item 10.

Under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994, a "qualifying institution" that transfers small business loans and leases on personal property (small business obligations) with recourse in a transaction that qualifies as a sale under generally accepted accounting principles (GAAP) must maintain risk-based capital only against the amount of recourse retained, provided the institution establishes a recourse liability account that is sufficient under GAAP. Only loans and leases to businesses that meet the criteria for a small business concern established by the Small Business Administration under Section 3(a) of the Small Business Act (15 U.S.C. 632 et seq.) are eligible for this favorable risk-based capital treatment.

In general, a "qualifying institution" is one that is well capitalized without regard to the Section 208 provisions. If a bank ceases to be a qualifying institution or exceeds the retained recourse limit set forth in banking agency regulations implementing Section 208, all new transfers of small business obligations with recourse would not be treated as sales. However, the reporting and risk-based capital treatment described above will continue to apply to any transfers of small business obligations with recourse that were consummated during the time the bank was a "qualifying institution" and did not exceed the limit.

- *In column B*, report 100 percent of the amount reported in column A.

- *In column C–0% risk weight*, include the credit equivalent amount of the portion of retained recourse on small business obligations sold with recourse reported in Schedule RC-S, Memorandum item 1.b, that are secured by collateral or has a guarantee that qualifies for the zero percent risk weight.

- *In column G–20% risk weight*, include the credit equivalent amount of the portion of retained recourse on small business obligations sold with recourse reported in Schedule RC-S, Memorandum item 1.b, that are secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.

Part II. (cont.)

Item No. **Caption and Instructions**

15 (cont.)

- *In column H–50% risk weight*, include the credit equivalent amount of the portion of retained recourse on small business obligations sold with recourse reported in Schedule RC-S, Memorandum item 1.b, that are secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I-100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J. Also include the credit equivalent amount of the portion of retained recourse on small business obligations sold with recourse reported in Schedule RC-S, Memorandum item 1.b, that are secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

16 **Repo-style transactions.** Repo-style transactions include:

- Securities lending transactions, including transactions in which the bank acts agent for a customer and indemnifies the customer against loss. Securities lent are reported in Schedule RC-L, item 6.a.
- Securities borrowing transactions. Securities borrowed are reported in Schedule RC-L, item 6.b.
- Securities purchased under agreements to resell (i.e., reverse repos). Securities purchased under agreements to resell are reported in Schedule RC, item 3.b.
- Securities sold under agreements to repurchase (i.e., repos). Securities sold under agreements to repurchase are reported in Schedule RC, item 14.b.[16]

Report in column A the exposure amount of repo-style transactions that do not meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules.

For repo-style transactions to which the bank applies the Simple Approach to recognize the risk-mitigating effects of qualifying financial collateral, as outlined in §.37 of the regulatory capital rules, the exposure amount to be reported in column A is the sum of the fair value as of the report date of securities the bank has lent,[17] the amount of cash or the fair value as of the report date of other collateral the bank has posted for securities borrowed, the amount of cash provided to the counterparty for securities purchased under agreements to resell (as reported in Schedule RC, item 3.b), and the fair value as of the report date of securities sold under agreements to repurchase.

For repo-style transactions to which the bank applies the Collateral Haircut Approach to recognize the risk-mitigating effects of qualifying financial collateral, as outlined in §.37 of the regulatory capital rules, the exposure amount to be reported in column A for a repo-style transaction or a single-product netting set of such transactions is determined by using the exposure amount equation in §.37(c) of the regulatory capital rules.

A bank may apply either the Simple Approach or the Collateral Haircut Approach to repo-style transactions; however, the bank must use the same approach for similar exposures or transactions. For further information, see the discussion of "Treatment of Collateral and Guarantees" in the General Instructions for Schedule RC-R, Part II.

[16] Although securities purchased under agreements to resell and securities sold under agreements to repurchase are reported on the balance sheet (Schedule RC) as assets and liabilities, respectively, they are included with securities lent and securities borrowed and designated as repo-style transactions that are treated collectively as off-balance sheet items under the regulatory capital rules.

[17] For held-to-maturity securities that have been lent, the amortized cost of these securities is reported in Schedule RC-L, item 6.a, but the fair value of these securities should be reported as the exposure amount in column A of this item.

Part II. (cont.)

Item No. Caption and Instructions

16 (cont.)

- *In column B*, report 100 percent of the exposure amount reported in column A.

- *In column C–0% risk weight,* include the credit equivalent amount of repo-style transactions that are supported by the appropriate amount of collateral that qualifies for the zero percent risk weight under the regulatory capital rules (refer to §.37 of the regulatory capital rules).

- *In column D–2% risk weight,* include the credit equivalent amount of centrally cleared repo-style transactions with Qualified Central Counterparties (QCCPs), as defined in §.2 and described in §.35 of the regulatory capital rules.

- *In column E–4% risk weight,* include the credit equivalent amount of centrally cleared repo-style transactions with QCCPs in all other cases that do not meet the criteria of qualification for a 2 percent risk weight, as described in §.35 of the regulatory capital rules.

- *In column G–20% risk weight*, include the credit equivalent amount of repo-style transactions that are supported by the appropriate amount of collateral that qualifies for the 20 percent risk weight under the regulatory capital rules. Also include the credit equivalent amount of repo-style transactions that represents exposures to U.S. depository institutions.

- *In column H–50% risk weight*, include the credit equivalent amount of repo-style transactions that are supported by the appropriate amount of collateral that qualifies for the 50 percent risk weight under the regulatory capital rules.

- *In column I-100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H, J, and R. Also include the credit equivalent amount of repo-style transactions that are supported by the appropriate amount of collateral that qualifies for the 100 percent risk weight under the regulatory capital rules.

- *In column J–150% risk weight*, include the credit equivalent amount of repo-style transactions that are supported by the appropriate amount of collateral that qualifies for the 150 percent risk weight under the regulatory capital rules.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of repo-style transactions that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure collateral under the Simple Approach or the Collateral Haircut Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the repo-style exposure may not be less than 20 percent.
    - Include in column R the portion of repo-style transactions secured by the fair value or adjusted fair value of securitization exposure or mutual fund collateral as determined under the Simple Approach or the Collateral Haircut Approach, respectively; however, the bank must apply the same approach for all repo-style transactions. In addition, if the bank applies the Simple Approach, it must apply the same approach – either the Simplified Supervisory Formula Approach or the Gross-Up Approach – that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule RC-R, Part II, items 9 and 10.

Part II. (cont.)

Item No. **Caption and Instructions**

16 (cont.)

- ○ Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of repo-style transactions secured by such collateral. Any remaining portion of the repo-style exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J, as appropriate.

For further information, see the discussions of “Treatment of Collateral and Guarantees” and “Risk-Weighted Assets for Securitization Exposures” in the General Instructions for Schedule RC-R, Part II.

- Repo-style transactions that must be risk weighted according to the Country Risk Classification (CRC) methodology
  - o *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk-weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include:
  - o The credit equivalent amount of repo-style transactions that represents exposures to foreign central banks and foreign banks.

Examples: Reporting Securities Sold Under Agreements to Repurchase (Repos) under the Simple Approach for Recognizing the Effects of Collateral

§.37 of the regulatory capital rules provides for the recognition of the risk-mitigating effects of collateral when risk weighting assets collateralized by financial collateral (which is defined in §.2 of the regulatory capital rules). The following examples illustrate the calculation of risk-weighted assets and the reporting of securities sold under agreements to repurchase (repos) in Schedule RC-R, Part II, item 16, using the Simple Approach.

Example 1: Security sold under an agreement to repurchase fully collateralized by cash
A bank has transferred an available-for-sale (AFS) debt security to a counterparty in a repo transaction that is accounted for as a secured borrowing on the bank’s balance sheet. The bank received $100 in cash from the repo counterparty in this transaction. The amortized cost and the fair value of the AFS debt security are both $100 as of the report date.[18] The debt security is an exposure to a U.S. government-sponsored entity (GSE) that qualifies for a 20 percent risk weight. The repo counterparty is a company that would receive a 100 percent risk weight.

Calculation of risk-weighted assets for the transaction:

1. The bank continues to report the AFS GSE debt security as an asset on its balance sheet and to risk weight the security as an on-balance sheet asset at 20 percent:[19]
   $100 x 20% = $20
2. The bank has a $100 exposure to the repo counterparty (the report date fair value of the security transferred to the counterparty) that is collateralized by the $100 of cash received from the counterparty. The bank risk weights its exposure to the repo counterparty at zero percent in recognition of the cash received in the transaction from the counterparty: $100 x 0% = $0

Part II. (cont.)

[18] In both Example 1 and Example 2, because the fair value carrying value of the AFS GSE debt security equals the amortized cost of the debt security, a bank that has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a, does not need to adjust the carrying value (i.e., the fair value) of the debt security to determine the exposure amount of the security. Thus, for a bank that has made the AOCI opt-out election, the carrying value of the AFS debt security equals its exposure amount in Examples 1 and 2.

[19] See footnote 18.

Item No. **Caption and Instructions**

16 (cont.)

3. There is no additional exposure to the repo counterparty to risk weight because the exposure to the counterparty is fully collateralized by the cash received.

The total risk-weighted assets arising from the transaction: $20

The bank would report the transaction in Schedule RC-R, Part II, as follows:

1. The bank reports the AFS debt security in item 2.b:
   a. The $100 carrying value (i.e., the fair value) of the AFS debt security on the balance sheet will be reported in column A.[20]
   b. The $100 exposure amount of the AFS debt security will be reported in column G–20% risk weight (which is the applicable risk weight for a U.S. GSE debt security).

2. The bank reports the repurchase agreement in item 16:
   a. The bank's $100 exposure to the repo counterparty, which is the fair value of the debt security transferred in the repo transaction, is the exposure amount to be reported in column A.
   b. The $100 credit equivalent amount of the bank's exposure to the repo counterparty will be reported in column B.
   c. Because the bank's exposure to the repo counterparty is fully collateralized by the $100 of cash received from the counterparty, the $100 credit equivalent amount of the repurchase agreement will be reported in column C–0% risk weight (which is the applicable risk weight for cash collateral).

		(Column A) Totals From Schedule RC	(Column B) Adjustments	(Column C) Allocation by Risk-Weight Category 0%	(Column G) 20%	(Column I) 100%	
2.b.	Available-for-sale securities	$100			$100		2.b.

		(Column A) Face, Notional, or Other Amount	(Column B) Credit Equivalent Amount	(Column C) Allocation by Risk-Weight Category 0%	(Column G) 20%	(Column I) 100%	
16.	Repo-style transactions	$100	$100	$100			16.

<u>Example 2: Security sold under an agreement to repurchase (repo) *not* fully collateralized by cash</u>

A bank has transferred an AFS debt security to a counterparty in a repo transaction that is accounted for as a secured borrowing on the bank's balance sheet. The bank received $98 in cash from the repo counterparty in this transaction. The amortized cost and the fair value of the AFS debt security are both $100 as of the report date.[21] The debt security is an exposure to a U.S. GSE that qualifies for a 20 percent risk weight. The repo counterparty is a company that would receive a 100 percent risk weight.

[20] See footnote 18.

[21] See footnote 18.

Part II. (cont.)

Item No. **Caption and Instructions**

16 (cont.) Calculation of risk-weighted assets for the transaction:

1. The bank continues to report the AFS GSE debt security as an asset on its balance sheet and to risk weight the security as an on-balance sheet asset at 20 percent:[22]
$100 x 20% = $20
2. The bank has a $100 exposure to the repo counterparty (the report date fair value of the security transferred to the counterparty) of which $98 is collateralized by the cash received from the counterparty. The bank risk weights the portion of its exposure to the repo counterparty that is collateralized by the cash received from the counterparty at zero percent: $98 x 0% = $0
3. The bank risk weights its $2 uncollateralized exposure to the repo counterparty using the risk weight applicable to the counterparty: $2 x 100% = $2

The total risk-weighted assets arising from the transaction: $22

The bank would report the transaction in Schedule RC-R, Part II, as follows:

1. The bank reports the AFS debt security in item 2.b:
   a. The $100 carrying value (i.e., the fair value) of the AFS debt security on the balance sheet will be reported in column A.[23]
   b. The $100 exposure amount of the AFS debt security will be reported in column G–20% risk weight (which is the applicable risk weight for a U.S. GSE debt security).

2. The bank reports the repurchase agreement in item 16:
   a. The bank's $100 exposure to the repo counterparty, which is the fair value of the debt security transferred in the repo transaction, is the exposure amount to be reported in column A.
   b. The $100 credit equivalent amount of the bank's exposure to the repo counterparty will be reported in column B.
   c. Because the bank's exposure to the repo counterparty is collateralized by the $98 of cash received from the counterparty, $98 of the $100 credit equivalent amount of the repurchase agreement will be reported in column C–0% risk weight (which is the applicable risk weight for cash collateral).
   d. The $2 uncollateralized exposure to the repo counterparty will be reported in column I–100% risk weight (which is the applicable risk weight for the repo counterparty).

		(Column A) Totals From Schedule RC	(Column B) Adjustments	(Column C)	(Column G)	(Column I)	
				Allocation by Risk-Weight Category			
				0%	20%	100%	
2.b.	Available-for-sale securities	$100			$100		2.b.
		(Column A) Face, Notional, or Other Amount	(Column B) Credit Equivalent Amount	(Column C)	(Column G)	(Column I)	
				Allocation by Risk-Weight Category			
				0%	20%	100%	
16.	Repo-style transactions	$100	$100	$98		$2	16.

[22] See footnote 18.

[23] See footnote 18.

Part II. (cont.)

Item No. **Caption and Instructions**

17 **All other off-balance sheet liabilities.** Report in column A:

- The notional amount of all other off-balance sheet liabilities reported in Schedule RC-L, item 9, that are covered by the regulatory capital rules,
- The face amount of risk participations in bankers acceptances that have been acquired by the reporting institution and are outstanding,
- The full amount of loans or other assets sold with credit-enhancing representations and warranties[24] that do not meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules,
- The notional amount of written option contracts that act as financial guarantees that do not meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules, and
- The notional amount of all forward agreements, which are defined as legally binding contractual obligations to purchase assets with certain drawdown at a specified future date, not including commitments to make residential mortgage loans or forward foreign exchange contracts.

However, exclude from column A:

- The amount of credit derivatives classified as trading assets that are subject to the market risk capital rule (report in Schedule RC-R, Part II, items 20 and 21, as appropriate),
- Credit derivatives purchased by the bank that are recognized as guarantees of an asset or off-balance sheet exposure under the regulatory capital rules, i.e., credit derivatives on which the bank is the beneficiary (report the guaranteed asset or exposure in Schedule RC-R, Part II, in the appropriate balance sheet or off-balance sheet category – e.g., item 5, “Loans and leases held for investment” – and in the risk-weight category applicable to the derivative counterparty – e.g., column G–20% risk weight – rather than the risk-weight category applicable to the obligor of the guaranteed asset), and
- The notional amount of standby letters of credit issued by another depository institution, a Federal Home Loan Bank, or any other entity on behalf of the reporting bank that are reported in Schedule RC-L, item 9, because these letters of credit are not covered by the regulatory capital rules.

- *In column B*, report 100 percent of the face amount, notional amount, or other amount reported in column A.

- *In column C–0% risk weight*, include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column G–20% risk weight*, include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

[24] The definition of *credit-enhancing representations and warranties* in §.2 of the regulatory capital rules states that such representations and warranties obligate an institution “to protect another party from losses arising from the credit risk of the underlying exposures” and “include provisions to protect a party from losses resulting from the default or nonperformance of the counterparties of the underlying exposures or from an insufficiency in the value of the collateral backing the underlying exposures.” Thus, when loans or other assets are sold “with recourse” and the recourse arrangement provides protection from losses as described in the preceding definition, the recourse arrangement constitutes a credit-enhancing representation and warranty.

Part II. (cont.)

Item No.	Caption and Instructions
17 (cont.)	• *In column H–50% risk weight*, include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

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Part II. (cont.)

Item No.	Caption and Instructions
17 (cont.)	• *In column I–100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through J. Include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 100 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above. • *In column J–150% risk weight*, include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 150 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above. • All other off-balance sheet liabilities that must be risk weighted according to the Country Risk Classification (CRC) methodology o *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk-weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include: o The credit equivalent amount of those other off-balance sheet liabilities described above in the instructions for column A of this item that represent exposures to foreign central banks and foreign banks.
18	**Unused commitments (exclude unused commitments to asset-backed commercial paper conduits).** Report in items 18.a and 18.b the amounts of unused commitments that are subject to the regulatory capital rules, excluding those that are unconditionally cancelable, which are to be reported in Schedule RC-R, Part II, item 19. Where a bank provides a commitment structured as a syndication or participation, the bank is only required to calculate the exposure amount for its pro rata share of the commitment. Exclude from items 18.a and 18.b any unused commitments that qualify as securitization exposures, as defined in §.2 of the regulatory capital rules, including eligible asset-backed commercial paper (ABCP) liquidity facilities. Unused commitments that are securitization exposures must be reported in Schedule RC-R, Part II, item 10, column A. Also exclude default fund contributions in the form of commitments made by a clearing member to a central counterparty's mutualized loss-sharing arrangement. Such default fund contributions must be reported (as a negative number) in Schedule RC-R, Part II, item 8, column B.
18.a	**Original maturity of one year or less.** Report in column A the unused portion of those unused commitments reported in Schedule RC-L, item 1, with an original maturity of one year or less that are subject to the regulatory capital rules. Under the regulatory capital rules, the unused portion of commitments (facilities) that are unconditionally cancelable (without cause) at any time by the bank have a zero percent credit conversion factor. The unused portion of such unconditionally cancelable commitments should be excluded from this item and reported in Schedule RC-R, Part II, item 19. For further information, see the instructions for item 19. "Original maturity" is defined as the length of time between the date a commitment is issued and the date of maturity, or the earliest date on which the bank (1) is scheduled to (and as a normal practice actually does) review the facility to determine whether or not it should be extended and (2) can unconditionally cancel the commitment.

Part II. (cont.)

Item No.	Caption and Instructions
18.a (cont.)	

- *In column B,* report 20 percent of the amount of unused commitments reported in column A.

- *In column C–0% risk weight*, include the credit equivalent amount of unused commitments to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column G–20% risk weight*, include the credit equivalent amount of unused commitments to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column H–50% risk weight*, include the credit equivalent amount of unused commitments to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column I–100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H, J, and R. Include the credit equivalent amount of unused commitments to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 100 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column J–150% risk weight,* include the credit equivalent amount of unused commitments to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 150 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of unused commitments that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of an unused commitment may not be less than 20 percent.
  - Include in column R the portion of unused commitments secured by the fair value of securitization exposure or mutual fund collateral as determined under the Simple Approach. In addition, the bank must apply the same approach to securitization exposure collateral – either the Simplified Supervisory Formula Approach or the Gross-Up Approach – that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule RC-R, Part II, items 9 and 10.
  - Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of unused commitments secured by such collateral. Any remaining portion of the unused commitment that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J, as appropriate.

Part II. (cont.)

Item No. **Caption and Instructions**

18.a (cont.) For further information, see the discussions of "Treatment of Collateral and Guarantees" and "Risk-Weighted Assets for Securitization Exposures" in the General Instructions for Schedule RC-R, Part II.

- Unused commitments with an original maturity of one year or less, excluding ABCP conduits, that must be risk weighted according to the Country Risk Classification (CRC) methodology
  - o *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk-weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include:
  - o The credit equivalent amount of those unused commitments described above in the instructions for column A of this item that represent exposures to foreign banks.

18.b **Original maturity exceeding one year.** Report in column A the unused portion of those commitments to make or purchase extensions of credit in the form of loans or participations in loans, lease financing receivables, or similar transactions reported in Schedule RC-L, item 1, that have an original maturity exceeding one year and are subject to the regulatory capital rules. Also report in column A the face amount of those commercial and similar letters of credit reported in Schedule RC-L, item 4, with an original maturity exceeding one year that do not meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules.

Under the regulatory capital rules, the unused portion of commitments (facilities) which are unconditionally cancelable (without cause) at any time by the bank (to the extent permitted under applicable law) have a zero percent credit conversion factor. The unused portion of such unconditionally cancelable commitments should be excluded from this item and reported in Schedule RC-R, Part II, item 19. For further information, see the instructions for item 19.

Also include in column A the unused portion of all revolving underwriting facilities and note issuance facilities, regardless of maturity.

In the case of consumer home equity or mortgage lines of credit secured by liens on 1-4 family residential properties, a bank is deemed able to unconditionally cancel the commitment if, at its option, it can prohibit additional extensions of credit, reduce the credit line, and terminate the commitment to the full extent permitted by relevant federal law. Retail credit cards and related plans, including overdraft checking plans and overdraft protection programs, are defined to be short-term commitments that should be converted at zero percent and excluded from this item 18.b if the bank has the unconditional right to cancel the line of credit at any time in accordance with applicable law.

For commitments providing for increases in the dollar amount of the commitment, the amount to be converted to an on-balance sheet credit equivalent amount and risk weighted is the maximum dollar amount that the bank is obligated to advance at any time during the life of the commitment. This includes seasonal commitments where the dollar amount of the

Part II. (cont.)

Item No. Caption and Instructions

18.b (cont.) commitment increases during the customer's peak business period. In addition, this risk-based capital treatment applies to long-term commitments that contain short-term options which, for a fee, allow the customer to increase the dollar amount of the commitment. Until the short-term option has expired, the reporting bank must convert and risk weight the amount which it is obligated to lend if the option is exercised. After the expiration of a short-term option which has not been exercised, the unused portion of the original amount of the commitment is to be used in the credit conversion process.

- *In column B*, report 50 percent of the amount of unused commitments and the face amount of commercial and similar letters of credit reported in column A. Note that unused commitments that qualify as securitization exposures as defined in §.2 of the regulatory capital rules should be reported as securitization exposures in Schedule RC-R, Part II, item 10.

- *In column C–0% risk weight,* include the credit equivalent amount of unused commitments and commercial and similar letters of credit to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column G–20% risk weight,* include the credit equivalent amount of unused commitments and commercial and similar letters of credit to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above. Include the credit equivalent amount of commitments that have been conveyed to U.S. depository institutions. Include the credit equivalent amount of those commercial and similar letters of credit reported in Schedule RC-L, item 4, with an original maturity exceeding one year that have been conveyed to U.S. depository institutions.

- *In column H–50% risk weight,* include the credit equivalent amount of unused commitments and commercial and similar letters of credit to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column I–100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H, J, and R. Also include the credit equivalent amount of unused commitments and commercial and similar letters of credit to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 100 percent risk-weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column J–150% risk weight,* include the credit equivalent amount of unused commitments and commercial and similar letters of credit to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 150 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of unused commitments that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual

Part II. (cont.)

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18.b (cont.)

fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of an unused commitment may not be less than 20 percent.

- Include in column R the portion of unused commitments secured by the fair value of securitization exposure or mutual fund collateral as determined under the Simple Approach. In addition, the bank must apply the same approach to securitization exposure collateral – either the Simplified Supervisory Formula Approach or the Gross-Up Approach – that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule RC-R, Part II, items 9 and 10.
- Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of unused commitments secured by such collateral. Any remaining portion of the unused commitment that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J, as appropriate.

For further information, see the discussions of "Treatment of Collateral and Guarantees" and "Risk-Weighted Assets for Securitization Exposures" in the General Instructions for Schedule RC-R, Part II.

- Unused commitments and commercial and similar letters of credit with an original maturity exceeding one year that must be risk weighted according to the Country Risk Classification (CRC) methodology
  - *In column C–0% risk weight; column G–20% risk weight; column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk-weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include:
  - The credit equivalent amount of those unused commitments described above in the instructions for column A of this item that represent exposures to foreign banks.
  - The credit equivalent amount of those commercial and similar letters of credit reported in Schedule RC-L, item 4, with an original maturity exceeding one year that have been conveyed to foreign banks.

19 **Unconditionally cancelable commitments.** Report the unused portion of those unconditionally cancelable commitments reported in Schedule RC-L, item 1, that are subject to the regulatory capital rules. The unused portion of commitments (facilities) that are unconditionally cancelable (without cause) at any time by the bank (to the extent permitted by applicable law) have a zero percent credit conversion factor. The bank should report the unused portion of such commitments in column A of this item and zero in column B of this item.

In the case of consumer home equity or mortgage lines of credit secured by liens on 1-4 family residential properties, a bank is deemed able to unconditionally cancel the commitment if, at its option, it can prohibit additional extensions of credit, reduce the credit line, and terminate the commitment to the full extent permitted by relevant federal law. Retail credit cards and related plans, including overdraft checking plans and overdraft protection programs, are defined to be short-term commitments that should be converted at zero percent and included in this item if the bank has the unconditional right to cancel the line of credit at any time in accordance with applicable law.

Part II. (cont.)

Item No. Caption and Instructions

20 **Over-the-counter derivatives.** Report in column B the credit equivalent amount of over-the-counter derivative contracts covered by the regulatory capital rules. As defined in §.2 of the regulatory capital rules, an *over-the-counter (OTC) derivative contract* is a derivative contract that is not a cleared transaction.[24a] Include OTC credit derivative contracts held for trading purposes and subject to the market risk capital rule. Include the client-facing leg of a derivative contract cleared through a central counterparty or a qualified central counterparty, which is to be reported as an over-the-counter derivative. Otherwise, d~~D~~o not include the credit equivalent amount of centrally cleared derivative contracts, which must be reported in Schedule RC-R, Part II, item 21. Do not include OTC derivative contracts that meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Schedule RC-R, Part II, item 10.

~~The~~ The credit equivalent amount of an OTC derivative contract to be reported in column B is determined under one of two methods, the current exposure method (CEM), as described in §.34(b) of the regulatory capital rules, or the standardized approach for counterparty credit risk (SA-CCR), as described in §.132(c) of the regulatory capital rules. Under the regulatory capital rules, a non-advanced approaches institution may elect to use CEM or SA-CCR to determine the credit equivalent amount of an OTC derivative contract, as of April 1, 2020. A non-advanced approaches institution must notify its appropriate federal banking supervisor before using SA-CCR. A non-advanced approaches institution must use the same methodology – CEM or SA-CCR – to calculate the exposure amount for all its derivative contracts, including centrally cleared derivative transactions, and may change its election only with the prior approval of its appropriate federal banking supervisor. An advanced approaches institution must use, as of January 1, 2022, SA-CCR to determine the credit equivalent amount of an OTC derivative contract. However, such an institution may elect to use SA-CCR to determine the credit equivalent amount of an OTC derivative contract, as of April 1, 2020, by notifying its appropriate federal banking supervisor.

	Noncleared derivative contracts	Cleared transactions framework	Default fund contributions
Advanced approaches institutions, advanced approaches total risk-weighted assets	Option to use SA-CCR or Internal Models Methodology	Must use the approach selected for purposes of noncleared derivative contracts	Must use SA-CCR
Advanced approaches institutions, standardized approach total risk-weighted assets	Must use SA-CCR	Must use SA-CCR	Must use SA-CCR
Non–advanced approaches institutions, standardized approach total risk-weighted assets	Option to use CEM or SA-CCR	Must use the approach selected for purposes of noncleared derivative contracts	Must use the approach selected for purposes of noncleared derivative contracts
Advanced approaches institutions, supplementary leverage ratio	Must use SA-CCR to determine the exposure amount of derivative contracts for total leverage exposure		
Institutions subject to Category III capital standards, supplementary leverage ratio	Option to use CEM or SA-CCR to determine the exposure amount of derivative contracts for total leverage exposure		

When using CEM, the credit equivalent amount of an OTC derivative contract to be reported in column B is the sum of its current credit exposure (as reported in Schedule RC-R, Part II, Memorandum item 1) plus the potential future exposure (PFE) over the remaining life of the derivative contract (regardless of its current credit exposure, if any), as described in §.34 of the regulatory capital rules. The current credit exposure of a derivative contract is (1) the fair value of the contract when that fair value is positive and (2) zero when the fair value of the contract is negative or zero. The PFE~~potential future credit exposure~~ of a derivative contract, which is based on the type of contract and the contract's remaining maturity, is determined by multiplying the notional principal amount of the contract by the appropriate conversion factor from the following chart.

The notional principal amounts of the reporting bank's OTC derivatives that are subject to the risk-based capital requirements are reported by remaining maturity in Schedule RC-R, Part II, Memorandum items 2.a through 2.g.

Remaining Maturity	Interest Rate	Foreign exchange rate and gold	Credit (investment grade reference assets)	Credit (non-investment grade reference assets)	Equity	Precious metals (except gold)	Other
One year or less	0.0%	1.0%	5.0%	10.0%	6.0%	7.0%	10.0%
Greater than one year & less than or equal to five years	0.5%	5.0%	5.0%	10.0%	8.0%	7.0%	12.0%
Greater than five years	1.5%	7.5%	5.0%	10.0%	10.0%	8.0%	15.0%

Under the banking agencies' regulatory capital rules and for purposes of Schedule RC-R, Part II, the existence of a legally enforceable bilateral netting agreement between the reporting bank and a counterparty may be taken into consideration when determining both the current credit exposure and the potential future exposure of derivative contracts. For further information on the treatment of bilateral netting agreements covering derivative contracts, refer to the instructions for Schedule RC-R, Part II, Memorandum item 1, and §.34 of the regulatory capital rules.

When assigning OTC derivative exposures to risk-weight categories, banks can recognize the risk-mitigating effects of financial collateral by using either the Simple Approach or the Collateral Haircut Approach, as described in §.37 of the regulatory capital rules.

When using SA-CCR, the credit equivalent amount of an OTC derivative contract to be reported in column B is the sum of its current credit exposure (as reported in Schedule RC-R, Part II, Memorandum item 1) plus the potential future exposure over the remaining life of the derivative contract (regardless of its current credit exposure, if any), as described in §.133 of the regulatory capital rules. When using SA-CCR, a bank should use the value of the replacement cost amount for its current credit exposure.

[24a] An OTC derivative includes a transaction:
(1) Between an institution that is a clearing member and a counterparty where the institution is acting as a financial intermediary and enters into a cleared transaction with a central counterparty (CCP) that offsets the transaction with the counterparty; or
(2) In which an institution that is a clearing member provides a CCP a guarantee on the performance of the counterparty to the transaction.

Under SA-CCR, the determination of the replacement cost depends on whether the counterparty to a bank is required to post variation margin. The replacement cost for a netting set that is not subject to a variation margin agreement is equal to the greater of (1) the sum of the fair values (after excluding any valuation adjustments) of the derivative contracts within the netting set, less the net independent collateral amount applicable to such derivative contracts, or (2) zero. For a netting set that is subject to a variation margin agreement where the counterparty is required to post variation margin, replacement cost is equal to the greater of (1) the sum of the fair values (after excluding any valuation adjustments) of the derivative contracts within the netting set, less the sum of the net independent collateral amount and the variation margin amount applicable to such derivative contracts; (2) the sum of the variation margin threshold and the minimum transfer amount applicable to the derivative contracts within the netting set, less the net independent collateral amount applicable to such derivative contracts; or (3) zero. The SA-CCR PFE is equal to the product of the PFE multiplier and the aggregated amount. To determine the aggregated amount, a bank is required to determine the hedging set amounts for the derivative contracts within a netting set, where a hedging set is comprised of derivative contracts that share similar risk factors based on asset class (e.g., interest rate, exchange rate, credit, equity, and commodity).

Part II. (cont.)

Item No.	Caption and Instructions

20 (cont.)

- *In column C–0% risk weight,* include the credit equivalent amount of OTC derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above. This includes OTC derivative contracts that are marked-to-market on a daily basis and subject to a daily margin maintenance requirement, to the extent the contracts are collateralized by cash on deposit at the reporting institution.

- *In column F–10% risk weight,* include the credit equivalent amount of OTC derivative contracts that are marked-to-market on a daily basis and subject to a daily margin maintenance requirement, to the extent the contracts are collateralized by a sovereign exposure that qualifies for a zero percent risk weight under §.32 of the regulatory capital rules.

- *In column G–20% risk weight,* include the credit equivalent amount of OTC derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column H–50% risk weight,* include the credit equivalent amount of OTC derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column I–100% risk weight,* include the credit equivalent amount of OTC derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 100 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above. Also include the portion of the credit equivalent amount reported in column B that is not included in columns C through H, J, and R.

- *In column J–150% risk weight,* include the credit equivalent amount of OTC derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 150 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of OTC derivative contracts that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach or the Collateral Haircut Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the OTC derivative exposure may not be less than 20 percent.
  - o Include in column R the portion of OTC derivative contracts secured by the fair value or adjusted fair value of securitization exposure or mutual fund collateral as determined under the Simple Approach or the Collateral Haircut Approach, respectively; however, the bank must apply the same approach for all OTC derivative contracts. In addition, if the bank applies the Simple Approach, it must apply the same approach – either the Simplified Supervisory Formula Approach or the

Part II. (cont.)

Item No. **Caption and Instructions**

20 (cont.)

Gross-Up Approach – that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule RC-R, Part II, items 9 and 10.

- Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of OTC derivative contracts secured by such collateral. Any remaining portion of the OTC derivative exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J, as appropriate.

For further information, see the discussions of "Treatment of Collateral and Guarantees" and "Risk-Weighted Assets for Securitization Exposures" in the General Instructions for Schedule RC-R, Part II.

21 **Centrally cleared derivatives.** Report in column B the credit equivalent amount of centrally cleared derivative contracts covered by the regulatory capital rules. As described in §.2 of the regulatory capital rules, a centrally cleared derivative contract is an exposure associated with an outstanding derivative contract that an institution, or an institution that is a clearing member has entered into with a central counterparty (CCP), that is, a transaction that a CCP has accepted. Include centrally cleared credit derivative contracts held for trading purposes ~~and~~that are subject to the market risk capital rule and meet the operational requirements for counterparty credit risk in §.3 of the regulatory capital rules. However, do not include the client-facing leg of a derivative contract cleared through a CCP or a qualified CCP, which is to be reported as an over-the-counter derivative in Schedule RC-R, Part II, item 20. For information on the regulatory capital treatment of settled-to-market contracts, see the discussion of "Treatment of Certain Centrally Cleared Derivative Contracts" in the General Instructions for Schedule RC-R,
Part II.

Do not include the credit equivalent amount of over-the-counter derivative contracts; which must be reported in Schedule RC-R, Part II, item 20. Do not include centrally cleared derivative contracts that meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Schedule RC-R, Part II, item 10.

The credit equivalent amount of a centrally cleared derivative contract to be reported in column B is determined under either §.35 or §.133 of the regulatory capital rules. Under the regulatory capital rules, a non-advanced approaches institution that elects to calculate the exposure amount for its OTC derivative contracts using the standardized approach for counterparty credit risk (SA-CCR), as described in §.132(c), must apply the treatment of cleared transactions under §.133 to its derivative contracts that are cleared transactions and to all default fund contributions associated with such derivative contracts, rather than applying §.35. A non-advanced approaches institution must use the same methodology – the current exposure method (CEM) or SA-CCR – to calculate the exposure amount for all its derivative contracts and may change its election only with the prior approval of its appropriate federal banking supervisor. An advanced approaches institution must apply the treatment of cleared transactions under §.133 of the regulatory capital rules to its derivative contracts that are cleared transactions and to all default fund contributions associated with such derivative contracts.

When using CEM, the credit equivalent amount of a centrally cleared derivative contract is the sum of its current credit exposure (as reported in Schedule RC-R, Memorandum item 1), plus the potential future exposure (PFE) over the remaining life of the derivative contract, plus the fair value of collateral posted by the clearing member client bank and held by the CCP or a clearing member in a manner that is not bankruptcy remote. The current credit exposure of a derivative contract is (1) the fair value of the contract when that fair value is positive and (2) zero when the fair value of the contract is negative or zero. The ~~potential future credit exposure~~PFE of a derivative contract, which is based on the type of contract and the contract's remaining maturity, is determined by multiplying the notional principal amount of the contract by the appropriate conversion factor from the following chart.

The notional principal amounts of the reporting bank's centrally cleared derivatives that are subject to the risk-based capital requirements are reported by remaining maturity in Schedule RC-R, Part II, Memorandum items 3.a through 3.g.

Remaining Maturity	Interest Rate	Foreign exchange rate and gold	Credit (investment grade reference assets)	Credit (non-investment grade reference assets)	Equity	Precious metals (except gold)	Other
One year or less	0.0%	1.0%	5.0%	10.0%	6.0%	7.0%	10.0%
Greater than one year & less than or equal to five years	0.5%	5.0%	5.0%	10.0%	8.0%	7.0%	12.0%
Greater than five years	1.5%	7.5%	5.0%	10.0%	10.0%	8.0%	15.0%

When using SA-CCR, the credit equivalent amount of a centrally cleared derivative contract is the sum of its current credit exposure (as reported in Schedule RC-R, Memorandum item 1), plus the PFE over the remaining life of the derivative contract, plus the fair value of collateral posted by the clearing member client bank and held by the CCP or a clearing member in a manner that is not bankruptcy remote. When using SA-CCR, a bank should use the value of the replacement cost amount for its current credit exposure.

Under SA-CCR, the determination of the replacement cost depends on whether the counterparty to a bank is required to post variation margin. The replacement cost for a netting set that is not subject to a variation margin agreement is equal to the greater of (1) the sum of the fair values (after excluding any valuation adjustments) of the derivative contracts within the netting set, less the net independent collateral amount applicable to such derivative contracts, or (2) zero. For a netting set that is subject to a variation margin agreement where the counterparty is required to post variation margin, replacement cost is equal to the greater of (1) the sum of the fair values (after excluding any valuation adjustments) of the derivative contracts within the netting set, less the sum of the net independent collateral amount and the variation margin amount applicable to such derivative contracts; (2) the sum of the variation margin threshold and the minimum transfer amount applicable to the derivative contracts within the netting set, less the net independent collateral amount applicable to such derivative contracts; or (3) zero. The SA-CCR PFE is equal to the product of the PFE multiplier and the aggregated amount. To determine the aggregated amount, a bank is required to determine the hedging set amounts for the derivative contracts within a netting set, where a hedging set is comprised of derivative contracts that share similar risk factors based on asset class (e.g., interest rate, exchange rate, credit, equity, and commodity).

When using the SA-CCR method, a bank may elect to treat settled-to-market derivative contracts as subject to a variation margin agreement and receive the benefits of netting with collateralized-to-market derivative contracts. If a bank elects to treat settled-to-market derivative contracts as subject to a variation margin agreement, it must apply the maturity factor to such contracts under §.132(c)(9)(iv)(A) of the regulatory capital rules. The maturity factor of a derivative contract that is subject to a variation margin agreement, excluding derivative contracts that are subject to a variation margin agreement under which the counterparty is not required to post variation margin, is determined by the following formula:

$$\text{Maturity factor} = \frac{3}{2}\sqrt{\frac{MPOR}{250}},$$

where MPOR refers to the period from the most recent exchange of collateral under a variation margin agreement with a defaulting counterparty until the derivative contracts are closed out and the resulting market risk is re-hedged.

Part II. (cont.)

Item No. **Caption and Instructions**

21 (cont.)

- *In column C–0% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with CCPs and other counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk-weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column D–2% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with Qualified Central Counterparties (QCCPs) where the collateral posted by the bank to the QCCP or clearing member is subject to an arrangement that prevents any losses to the clearing member client due to the joint default or a concurrent insolvency, liquidation, or receivership proceeding of the clearing member and any other clearing member clients of the clearing member; and the clearing member client bank has conducted sufficient legal review to conclude with a well-founded basis (and maintains sufficient written documentation of that legal review) that in the event of a legal challenge (including one resulting from default or from liquidation, insolvency, or receivership proceeding) the relevant court and administrative authorities would find the arrangements to be legal, valid, binding, and enforceable under the law of the relevant jurisdictions. See the definition of QCCP in §.2 of the regulatory capital rules.

- *In column E–4% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with QCCPs in all other cases that do not meet the qualification criteria for a 2 percent risk weight, as described in §.2 of the regulatory capital rules.

- *In column G–20% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with CCPs and other counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk-weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column H–50% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with CCPs and other counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk-weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column I–100% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with CCPs and other counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 100 percent risk-weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above. Also include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J.

- *In column J–150% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with CCPs and other counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 150 percent risk-weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

Part II. (cont.)

Item No. Caption and Instructions

22 **Unsettled transactions (failed trades).** NOTE: This item includes unsettled transactions in the reporting bank's trading book and in its banking book. Report as unsettled transactions all on- and off-balance sheet transactions involving securities, foreign exchange instruments, and commodities that have a risk of delayed settlement or delivery, or are already delayed, and against which the reporting bank must hold risk-based capital as described in §.38 of the regulatory capital rules.

For delivery-versus-payment (DvP) transactions[25] and payment-versus-payment (PvP) transactions,[26] report in column A the positive current exposure of those unsettled transactions with a normal settlement period in which the reporting bank's counterparty has not made delivery or payment within five business days after the settlement date, which are the DvP and PvP transactions subject to risk weighting under §.38 of the regulatory capital rules. Positive current exposure is equal to the difference between the transaction value at the agreed settlement price and the current market price of the transaction, if the difference results in a credit exposure of the bank to the counterparty.

For delayed non-DvP/non-PvP transactions,[27] also include in column A the current fair value of the deliverables owed to the bank by the counterparty in those transactions with a normal settlement period in which the reporting bank has delivered cash, securities, commodities, or currencies to its counterparty, but has not received its corresponding deliverables, which are the non-DvP/non-PvP transactions subject to risk weighting under §.38 of the regulatory capital rules.

Do not include in this item: (1) cleared transactions that are marked-to-market daily and subject to daily receipt and payment of variation margin; (2) repo-style transactions, including unsettled repo-style transactions; (3) one-way cash payments on over-the-counter derivatives; and (4) transactions with a contractual settlement period that is longer than the normal settlement period (generally greater than 5 business days).

- *In column C–0% risk weight,* include the fair value of deliverables owed to the bank by a counterparty that qualifies for a zero percent risk weight under §.32 of the regulatory capital rules that have been delayed one to four business days for non-DvP/non-PvP transactions.
- *In column G–20% risk weight,* include the fair value of deliverables owed to the bank by a counterparty that qualifies for a 20 percent risk weight under §.32 of the regulatory capital rules that have been delayed one to four business days for non-DvP/non-PvP transactions.
- *In column H–50% risk weight,* include the fair value of deliverables owed to the bank by a counterparty that qualifies for a 50 percent risk weight under §.32 of the regulatory capital rules that have been delayed one to four business days for non-DvP/non-PvP transactions.

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[25] DvP transaction means a securities or commodities transaction in which the buyer is obligated to make payment only if the seller has made delivery of the securities or commodities and the seller is obligated to deliver the securities or commodities only if the buyer has made payment.

[26] PvP transaction means a foreign exchange transaction in which each counterparty is obligated to make a final transfer of one or more currencies only if the other counterparty has made a final transfer of one or more currencies.

[27] Non-DvP/non-PvP transaction means any other delayed or unsettled transaction that does not meet the definition of a DvP or a PvP transaction.

Part II. (cont.)

Item No.	Caption and Instructions
22 (cont.)	• *In column I–100% risk weight,* include: ○ The fair value of deliverables owed to the bank by a counterparty that qualifies for a 100 percent risk weight under §.32 of the regulatory capital rules that have been delayed one to four business days for non-DvP/non-PvP transactions. o The positive current exposure of DvP and PvP transactions in which the counterparty has not made delivery or payment within 5 to 15 business days after the contractual settlement date. • *In column J–150% risk weight,* include the fair value of deliverables owed to the bank by a counterparty that qualifies for a 150 percent risk weight under §.32 of the regulatory capital rules that have been delayed one to four business days for non-DvP/non-PvP transactions. • *In column O–625% risk weight*, include the positive current exposure of DvP and PvP transactions in which the counterparty has not made delivery or payment within 16 to 30 business days after the contractual settlement date. • *In column P–937.5% risk weight*, include the positive current exposure of DvP and PvP transactions in which the counterparty has not made delivery or payment within 31 to 45 business days after the contractual settlement date. • *In column Q–1250% risk weight,* include: ○ The positive current exposure of DvP and PvP transactions in which the counterparty has not made delivery or payment within 46 or more business days after the contractual settlement date. o The fair value of the deliverables in Non-DvP/non-PvP transactions in which the bank has not received deliverables from the counterparty five or more business days after which the delivery was due.

Part II. (cont.)

Totals

Item No. **Caption and Instructions**

23 **Total assets, derivatives, off-balance sheet items, and other items subject to risk weighting by risk weight category.** For each of columns C through P, report the sum of items 11 through 22. For column Q, report the sum of items 10 through 22.

24 **Risk weight factor.**

25 **Risk-weighted assets by risk weight category.** For each of columns C through Q, multiply the amount in item 23 by the risk weight factor specified for that column in item 24.

26 **Risk-weighted assets base for purposes of calculating the allowance for loan and lease losses 1.25 percent threshold.** Report the sum of:

- Schedule RC-R, Part II:
  - Items 2.b through 20, column S,
  - Items 9.a, 9.b, 9.c, 9.d, and 10, columns T and U, and
  - Item 25, columns C through Q
- Schedule RC-R, Part I:
  - The portion of item 10.b composed of "Investments in the institution's own shares to the extent not excluded as part of treasury stock,"
  - The portion of item 10.b composed of "Reciprocal cross-holdings in the capital of financial institutions in the form of common stock,"
  - ~~Items 11 and 13 through 16,~~
  - Item 11,
  - Items 13 through 15 on the FFIEC 041; items 13.a, 14.a, and 15.a on the FFIEC 031 for non-advanced approaches institutions; items 13.b, 14.b, 15.b, and 16 for advanced approaches institutions,
  - Item 24, excluding the portion of item 24 composed of tier 2 capital deductions reported in Part I, item ~~33~~45, for which the institution does not have a sufficient amount of tier 2 capital before deductions reported in Part I, item ~~32.a~~44 on the FFIEC 041; item 44.a on the FFIEC 031, to absorb these deductions, and
  - Item ~~33~~45.

For institutions that have adopted the current expected credit losses methodology (CECL), the risk-weighted assets base reported in this item 26 is for purposes of calculating the adjusted allowances for credit losses (AACL) 1.25 percent threshold.

NOTE: Item 27 is applicable only to banks that are subject to the market risk capital rule.

27 **Standardized market risk-weighted assets.** Report the amount of the bank's standardized market risk-weighted assets. This item is applicable only to those banks covered by Subpart F of the regulatory capital rules (i.e., the market risk capital rule), as provided in §.201 of the regulatory capital rules.

A bank's measure for market risk for its covered positions is the sum of its value-at-risk (VaR)-based, stressed VaR-based, incremental risk, and comprehensive risk capital requirements plus its specific risk add-ons and any capital requirement for de minimis exposures. A bank's market risk-weighted assets equal its measure for market risk multiplied by 12.5 (the reciprocal of the minimum 8.0 percent capital ratio).

A covered position is a trading asset or trading liability (whether on- or off-balance sheet), as reported on Schedule RC-D, that is held for any of the following reasons:

(1) For the purpose of short-term resale;
(2) With the intent of benefiting from actual or expected short-term price movements;
(3) To lock in arbitrage profits; or
(4) To hedge another covered position.

Part II. (cont.)

Item No.	**Caption and Instructions**
27 (cont.)	Additionally, the trading asset or trading liability must be free of any restrictive covenants on its tradability or the bank must be able to hedge the material risk elements of the trading asset or trading liability in a two-way market. A covered position also includes a foreign exchange or commodity position, regardless of whether the position is a trading asset or trading liability (excluding structural foreign currency positions if supervisory approval has been granted to exclude such positions). A covered position does not include: (1) An intangible asset (including any servicing asset); (2) A hedge of a trading position that is outside the scope of the bank's hedging strategy; (3) Any position that, in form or substance, acts as a liquidity facility that provides support to asset-backed commercial paper; (4) A credit derivative recognized as a guarantee for risk-weighted asset calculation purposes under the regulatory capital rules for credit risk; (5) An equity position that is not publicly traded (other than a derivative that references a publicly traded equity); (6) A position held with the intent to securitize; or (7) A direct real estate holding.
28	**Risk-weighted assets before deductions for excess allowance for loan and lease losses and allocated transfer risk reserve.** Report the sum of items 2.b through 20, column S; items 9.a, 9.b, 9.c, 9.d, and 10, columns T and U; item 25, columns C through Q; and, if applicable, item 27. (Item 27 is applicable only to banks that are subject to the market risk capital rule.) For institutions that have adopted the current expected credit losses methodology (CECL), the risk-weighted assets reported in this item 28 represents the amount of risk-weighted assets before deductions for excess adjusted allowances for credit losses (AACL) and allocated transfer risk reserve.
29	**LESS: Excess allowance for loan and lease losses.** Report the amount, if any, by which the bank's allowance for loan and lease losses (ALLL) or adjusted allowances for credit losses (AACL), as applicable, for regulatory capital purposes exceeds 1.25 percent of the bank's risk-weighted assets base reported in Schedule RC-R, Part II, item 26. For an institution that has not adopted the current expected credit losses methodology (CECL), the institution's ALLL for regulatory capital purposes equals Schedule RC, item 4.c, "Allowance for loan and lease losses," less any allocated transfer risk reserve included in Schedule RC, item 4.c, plus Schedule RC-G, item 3, "Allowance for credit losses on off-balance sheet credit exposures." If an institution's ALLL for regulatory capital purposes, as defined in the preceding sentence, exceeds 1.25 percent of Schedule RC-R, Part II, item 26, the amount to be reported in this item equals the institution's ALLL for regulatory capital purposes less Schedule RC-R, Part I, item ~~30.a~~42 on the FFIEC 041; item 42.a on the FFIEC 031, "Allowance for loan and lease losses includable in tier 2 capital." For an institution that has adopted CECL, the institution's AACL for regulatory capital purposes equals Schedule RI-B, Part II, item 7, columns A and B, "Balance end of current period" for loans and leases held for investment and held-to-maturity debt securities, respectively; plus Schedule RI-B, Part II, Memorandum item 6, "Allowance for credit losses on other financial assets measured at amortized cost (not included in item 7, above)"; less Schedule RC-R, Part II, sum of Memorandum items 4.a, 4.b, and 4.c, "Amount of

Part II. (cont.)

Item No. **Caption and Instructions**

29 (cont.) allowances for credit losses on purchased credit-deteriorated assets" for loans and leases held for investment, held-to-maturity debt securities, and other financial assets measured at amortized cost, respectively; less any allocated transfer risk reserve included in Schedule RI-B, Part II, item 7, columns A and B, and Memorandum item 6; plus Schedule RC-G, item 3, ''Allowance for credit losses on off-balance sheet credit exposures.''

For an institution that has not adopted CECL, the sum of the amounts reported in Schedule RC-R, Part I, item ~~30~~42 on the FFIEC 041; item 42.a on the FFIEC 031, and Schedule RC-R, Part II, item 29, must equal Schedule RC, item 4.c, less any allocated transfer risk reserve included in Schedule RC, item 4.c, plus Schedule RC-G, item 3.

30 **LESS: Allocated transfer risk reserve.** Report the entire amount of any allocated transfer risk reserve (ATRR) the reporting bank is required to establish and maintain as specified in Section 905(a) of the International Lending Supervision Act of 1983, in the agency regulations implementing the Act (Subpart D of Federal Reserve Regulation K, Part 347 of the FDIC's Rules and Regulations, and 12 CFR Part 28, Subpart C (OCC)), and in any guidelines, letters, or instructions issued by the agencies. The entire amount of the ATRR equals the ATRR related to loans and leases held for investment (which is reported in Schedule RI-B, Part II, Memorandum item 1) plus the ATRR for assets other than loans and leases held for investment.

31 **Total risk-weighted assets.** Report the amount derived by subtracting items 29 and 30 from item 28.

Part II. (cont.)

Memoranda

Item No.	Caption and Instructions

1 **Current credit exposure across all derivative contracts covered by the regulatory capital rules.** Report the total current credit exposure amount when using the current exposure method (CEM) or replacement cost amount when using the standardized approach for counterparty credit risk (SA-CCR) after considering applicable legally enforceable bilateral netting agreements for all ~~interest rate, foreign exchange rate, gold, credit (investment grade reference assets), credit (non-investment grade reference assets), equity, precious metals (except gold), and other~~ derivative contracts that are over-the-counter derivative contracts (as defined in §.2 of the regulatory capital rules) ~~or~~and all derivative contracts that are cleared transactions (as described in §.2 of the regulatory capital rules) and are covered by §.34 ~~and~~, §.35, §.132, and §.133 of the regulatory capital rules, ~~respectively~~as applicable. Banks that are subject to the market risk capital rule should exclude all covered positions subject to that rule, except for foreign exchange derivatives that are outside of the trading account. Foreign exchange derivatives that are outside of the trading account and all over-the-counter derivatives continue to have a counterparty credit risk capital charge and, therefore, a current credit exposure amount for these derivatives should be reported in this item.

Include the current credit exposure arising from credit derivative contracts where the bank is the protection purchaser (beneficiary) and the credit derivative contract is either (a) defined as a covered position under the market risk capital rule or (b) not defined as a covered position under the market risk capital rule and not recognized as a guarantee for regulatory capital purposes.

As discussed further below, current credit exposure (sometimes referred to as the replacement cost) is the fair value of a derivative contract when that fair value is positive. The current credit exposure is zero when the fair value is negative or zero.

Exclude the positive fair value of derivative contracts that are neither over-the-counter derivative contracts nor derivative contracts that are cleared transactions under §.2 of the regulatory capital rules. Such derivative contracts include written option contracts, including so-called "derivative loan commitments," i.e., a lender's commitment to originate a mortgage loan that will be held for resale. Written option contracts that are, in substance, financial guarantees, are discussed below. For "derivative loan commitments," which are reported as over-the-counter written option contracts in Schedule RC-L, if the fair value of such a commitment is positive and reported as an asset in Schedule RC, item 11, this positive fair value should be reported in the appropriate risk-weight category in Schedule RC-R, Part II, item 8, and not as a component of the current credit exposure to be reported in this item.

Purchased options held by the reporting bank that are traded on an exchange are covered by the regulatory capital rules unless such options are subject to a daily variation margin. Variation margin is defined as the gain or loss on open positions, calculated by marking to market at the end of each trading day. Such gain or loss is credited or debited by the clearing house to each clearing member's account, and by members to their customers' accounts.

If a written option contract acts as a financial guarantee that does not meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules, then for risk-based capital purposes the notional amount of the option should be included in Schedule RC-R, Part II, item 17, column A, as part of "All other off-balance sheet liabilities." An example of such a contract occurs when the reporting bank writes a put option to a second bank that has a loan to a third party. The strike price would be the equivalent of the par value of the loan. If the credit quality of the loan deteriorates, thereby reducing the value of the loan to the second bank, the reporting bank would be required by the second bank to take the loan onto its books.

Part II. (cont.)

Memoranda

Item No.	Caption and Instructions
1 (cont.)	Do not include derivative contracts that meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Schedule RC-R, Part II, item 10. Current credit exposure, when using CEM, or replacement cost, when using SA-CCR, should be derived as follows: Determine whether a qualifying master netting agreement, as defined in §.2 of the regulatory capital rules, is in place between the reporting bank and a counterparty. If such an agreement is in place, the fair values of all applicable derivative contracts with that counterparty that are included in the netting agreement are netted to a single amount. Next, for all other derivative contracts covered by the regulatory capital rules that have positive fair values, the total of the positive fair values is determined. Then, report in this item the sum of (i) the net positive fair values of applicable derivative contracts subject to qualifying master netting agreements and (ii) the total positive fair values of all other contracts covered by the regulatory capital rules for both OTC and centrally cleared contracts. The current credit exposure reported in this item is a component of the credit equivalent amount of derivative contracts that is to be reported in Schedule RC-R, items 20 or 21, column B, depending on whether the contracts are centrally cleared.
2	**Notional principal amounts of over-the-counter derivative contracts.** Report in the appropriate subitem and column the notional amount or par value of all over-the-counter (OTC) derivative contracts, including credit derivatives, that are subject to §.34 or §.132 of the regulatory capital rules.[28] Such contracts include swaps, forwards, and purchased options. Do not include OTC derivative contracts that meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Schedule RC-R, Part II, item 10. Report notional amounts and par values in the column corresponding to the OTC derivative contract's remaining term to maturity from the report date. Remaining maturities are to be reported as (1) one year or less in column A, (2) over one year through five years in column B, or (3) over five years in column C. Regardless of whether an institution uses the standardized approach for counterparty credit risk (SA-CCR) or the current exposure methodology (CEM) to calculate exposure amounts for its derivative contracts, report in Memorandum items 2.a through 2.g the notional amounts of the contracts, as this term is defined in U.S. generally accepted accounting principles, unless a derivative contract has a multiplier component as discussed in the following paragraph. The notional amount or par value to be reported under SA-CCR and CEM for an OTC derivative contract with a multiplier component is the contract's effective notional amount or par value. (For example, a swap contract with a stated notional amount of $1,000,000 whose terms call for quarterly settlement of the difference between 5 percent and LIBOR multiplied by 10 has an effective notional amount of $10,000,000.) The notional amount to be reported under SA-CCR and CEM for an amortizing OTC derivative contract is the contract's current (or, if appropriate, effective) notional amount. This

[28] See the instructions for Schedule RC-R, Part II, item 20, for the definition of an OTC derivative contract.

notional amount should be reported in the column corresponding to the contract's remaining term to final maturity.

For descriptions of "interest rate contracts," "foreign exchange contracts," "commodity and other contracts," and "equity derivative contracts," refer to the instructions for Schedule RC-L, item 12. For a description of “credit derivative contracts,” refer to the instructions for Schedule RC-L, item 7.

Exclude from this item the notional amount of OTC written option contracts, including so-called “derivative loan commitments,” which are not subject to §.34 of the regulatory capital rules.

When using SA-CCR, include gold in the metals category for Memorandum item 2.f and exclude gold from the exchange rate category for Memorandum item 2.b.

When using SA-CCR, a bank may elect to treat a credit or equity derivative contract that references an index as if it were multiple derivative contracts each referencing one component of the index. Thus, under this election, a banking organization would apply the SA-CCR methodology to each decomposed component of the index instead of applying the SA-CCR methodology to the index derivative contract.

When using SA-CCR, a bank may elect to treat a commodity derivative contract that references an index as if it were multiple derivative contracts each referencing one component of the index.

Part II. (cont.)

Memoranda

Item No. Caption and Instructions

3 **Notional principal amounts of centrally cleared derivative contracts.** Report in the appropriate subitem and column the notional amount or par value of all derivative contracts, including credit derivatives, that are cleared transactions (as described in §.2 of the regulatory capital rules) and are subject to §.35 or §.133 of the regulatory capital rules.[29] Such centrally cleared derivative contracts include swaps, forwards, and purchased options. Do not include centrally cleared derivative contracts that meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Schedule RC-R, Part II, item 10. Report notional amounts and par values in the column corresponding to the centrally cleared derivative contract's remaining term to maturity from the report date. Remaining maturities are to be reported as (1) one year or less in column A, (2) over one year through five years in column B, or (3) over five years in column C.

Regardless of whether an institution uses the standardized approach for counterparty credit risk (SA-CCR) or the current exposure methodology (CEM) to calculate exposure amounts for its derivative contracts, report in Memorandum items 3.a through 3.g the notional amounts of the contracts, as this term is defined in U.S. generally accepted accounting principles, unless a derivative contract has a multiplier component as discussed in the following paragraph.

The notional amount or par value to be reported under SA-CCR and CEM for a centrally cleared derivative contract with a multiplier component is the contract's effective notional amount or par value. (For example, a swap contract with a stated notional amount of $1,000,000 whose terms call for quarterly settlement of the difference between 5 percent and LIBOR multiplied by 10 has an effective notional amount of $10,000,000.)

The notional amount to be reported under SA-CCR and CEM for an amortizing centrally cleared derivative contract is the contract's current (or, if appropriate, effective) notional amount. This notional amount should be reported in the column corresponding to the contract's remaining term to final maturity.

For purposes of reporting remaining maturities in Memorandum items 3.a through 3.g, settled-to-market cleared derivatives should be treated in the following manner:

- When an institution uses CEM for risk-based capital purposes, if a cleared derivative contract meets the settled-to-market cleared derivative criteria in the banking agencies' August 2017 supervisory guidance on the regulatory capital treatment of certain centrally cleared derivative contracts,[30] the remaining maturity equals the time until the next exchange of variation margin on the contract.
- When an institution uses SA-CCR, if a cleared derivative contract meets the settled-to-market cleared derivative criteria in the banking agencies' August 2017 supervisory guidance on the regulatory capital treatment of certain centrally cleared derivative

[29] See the instructions for Schedule RC-R, Part II, item 21, for the description of derivative contracts that are cleared transactions, referred to hereafter as centrally cleared derivative contracts.

[30] For information on the settled-to-market cleared derivative criteria that are to be met, refer also to the discussion of "Treatment of Certain Centrally Cleared Derivative Contracts" in the General Instructions for Schedule RC-R, Part II.

contracts,[31] the remaining maturity equals the time until the next exchange of variation margin on the contract. However, if the institution elects to treat such a settled-to-market cleared derivative as a collateralized-to-market cleared derivative, the remaining maturity of the derivative should be determined as E – S, where E is the number of business days from the present day (i.e., the report date) until the end date of the derivative contract and S is the number of business days from the present day until the start date of the derivative contract.

For descriptions of "interest rate contracts," "foreign exchange contracts," "commodity and other contracts," and "equity derivative contracts," refer to the instructions for Schedule RC-L, item 12. For a description of “credit derivative contracts,” refer to the instructions for Schedule RC-L, item 7.

When using SA-CCR, include gold in the precious metals category for Memorandum item 3.f and exclude gold from the foreign exchange rate category for Memorandum item 3.b.

When using SA-CCR, a bank may elect to treat a credit or equity derivative contract that references an index as if it were multiple derivative contracts each referencing one component of the index. Thus, under this election, a banking organization would apply the SA-CCR methodology to each decomposed component of the index instead of applying the SA-CCR methodology to the index derivative contract. A bank must allocate the notional amount in the same category that it elected for purposes of applying the regulatory capital rules.

When using SA-CCR, a bank may elect to treat a commodity derivative contract that references an index as if it were multiple derivative contracts each referencing one component of the index. A bank must allocate the notional amount in the same category that it elected for purposes of applying the regulatory capital rules.

2.a and 3.a **Interest rate.** Report the remaining maturities of interest rate contracts that are subject to the regulatory capital rules.

2.b and 3.b **Foreign exchange rate and gold.** Report the remaining maturities of foreign exchange contracts and the remaining maturities of gold contracts that are subject to the regulatory capital rules.

2.c and 3.c **Credit (investment grade reference asset).** Report the remaining maturities of those credit derivative contracts where the reference entity meets the definition of investment grade as described in §.2 of the regulatory capital rules.

2.d and 3.d **Credit (non-investment grade reference asset).** Report the remaining maturities of those credit derivative contracts where the reference entity does not meet the definition of investment grade as described in §.2 of the regulatory capital rules.

2.e and 3.e **Equity.** Report the remaining maturities of equity derivative contracts that are subject to the regulatory capital rules.

[31] See footnote 30.

Part II. (cont.)

Memoranda

Item No.	Caption and Instructions
2.f and 3.f	**Precious metals (except gold).** Report the remaining maturities of other precious metals contracts that are subject to the regulatory capital rules. Report all silver, platinum, and palladium contracts.
2.g and 3.g	**Other.** Report the remaining maturities of other derivative contracts that are subject to the regulatory capital rules. For contracts with multiple exchanges of principal, notional amount is determined by multiplying the contractual amount by the number of remaining payments (i.e., exchanges of principal) in the derivative contract.

NOTE: Memorandum items 4.a through 4.c should be completed only by institutions that have adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses. Institutions that have not adopted ASU 2016-13 should leave Memorandum items 4.a through 4.c blank.

4 **Amount of allowances for credit losses on purchased credit-deteriorated assets.**
ASU 2016-13 introduces the concept of purchased credit-deteriorated (PCD) assets as a replacement for purchased credit-impaired (PCI) assets. The PCD asset definition covers a broader range of assets than the PCI asset definition. As defined in ASU 2016-13, "purchased credit-deteriorated assets" are acquired individual financial assets (or acquired groups of financial assets with similar risk characteristics) accounted for in accordance with ASC Topic 326, Financial Instruments–Credit Losses, that, as of the date of acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination, as determined by the acquiring institution's assessment.

ASU 2016-13 requires institutions to estimate and record a credit loss allowance for a PCD asset at the time of purchase. The credit loss allowance is then added to the purchase price to determine the amortized cost basis of the asset for financial reporting purposes. Post-acquisition increases in credit loss allowances on PCD assets will be established through a charge to earnings. This accounting treatment for PCD assets is different from the current treatment of PCI assets, for which institutions are not permitted to estimate and recognize credit loss allowances at the time of purchase. Rather, in general, credit loss allowances for PCI assets are estimated subsequent to the purchase only if there is deterioration in the expected cash flows from the assets.

4.a **Loans and leases held for investment.** Report all allowances for credit losses on PCD loans and leases held for investment.

4.b **Held-to-maturity debt securities.** Report all allowances for credit losses on PCD held-to-maturity debt securities.

4.c **Other financial assets measured at amortized cost.** Report all allowances for credit losses on all other PCD financial assets, excluding PCD loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities.

Note: The changes to Schedule RC-O, Memorandum item 14 on page 222 are effective as of the June 30, 2020, report date.

Memoranda

Item No. **Caption and Instructions**

NOTE: Memorandum items 14 and 15 are to be completed by "highly complex institutions."

14 **Amount of the institution's largest counterparty exposure.** Report on a fully consolidated basis the amount of total exposure to the counterparty to which the institution has the largest total counterparty exposure.

Counterparty exposure is equal to the sum of (1) the institution's exposure amounts to one counterparty (or borrower) for derivatives, securities financing transactions (SFTs), and cleared transactions, and (2) its gross lending exposure (including all unfunded commitments) to that counterparty (or borrower).

A counterparty includes an entity's own affiliates, including its parent company. Exposures to entities that are affiliates of each other (including a bank's own affiliates) should be aggregated and treated as an exposure to a single counterparty (or borrower). Counterparty exposure excludes all counterparty exposure to the U.S. Government and departments or agencies of the U.S. Government that is unconditionally guaranteed by the full faith and credit of the United States.

The exposure amount for derivatives, including over-the-counter derivatives, cleared transactions that are derivative contracts, and netting sets of derivative contracts, must be calculated using the methodology set forth in 12 CFR 324.34(~~a~~b), but without any reduction for collateral other than cash collateral that is all or part of variation margin and that satisfies the requirements of 12 CFR 324.10(c)(4)(ii)(C)(1)(ii) and (iii) and 324.10(c)(4)(ii)(C)(3) – (7). The exposure amount associated with SFTs, including cleared transactions that are SFTs, must be calculated using the standardized approach set forth in 12 CFR 324.37(b) or (c). For both derivatives and SFT exposures, the exposure amount to central counterparties must also include the default fund contribution.[1]

15 **Total amount of the institution's 20 largest counterparty exposures.** Report on a fully consolidated basis the sum of the total exposure amounts to the 20 counterparties to which the institution has the 20 largest total counterparty exposures.

Counterparty exposure should be measured as described in the instructions for Schedule RC-O, Memorandum item 14, above.

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[1] SFTs include repurchase agreements, reverse repurchase agreements, security lending and borrowing, and margin lending transactions, where the value of the transactions depends on market valuations and the transactions are often subject to margin agreements. The default fund contribution is the funds contributed or commitments made by a clearing member to a central counterparty's mutualized loss sharing arrangement. The other terms used in this description are as defined in 12 CFR Part 324, Subparts A and D, unless defined otherwise in 12 CFR Part 327.

Note: The changes to Schedule RC-C, Part I, on pages 224 through 225 are effective as of the March 31, 2021, report date.

Part I. (cont.)

Memoranda

Item No.	**Caption and Instructions**
12.b	**Commercial and industrial loans.** Report in the appropriate column the specified amounts for commercial and industrial loans (as defined for Schedule RC-C, part I, item 4) held for investment that were acquired in a business combination occurring in the current calendar year.
12.c	**Loans to individuals for household, family, and other personal expenditures.** Report in the appropriate column the specified amounts for loans to individuals for household, family, and other personal expenditures (as defined for Schedule RC-C, part I, item 6) held for investment that were acquired in a business combination occurring in the current calendar year.
12.d	**All other loans and all leases.** Report in the appropriate column the specified amounts for all other loans and all leases (as defined for Schedule RC-C, part I, items 2, 3, 7 (on the FFIEC 031 only), 8, 9, and 10) held for investment that were acquired in a business combination occurring in the current calendar year.

13 **Construction, land development, and other land loans (in domestic offices) with interest reserves.** Memorandum items 13.a and 13.b are to completed by banks that had construction, land development, and other land loans (in domestic offices) (as reported in Schedule RC-C, part I, items 1.a.(1) and 1.a.(2), column B) that exceeded 100 percent of ~~total~~the sum of tier 1 capital (as reported in Schedule RC-R, Part I, item 26~~35.a~~) plus the allowance for loan and lease losses or the allowance for credit losses on loans and leases, as applicable (as reported in Schedule RC, item 4.c), as of the previous December 31. For purposes of Memorandum items 13, 13.a, and 13.b, construction, land development, and other land loans (in domestic offices) are hereafter referred to as "construction loans."

When a bank enters into a loan agreement with a borrower on a construction loan, an interest reserve is often included in the amount of the loan commitment to the borrower and it allows the lender to periodically advance loan funds to pay interest charges on the outstanding balance of the loan. The interest is capitalized and added to the loan balance.

13.a **Amount of loans that provide for the use of interest reserves.** Report the amount of construction loans included in Schedule RC-C, part I, items 1.a.(1) and 1.a.(2), column B, for which the loan agreement with the borrower provides for the use of interest reserves.

If a construction loan included in Schedule RC-C, part I, item 1.a.(1) or 1.a.(2), column B, has been fully advanced or the funds budgeted for interest have been fully advanced, but the loan agreement provided for the use of interest reserves, continue to report the loan in this item even if the borrower is now paying interest from other sources of funds. Similarly, if a construction loan included in Schedule RC-C, part I, item 1.a.(1) or 1.a.(2), column B, has been renewed or extended, but the original loan agreement provided for the use of interest reserves, continue to report the loan in this item.

Include in this item new construction loans (as defined for and reported in Schedule RC-C, part I, items 1.a.(1) and 1.a.(2), column B) that have been granted for the purpose of paying interest on existing construction loans (in domestic offices) when the new construction loan is secured by the same real estate that secures the existing construction loan.

Exclude construction loans for which the loan agreement with the borrower does not provide for the use of interest reserves.

Part I. (cont.)

Memoranda

Item No. **Caption and Instructions**

15.b.(2) **Proprietary reverse mortgages.** Report a reasonable estimate of the number of proprietary reverse mortgages for which the bank received compensation for services performed during the year in connection with the origination of proprietary reverse mortgages granted to customers that the bank has referred to the reverse mortgage lenders.

15.c **Principal amount of reverse mortgage originations that have been sold during the year.** Report in the appropriate subitem the principal amount of HECM and proprietary reverse mortgages sold during the year that were originated by the bank. Report the principal balance outstanding of the reverse mortgages as of their sale dates, which excludes any unused commitments to the borrowers on the reverse mortgages sold.

15.c.(1) **Home Equity Conversion Mortgage (HECM) reverse mortgages.** Report the principal amount of HECM reverse mortgages sold during the year that were originated by the bank.

15.c.(2) **Proprietary reverse mortgages.** Report the principal amount of proprietary reverse mortgages sold during the year that were originated by the bank.

16 **Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit (in domestic offices) that have converted to non-revolving closed-end status (included in item 1.c.(1) above).** Report the amount outstanding of loans included in Schedule RC-C, Part I, item 1.c.(1), that have converted to non-revolving, closed-end status, but originated as draws under revolving, open-end lines of credit secured by 1-to-4 family residential properties, including those for which the draw periods have ended.