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

Summary

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

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

The Board, Federal Deposit Insurance Corporation (FDIC), and Office of the Comptroller of the Currency (OCC) (collectively, the agencies) are jointly proposing to revise the Call Reports to implement various changes to the agencies' capital rule. Most of the proposed revisions would take effect in the same quarters as the effective dates of the capital rule changes, i.e., primarily as of the March 31, 2020, and June 30, 2020, report dates. Revisions related to operating lease liabilities and home equity lines of credit would take effect in the first quarter of 2020 and 2021, respectively.

The current estimated total annual burden for the Call Reports is 150,877 hours, and would decrease to 138,506 hours. The proposed revisions would result in a decrease of 12,371 hours. The draft forms and instructions are available on the FFIEC's public website at https://www.ffiec.gov/ffiec_report_forms.htm.

Background and Justification

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

Description of Information Collection

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

The Call Reports consist of three reporting forms that apply to different categories of state member banks. Currently, banks that have foreign offices or that have total consolidated assets of $100 billion or more must file the FFIEC 031, banks with domestic offices only and total consolidated assets of less than $100 billion but more than $5 billion file the FFIEC 041, and banks with domestic offices only and total assets less than $5 billion file the FFIEC 051.

The information collected by the Call Reports is not available from other sources. Although there are other reports that collect information similar to certain items on the Call Reports, the information they collect would be of limited value as a replacement for Call Report data. For example, the Board collects various data in connection with its measurement of monetary aggregates, bank credit, and flow of funds.[1] These reports provide the Board with detailed information relating to balance sheet accounts such as balances due from depository institutions, loans, and deposit liabilities. These collections of information, however, are collected on a weekly basis usually prepared as of dates other than the last business day of each quarter. Moreover, information on bank credit is obtained on a sample basis rather than from all insured banks. Additionally, institutions below a certain size are exempt entirely from some of these reporting requirements.

The Board also collects financial data from bank holding companies on a regular basis. Such data is generally required to be reported for the holding company on a consolidated basis, including its banking and nonbanking subsidiaries, and on a parent-company-only basis. Data collected from bank holding companies on a consolidated basis reflect aggregate amounts for all entities within the organization, including banking and nonbanking subsidiaries, so that the actual dollar amounts applicable to any banking subsidiary would not be determinable from the holding company reporting information. Therefor, reports collected from bank holding companies lack the data necessary to assess the financial condition of individual banks to determine whether there had been any deterioration in their condition.

Banks are required to transmit their Call Report data electronically. Each bank must maintain in its files for three years a signed and attested record of its completed report each quarter.

[1] Report of Transaction Accounts, Other Deposits, and Vault Cash (FR 2900; OMB No. 7100-0087) and Weekly Report of Selected Assets and Liabilities of Domestically Chartered Commercial Banks and U.S. Branches and Agencies of Foreign Banks (FR 2644; OMB No. 7100-0075.

Proposed Revisions

Overview

On October 4, 2019, the agencies proposed revisions to the Call Reports that would have implemented various changes to the agencies' regulatory capital rule[2] that, as of that date, the agencies had proposed or finalized.[3] The changes to the agencies' regulatory capital rule discussed in the October 2019 notice were the capital simplifications rule, the community bank leverage ratio (CBLR) rule, the tailoring rule, the total loss absorbing capacity (TLAC) holdings rule, the for supplementary leverage ratio (SLR) revisions for certain central bank deposits of custodial banks, the rule for the standardized approach for counterparty credit risk (SA-CCR) on derivative contracts, and the high volatility commercial real estate (HVCRE) land development rule. Except for the proposed TLAC holdings rule,[4] final rules have been adopted for all of the regulatory capital rulemakings addressed in the October 2019 notice.

The agencies also proposed a change in the scope of the FFIEC 031 Call Report; a change in the reporting of construction, land development, and other land loans with interest reserves in the Call Reports; and Call Report instructional revisions for the reporting of operating lease liabilities and home equity lines of credit (HELOCs) that convert from revolving to non-revolving status.

Capital Simplifications Rule

Background

On July 22, 2019, the agencies published a final rule amending their regulatory capital rule to make a number of burden-reducing changes to the capital rule (capital simplifications rule).[5] The capital simplifications rule had an effective date of April 1, 2020. However, the agencies subsequently approved a final rule that permits non advanced approaches banking organizations[6] to implement the capital simplifications rule on January 1, 2020.[7] As a result, non-advanced approaches banking organizations have the option to implement the capital simplifications rule on the revised effective date of January 1, 2020, or in the quarter beginning April 1, 2020.

The agencies proposed revisions to Call Report Schedule RC-R, Regulatory Capital, in all three versions of the Call Report to implement the associated changes to the agencies'

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[2] 12 CFR Part 3 (OCC); 12 CFR Part 217 (Board); 12 CFR Part 324 (FDIC). While the agencies have codified the capital rule in different parts of title 12 of the Code of Federal Regulations, the internal structure of the sections within each agency's rule is substantially similar.

[3] 84 FR 53227 (October 4, 2019).

[4] The proposed TLAC holdings rule has not been finalized, and at this time the agencies are not proceeding with the implementation of the TLAC-related reporting changes proposed in the October 2019 notice. See the Public Comments section for further details.

[5] 84 FR 35234 (July 22, 2019).

[6] Non-advanced approaches banking organizations are institutions that do not meet the criteria in 12 CFR 3.100(b) (OCC); 12 CFR 217.100(b) (Board); or 12 CFR 324.100(b) (FDIC).

[7] 84 FR 61804 (November 13, 2019).

regulatory capital rule effective as of the March 31, 2020, report date, consistent with the final rule that effectively permits early adoption of the capital simplifications rule.

Proposed Revisions to Call Report Schedule RC-R

The capital simplifications rule made a number of changes to the calculation of common equity tier 1 (CET1) capital, additional tier 1 capital, and tier 2 capital for non-advanced approaches institutions that do not apply to advanced approaches institutions. At present, the FFIEC 031 and the FFIEC 041 Call Reports are completed by both non-advanced approaches institutions and advanced approaches institutions while only non-advanced approaches institutions are eligible to file the FFIEC 051 Call Report. To mitigate the complexity of revising existing Schedule RC-R, Part I, Regulatory Capital Components and Ratios, to incorporate the different sets of regulatory capital calculations for non-advanced approaches institutions and advanced approaches institutions, and to reflect the effects of the capital simplifications rule in both the FFIEC 031 and FFIEC 041 Call Reports, the agencies proposed in the October 2019 notice to require all advanced approaches institutions to file the FFIEC 031 Call Report effective as of the March 31, 2020, report date.[8] As a result, the agencies proposed to adjust the existing regulatory capital calculations reported on Schedule RC-R, Part I, for the FFIEC 041 Call Report and the FFIEC 051 Call Report, to reflect the effects of the capital simplifications rule for non-advanced approaches institutions. For the FFIEC 031 Call Report, which is filed by the fewest number of institutions, the agencies proposed to incorporate the two different sets of regulatory capital calculations (one for non advanced approaches institutions and the other for advanced approaches institutions) in adjacent columns in Schedule RC-R, Part I, and, as mentioned above, require all advanced approaches institutions to file this version of the Call Report. An institution would complete only the column for the set of calculations applicable to that institution.

For the March 31, 2020, report date, non-advanced approaches institutions that file the FFIEC 031 Call Report and elect to adopt the capital simplifications rule on January 1, 2020, would complete the column for the set of calculations that incorporates the effects of the capital simplifications rule. Non advanced approaches institutions that elect to wait to adopt the capital simplifications rule on April 1, 2020, and all advanced approaches institutions would complete the column for the set of calculations that does not reflect the effects of the capital simplifications rule (i.e., that reflects the capital calculation in effect for all institutions before this revision). Beginning with the June 30, 2020, report date, all non advanced approaches institutions that file the FFIEC 031 Call Report would complete the column for the set of calculations that incorporates the effects of the capital simplifications rule; all advanced approaches institutions that file this Call Report would complete the column that does not reflect the effects of the capital simplifications rule.

For the March 31, 2020, report date, non-advanced approaches institutions that file the FFIEC 041 or FFIEC 051 Call Report and elect to adopt the capital simplifications rule on January 1, 2020, would complete the capital calculation column in Schedule RC-R, Part I, as revised for the capital simplifications rule. The agencies proposed to provide instructions for institutions that file the FFIEC 041 or FFIEC 051 Call Report that elect to wait to adopt the

[8] As discussed below, the agencies also proposed in their October 2019 notice to require all Category III institutions to file the FFIEC 031 Call Report effective as of the March 31, 2020, report date.

capital simplifications rule until April 1, 2020, on how to complete Schedule RC-R, including the capital calculation column, for the March 31, 2020, report date in accordance with the capital rule in effect before the capital simplifications rule's revised effective date of January 1, 2020. Such non advanced approaches institutions would use these instructions on a one-time basis for the March 31, 2020, report date only. Beginning with the June 30, 2020, report date, all non-advanced approaches institutions that file the FFIEC 041 or FFIEC 051 Call Report would complete Schedule RC-R as revised for the capital simplifications rule.

In connection with proposing that all advanced approaches institutions file the FFIEC 031 Call Report in the October 2019 notice, the agencies proposed to remove certain items from the FFIEC 041 Call Report that apply only to advanced approaches institutions. Thus, for Schedule RC-R, Part I, in the FFIEC 041 Call Report, the agencies proposed to remove items 30.b, 32.b, 34.b, 35.b, 40.b, 41 through 43 (Column B only), 45.a, 45.b, and 46.b. The agencies proposed to renumber items 30.a, 32.a, 34.a, 35.a, 40.a, and 46.a as items 30, 32, 34, 35, 40, and 46, respectively.

In the capital simplifications rule, the agencies increased the thresholds for including mortgage servicing assets (MSAs), temporary difference deferred tax assets that could not be realized through net operating loss carrybacks (temporary difference DTAs),[9] and investments in the capital of unconsolidated financial institutions for non-advanced approaches institutions. In addition, the agencies revised the capital calculation for minority interests included in the various capital categories for non-advanced approaches institutions and to the calculation of the capital conservation buffer.

The current regulatory capital calculations in Call Report Schedule RC-R, which do not yet reflect the revisions contained in the capital simplifications rule, require that an institution's capital cannot include MSAs, certain temporary difference DTAs, and significant investments in the common stock of unconsolidated financial institutions in an amount greater than 10 percent of CET1 capital, on an individual basis, and those three data items combined cannot comprise more than 15 percent of CET1 capital. The agencies proposed that, when the capital simplifications rule takes effect, this calculation would be revised in Schedule RC-R, Part I, to require that only MSAs or temporary difference DTAs in an amount greater than 25 percent of CET1 capital, on an individual basis, could not be included in a non-advanced approaches institution's regulatory capital; the 15 percent aggregate limit would be removed. In addition, the capital simplifications rule combines the current three categories of investments in financial institutions (non significant investments in the capital of unconsolidated financial institutions, significant investments in the capital of unconsolidated financial institutions that are in the form of common stock, and significant investments in the capital of unconsolidated financial institutions that are not in the form of common stock) into a single category, investments in the capital of unconsolidated financial institutions, and applies a limit of 25 percent of CET1 capital on the amount of these investments that can be included in capital. Any investments in excess of the 25 percent limit would be deducted from regulatory capital using the corresponding

[9] The agencies note that An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, Pub. L. 115-97 (originally introduced as the Tax Cuts and Jobs Act), enacted December 22, 2017, eliminated the concept of net operating loss carrybacks for U.S. federal income tax purposes, although the concept may still exist in particular jurisdictions for state or foreign income tax purposes.

deduction approach.

Consistent with the current capital rule, an institution must risk weight MSAs, temporary difference DTAs, and investments in the capital of unconsolidated financial institutions that are not deducted. The agencies proposed revisions to allow institutions to enter values into the Column K – 250% risk weight on Schedule RC-R, Part II, in the FFIEC 051 Call Report, which is currently shaded out, and remove footnote two on the second page of Schedule RC-R, Part II, and the corresponding footnote on subsequent pages of Schedule RC-R, Part II, in all three versions of the Call Reports effective as of the March 31, 2020, report date to accommodate the capital simplifications rule revisions to the risk weight for MSAs and temporary difference DTAs. Consistent with the capital simplifications rule, non-advanced approaches institutions will not be required to differentiate among categories of investments in the capital of unconsolidated financial institutions. The risk weight for such equity exposures generally will be 100 percent, provided the exposures qualify for this risk weight.[10] For non-advanced approaches institutions, the capital simplifications rule eliminates the exclusion of significant investments in the capital of unconsolidated financial institutions in the form of common stock from being eligible for a 100 percent risk weight.[11] The application of the 100 percent risk weight (1) requires a banking organization to follow an enumerated process for calculating adjusted carrying value and (2) mandates the equity exposures that must be included in determining whether the threshold has been reached. Equity exposures that do not qualify for a preferential risk weight will generally receive risk weights of either 300 percent or 400 percent, depending on whether the equity exposures are publicly traded.

In order to implement these regulatory capital changes from a regulatory reporting perspective, the agencies proposed in their October 2019 notice to make a number of revisions to Schedule RC-R, Part I, for non-advanced approaches institutions effective March 31, 2020. Specifically, in Schedule RC-R, Part I, in the FFIEC 041 and FFIEC 051 Call Reports, the agencies proposed to remove item 11 and modify item 13 to reflect the consolidation of all investments in unconsolidated financial institutions into a single category and apply a single 25 percent of CET1 capital limit to these investments. The agencies proposed to modify items 14 and 15 to reflect the 25 percent of CET1 capital limit for MSAs and certain temporary difference DTAs, respectively. The agencies also proposed to remove item 16, which applies to the aggregate 15 percent limitation that was removed from the capital rule for non-advanced approaches institutions. In the FFIEC 031 Call Report, the agencies proposed to create two columns for existing items 11 through 19. Column A would be reported by non advanced approaches institutions that elect to adopt the capital simplifications rule on January 1, 2020, in the March 2020 Call Report and by all non advanced approaches institutions beginning in the

[10] 12 CFR 3.52 and .53 (OCC); 12 CFR 217.52 and .53 (Board); 12 CFR 324.52 and .53 (FDIC). Note that for purposes of calculating the 10 percent nonsignificant equity bucket, the capital rule excludes equity exposures that are assigned a risk weight of zero percent and 20 percent, and community development equity exposures and the effective portion of hedge pairs, both of which are assigned a 100 percent risk weight. In addition, the 10 percent non-significant bucket excludes equity exposures to an investment firm that would not meet the definition of traditional securitization were it not for the application of criterion 8 of the definition of traditional securitization, and has greater than immaterial leverage.

[11] Equity exposures that exceed, in the aggregate, 10 percent of a non-advanced approaches banking organization’s total capital would then be assigned a risk weight based upon the approaches available in sections 52 and 53 of the capital rule. 12 CFR 3.52 and .53 (OCC); 12 CFR 217.52 and .53 (Board); 12 CFR 324.52 and .53 (FDIC).

June 2020 Call Report using the definitions under the capital simplifications rule. Column A would not include items 11 or 16, and items 13 through 15 would be designated as items 13.a through 15.a to reflect the new calculation methodology. Column B would be reported by advanced approaches institutions and by non-advanced approaches institutions that elect to wait to adopt the capital simplifications rule on April 1, 2020, in the March 2020 Call Report and only by advanced approaches institutions beginning in the June 2020 Call Report using the existing definitions. Existing items 13 through 15 would be designated as items 13.b through 15.b to reflect continued use of the existing calculation methodology.

The agencies did not propose any changes to the form to incorporate the minority interest revisions. However, the agencies proposed to modify the instructions for the existing minority interest items in all versions of the Call Report to reflect the ability of non-advanced approaches institutions to use the revised method under the capital simplifications rule to calculate minority interest in existing items 4, 22, and 29 (CET1, additional tier 1, and tier 2 minority interest, respectively).

Community Bank Leverage Ratio Rule

Background

In November 2019, the agencies published a final rule to provide a simplified alternative measure of capital adequacy, the community bank leverage ratio (CBLR), for qualifying community banking organizations with less than $10 billion in total consolidated assets (CBLR final rule).[12]

In addition, the FDIC recently approved a final rule regarding the application of the CBLR framework to the deposit insurance assessment system (CBLR assessments final rule).[13] Certain changes would be made to the Schedule RC-O instructions to address the application of the CBLR framework to the FDIC's deposit insurance assessment system in accordance with the CBLR assessments final rule, but no revisions would be made to the data items in this schedule.

Under the CBLR final rule, banking organizations that have less than $10 billion in total consolidated assets, meet risk-based qualifying criteria, and have a leverage ratio of greater than 9 percent are eligible to opt into the CBLR framework. A banking organization that opts into the CBLR framework, maintains a leverage ratio of greater than 9 percent, and meets the other qualifying criteria will not be subject to other risk-based and leverage capital requirements and, in the case of an insured depository institution (IDI), is considered to have met the well capitalized capital ratio requirements for purposes of the agencies' prompt corrective action framework.

Under the CBLR final rule, a bank or savings association (bank) that opts into the CBLR framework (CBLR bank) may opt out of the CBLR framework at any time, without restriction,

[12] 84 FR 61776 (November 13, 2019).
[13] 84 FR 66833 (December 6, 2019). See also FDIC Press Release 80-2019 (https://www.fdic.gov/news/news/press/2019/pr19080.html), dated September 17, 2019.

by reverting to the generally applicable capital requirements in the agencies' capital rule[14] and reporting its regulatory capital information in Call Report Schedule RC-R, "Regulatory Capital," Parts I and II, at the time of opting out.

As described in the CBLR final rule, a banking organization that no longer meets the qualifying criteria for the CBLR framework, but maintains a leverage ratio greater than 8 percent, will be required within two consecutive calendar quarters (grace period) either to once again satisfy the qualifying criteria or demonstrate compliance with the generally applicable capital requirements. During the grace period, the bank would continue to be treated as a CBLR bank and would be required to report its leverage ratio and related components in Call Report Schedule RC-R, Part I, in the manner described in the following section, Proposed Revisions to Call Report Schedule RC-R.[15] A CBLR bank that ceases to meet the qualifying criteria as a result of a business combination (e.g., a merger) would receive no grace period, and would immediately become subject to the generally applicable capital requirements. Similarly, a CBLR bank that fails to maintain a leverage ratio greater than 8 percent would not be permitted to use the grace period and would immediately become subject to the generally applicable capital requirements.

Proposed Revisions to Call Report Schedule RC-R

In the October 2019 notice, the agencies proposed revisions to the Call Reports for banks that qualify for and opt into the CBLR framework, consistent with the CBLR final rule. The agencies also proposed in the October 2019 notice that the reporting changes to the Call Reports to implement the CBLR framework would take effect in the same quarter as the effective date of the final rule adopting the CBLR framework.

As provided in the CBLR final rule, the numerator of the community bank leverage ratio will be tier 1 capital, which is currently reported in Schedule RC-R, Part I, item 26. Therefore, the agencies did not propose any revisions related to the numerator of the community bank leverage ratio.

As provided in the CBLR final rule, the denominator of the community bank leverage ratio will be average total consolidated assets. Specifically, average total consolidated assets will be calculated in accordance with the existing reporting instructions for Schedule RC-R, Part I, items 36 through 39. The agencies did not propose any substantive changes related to the denominator of the community bank leverage ratio. However, the agencies proposed to move existing items 36 through 39 of Schedule RC-R, Part I, and renumber them as items 27 through 30 of Schedule RC-R, Part I, to consolidate all of the community-bank-leverage-ratio-related capital items earlier in Schedule RC-R, Part I.

[14] 12 CFR Part 3 (OCC); 12 CFR Part 217 (Board); 12 CFR Part 324 (FDIC).

[15] For example, if the banking organization electing the CBLR 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 a banking organization will begin as of the end of the quarter ending March 31. The banking organization 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 banking organization once again meets all qualifying criteria of the community bank leverage ratio framework, including a leverage ratio of greater than 9 percent, by that date.

As provided in the CBLR final rule, a CBLR bank will calculate its community bank leverage ratio by dividing tier 1 capital by average total consolidated assets (as adjusted), and the community bank leverage ratio would be reported as a percentage, rounded to four decimal places. Since this calculation is essentially identical to the existing calculation of the tier 1 leverage ratio in Schedule RC-R, Part I, item 44, the agencies did not propose a separate item for the community bank leverage ratio in Schedule RC-R, Part I. Instead, the agencies proposed to move the tier 1 leverage ratio from item 44 of Part I and renumber it as item 31, and rename the item the Leverage Ratio, as this ratio would apply to all institutions (as the community bank leverage ratio for qualifying institutions or the tier 1 leverage ratio for all other institutions).

As provided in the CBLR final rule, a CBLR bank will need to satisfy certain qualifying criteria in order to be eligible to opt into the CBLR framework. The agencies proposed to collect the items identified below to ensure that a bank continuously meets the qualifying criteria for using the CBLR framework.

Specifically, a CBLR bank is a bank that is not an advanced approaches institution and meets the following qualifying criteria:

- A leverage ratio of greater than 9 percent,
- Total consolidated assets of less than $10 billion,
- Total trading assets and trading liabilities of 5 percent or less of total consolidated assets, and
- Total off-balance sheet exposures (excluding derivatives other than sold credit derivatives and unconditionally cancelable commitments) of 25 percent or less of total consolidated assets.[16]

Accordingly, the agencies proposed to collect the items described below for community bank leverage ratio reporting purposes.

In proposed item 32 of Schedule RC-R, Part I, a CBLR bank would report total assets, as reported in Call Report Schedule RC, item 12.

In proposed item 33, a CBLR bank would report the sum of trading assets from Schedule RC, item 5, and trading liabilities from Schedule RC, item 15, in Column A. The bank would also report that sum divided by total assets from Schedule RC, item 12, and expressed as a percentage in Column B. As provided in the CBLR final rule, trading assets and trading liabilities would be added together, not netted, for purposes of this calculation. Also as discussed in the CBLR final rule, a bank would not meet the definition of a qualifying community banking organization for purposes of the CBLR framework if the percentage reported in Column B is

[16] Under the CBLR final rule, the agencies have reserved the authority to disallow the use of the CBLR framework by a depository institution or depository institution holding company based on the risk profile of the banking organization. This authority is reserved under the general reservation of authority included in the capital rule, in which the CBLR framework would be codified. See 12 CFR 3.1(d) (OCC); 12 CFR 217.1(d) (Board); and 12 CFR 324.1(d) (FDIC). In addition, for purposes of the capital rule and section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) (P.L. 115-174, 132 Stat. 1296 (2018)), the agencies have reserved the authority to take action under other provisions of law, including action to address unsafe or unsound practices or conditions, deficient capital levels, or violations of law or regulation. See 12 CFR 3.1(b) (OCC); 12 CFR 217.1(b) (Board); and 12 CFR 324.1(b) (FDIC).

greater than 5 percent.

In proposed items 34.a through 34.d, a CBLR bank would report information related to commitments, other off-balance sheet exposures, and sold credit derivatives.

In proposed item 34.a, a CBLR bank would report the unused portion of conditionally cancelable commitments. This amount would be the amount of all unused commitments less the amount of unconditionally cancelable commitments, as discussed in the planned CBLR final rule and defined in the agencies' capital rule.[17] This item would be calculated consistent with the sum of Schedule RC-R, Part II, items 18.a and 18.b, Column A.

In proposed item 34.b, a CBLR bank would report total securities lent and borrowed, which would be the sum of Schedule RC-L, items 6.a and 6.b.

In proposed item 34.c, a CBLR bank would report the sum of certain other off-balance sheet exposures and sold credit derivatives. Specifically, a CBLR bank would report the sum of self-liquidating, trade-related contingent items that arise from the movement of goods; transaction-related contingent items (performance bonds, bid bonds, warranties, and performance standby letters of credit); sold credit protection in the form of guarantees and credit derivatives; credit-enhancing representations and warranties; financial standby letters of credit; forward agreements that are not derivative contracts; and off-balance sheet securitizations. A CBLR bank would not include derivatives that are not sold credit derivatives, such as foreign exchange swaps and interest rate swaps, in proposed item 34.c.

In proposed item 34.d, a CBLR bank would report the sum of proposed items 34.a through 34.c in Column A. The bank would also report that sum divided by total assets from Schedule RC, item 12, and expressed as a percentage in Column B. As discussed in the planned CBLR final rule, a bank would not be eligible to opt into the CBLR framework if this percentage is greater than 25 percent.

In proposed item 35, a CBLR bank would report the total of unconditionally cancellable commitments, which would be calculated consistent with the instructions for existing Schedule RC-R, Part II, item 19. This item is not used specifically to calculate a bank's eligibility for the CBLR framework. However, the agencies are collecting this information to identify any bank using the CBLR framework that may have significant concentrations in unconditionally cancellable commitments that could merit supervisory monitoring.

In proposed item 36, a CBLR bank would report the amount of investments in the capital instruments of an unconsolidated financial institution that would qualify as tier 2 capital. Since the CBLR framework does not have a total capital requirement, a CBLR bank is neither required to calculate tier 2 capital nor make any deductions that would be taken from tier 2 capital. Therefore, if a CBLR bank has investments in the capital instruments of an unconsolidated financial institution that would qualify as tier 2 capital of the CBLR bank under the generally applicable capital requirements (tier 2 qualifying instruments), and the CBLR bank's total

[17] See definition of "unconditionally cancellable" in 12 CFR 3.2 (OCC); 12 CFR 217.2 (Board); 12 CFR 324.2 (FDIC).

investments in the capital of unconsolidated financial institutions exceed 25 percent of its CET1 capital, the CBLR bank is not required to deduct the tier 2 qualifying instruments. A CBLR bank is required to make a deduction from CET1 capital or tier 1 capital only if the sum of its investments in the capital of an unconsolidated financial institution is in a form that would qualify as CET1 capital or tier 1 capital instruments of the CBLR bank and the sum exceeds the 25 percent CET1 threshold. The Board believes it is important to continue collecting information on the amount of investments for supervisory monitoring purposes.

In proposed item 37, a CBLR bank would be required to report its allocated transfer risk reserve (ATRR), as currently calculated and reported in Schedule RC-R, Part II, item 30. In proposed items 38.a through 38.c, a CBLR bank that has adopted Accounting Standards Update (ASU) No. 2016-13 on credit losses must report the amount of any allowances for credit losses on purchased credit-deteriorated loans and leases held for investment, held-to-maturity debt securities, and other financial assets measured at amortized cost, as currently calculated and reported in Schedule RC-R, Part II, Memorandum items 4.a through 4.c. The amount of the ATRR, if any, is necessary to calculate capital and surplus and corresponding limits in a number of the OCC's regulations, including investment securities limits (12 CFR Part 1) and lending limits (12 CFR Part 32). After an institution adopts ASU 2016-13, allowances for credit losses on purchased credit-deteriorated assets similarly would affect the calculation of these limits. While these limits apply directly to institutions supervised by the OCC, a number of federal or state laws may apply the OCC's calculation of certain limits to state-chartered institutions supervised by the Board or the FDIC. Therefore, the agencies are proposing to retain this information for all CBLR banks. As CBLR banks would not complete Schedule RC-R, Part II, this information would otherwise not be readily available for the agencies to calculate the relevant regulatory limits for these institutions.[18]

Because a CBLR bank would not be subject to the generally applicable capital requirements, a CBLR bank would not need to complete any of the items in Schedule RC-R, Part I, after proposed item 38, nor would the bank need to complete Schedule RC-R, Part II, Risk-Weighted Assets.

In connection with moving the leverage ratio calculations and inserting items for the CBLR qualifying criteria in Schedule RC-R, Part I, existing items 27 through 35 of Schedule RC-R, Part I, would be renumbered as items 39 through 47. Existing items 40 through 43 would be renumbered as items 48 through 51, while existing items 46 through 48 would be renumbered as items 52 through 54. For advanced approaches institutions filing the FFIEC 031 Call Report, existing items 45.a and 45.b for total leverage exposure and the supplementary leverage ratio, respectively, would be renumbered as items 55.a and 55.b.

As proposed in October 2019, a CBLR bank would indicate that it has elected to apply the CBLR framework by completing Schedule RC-R, Part I, items 32 through 38. Institutions not subject to the CBLR framework would be required to report all data items in Schedule RC-R,

[18] Institutions that are not CBLR banks would not complete proposed items 37 and 38.a through 38.c, but would continue to report any ATRR and any allowances for credit losses on purchased credit-deteriorated loans and leases held for investment, held-to-maturity debt securities, and other financial assets measured at amortized cost in Schedule RC-R, Part II.

Part I, except for items 32 through 38.

Other Proposed Call Report Revisions Related to the CBLR

While not specifically part of the CBLR final rule, the agencies currently collect information in Call Report Schedule RC-C, Part I, "Loans and Leases," Memorandum item 13, from institutions that have a significant amount of construction, land development, and other land loans with interest reserves in relation to their total regulatory capital as reported as of the previous calendar year-end report date. At present, total regulatory capital is defined as total capital reported on Schedule RC-R, Part I, item 35 (FFIEC 051) or item 35.a (FFIEC 031 or FFIEC 041). While CBLR banks would no longer report their total capital in Schedule RC-R, Part I, the agencies believe it is still important to collect this information from CBLR banks that have a significant amount of construction, land development, and other land loans with interest reserves. Therefore, effective March 31, 2021,[19] the agencies proposed to revise the reporting threshold for Schedule RC-C, Part I, Memorandum item 13, for all institutions to reference the sum of tier 1 capital as reported in Schedule RC-R, Part I, item 26, plus the allowance for loan and lease losses or the allowance for credit losses on loan and leases, as applicable, as reported in Schedule RC, item 4.c.

Tailoring Rule

Background

On November 1, 2019, the agencies published a final rule to revise the criteria for determining the applicability of regulatory capital and liquidity requirements for large U.S. banking organizations and the U.S. intermediate holding companies of certain foreign banking organizations (tailoring final rule).[20]

Under the tailoring final rule, the most stringent set of standards (Category I) applies to U.S. global systemically important banks (GSIBs). The second set of standards (Category II) applies to banking organizations that are very large or have significant international activity, but are not GSIBs. Like Category I, this category generally includes standards that are based on standards that reflect agreements reached by the Basel Committee on Banking Supervision. The third set of standards (Category III) applies to banking organizations with $250 billion or more in total consolidated assets that do not meet the criteria for Category I or II. The third set of standards also applies to banking organizations with total consolidated assets of $100 billion or more, but less than $250 billion, that meet or exceed other specified risk-based indicators. The fourth set of standards (Category IV) applies to banking organizations with total consolidated assets of $100 billion or more that do not meet the thresholds for one of the other categories.

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[19] For report dates during 2020, the reporting threshold for Schedule RC-C, Part I, Memorandum item 13, would be the total capital an institution reported in Schedule RC-R, Part I, as of December 31, 2019, which will predate the initial reporting under the CBLR framework in Schedule RC-R. The first year-end report date under the CBLR framework would be December 31, 2020, which would be the report date to which a CBLR bank would refer in order to determine whether it would need to complete Schedule RC-C, Part I, Memorandum item 13, as of each quarter-end report date during 2021.

[20] 84 FR 59230 (November 1, 2019).

Under the tailoring final rule, depository institution subsidiaries generally are subject to the same category of standards that apply at the holding company level.[21]

Based on the proposed capital and liquidity requirements that would apply to institutions subject to Category I, II, III, or IV capital standards in the domestic interagency tailoring and foreign interagency tailoring notices of proposed rulemaking (NPRs), the agencies proposed in their October 2019 notice to amend certain regulatory reporting forms to clarify the reporting requirements for those institutions that would be subject to those proposed rules. Specifically, the agencies proposed changes to Call Report Schedule RC-R, Part I, Regulatory Capital Components and Ratios to provide clarification for institutions subject to Category III capital standards.[22]

In addition, the agencies proposed in the October 2019 notice that all institutions subject to Category I, II, or III capital standards would be required to file the FFIEC 031 Call Report. While the agencies proposed to require all advanced approaches institutions to file the FFIEC 031 Call Report in connection with the capital simplifications rule, the tailoring rules would narrow the scope of institutions calculating risk-weighted assets under the advanced approaches. In the October 2019 notice, the agencies stated that they expected the revision in the scope of advanced approaches institutions to have little, if any, impact on current institutions, as all institutions with total consolidated assets of $100 billion or more or with foreign offices already are required to file the FFIEC 031, which generally aligns with the standards for Category I, II, and III institutions. However, the agencies noted in the October 2019 notice that, under the domestic interagency tailoring and foreign interagency tailoring NPRs, institutions that are subsidiaries of institutions subject to Category I, II, or III capital standards also are considered Category I, II, or III institutions. The tailoring final rule applies the same category of capital standards to depository institution holding companies and their depository institution subsidiaries. Thus, the proposed change in scope for the FFIEC 031 under the October 2019 notice meant that depository institutions considered Category I, II, or III institutions, but not required to file the FFIEC 031 Call Report at that time, would have been required to begin filing the FFIEC 031.

The agencies noted that modifying the scope of the Call Report in this manner would enable them to streamline Schedule RC-R, Part I, of the FFIEC 041 report by removing data items that apply only to the limited number of institutions then considered advanced approaches institutions that were then also eligible to file the FFIEC 041 report and to any future institutions that would, absent this change in scope, be eligible to file the FFIEC 041 report.

[21] However, standardized liquidity requirements apply only to depository institution subsidiaries with $10 billion or more in total consolidated assets under Categories I through III, and such requirements do not apply to depository institution subsidiaries under Category IV.

[22] In the October 2019 notice, the agencies stated that they do not believe reporting form or instructional clarifications are needed to reflect capital requirements that would apply to institutions subject to Category I, II, or IV capital standards under the domestic interagency tailoring and foreign interagency tailoring NPRs. With the issuance of the tailoring final rule, the agencies continue to believe no such reporting form or instructional clarifications are needed.

Proposed Revisions to Call Report Schedule RC-R, Part I

In order to implement the clarifications for institutions subject to Category III capital standards, as discussed above, the agencies proposed to require all Category III institutions to file the FFIEC 031 Call Report and to revise the caption for Schedule RC-R, Part I, item 45, "Advanced approaches institutions only: Supplementary leverage ratio information," on the FFIEC 031 Call Report. Specifically, the agencies proposed to clarify that item 45 (proposed to be renumbered as item 55) applies to "advanced approaches and Category III institutions" on the FFIEC 031 report form. Item 45 would be removed from the FFIEC 041 report form. The instructions for Schedule RC-R, Part I, item 45 (proposed to be renumbered as item 55), in the FFIEC 031-FFIEC 041 instruction book also would be revised in the same manner. The general instructions for Schedule RC-R, Part I, in the FFIEC 031-FFIEC 041 instruction book also would be clarified to indicate that Category III institutions are not required to calculate risk-weighted assets according to the advanced approaches rule, but are subject to the supplementary leverage ratio and countercyclical capital buffer.

Total Loss Absorbing Capacity Holdings Rule

Background

On April 8, 2019, the agencies published an NPR that would address an advanced approaches banking organization's regulatory capital treatment of an investment in unsecured debt instruments issued by foreign or U.S. global systemically important banks (GSIBs) for the purposes of meeting minimum total loss absorbing capacity (TLAC) and, where applicable, long-term debt (LTD) requirements, or liabilities issued by GSIBs that are pari passu or subordinated to such debt instruments (TLAC Holdings NPR).[23] Under the TLAC Holdings NPR, investments by an advanced approaches banking organization in certain unsecured debt instruments generally would be subject to deduction from the advanced approaches banking organization's regulatory capital if such investments exceed certain thresholds. The Board also proposed to require that banking organizations subject to minimum TLAC and LTD requirements under Board regulations publicly disclose their TLAC and LTD issuances in a manner described in the TLAC Holdings NPR.

The agencies proposed changes to Call Report Schedule RC-R, Part I, Regulatory Capital Components and Ratios to implement the changes proposed to the agencies' capital rule. If modifications are made to the proposed TLAC holdings rule when it is adopted in final form, the agencies would modify the Call Report proposal to incorporate such changes.

Proposed Revisions to Call Report Schedule RC-R, Part I

Under the TLAC Holdings NPR, advanced approaches banking organizations would report the total amount of deductions related to investments in own CET1, additional tier 1, and

[23] Any Category III banking organization that is a consolidated subsidiary of a top-tier Category III bank holding company, savings and loan holding company, or insured depository institution would not complete or file any part of the FFIEC 101. Those subsidiary banking organizations would report SLR data on Schedule RC-R of the Call Report.

tier 2 capital instruments; investments in own covered debt instruments, if applicable; reciprocal cross holdings; non-significant investments in the capital and covered debt instruments of unconsolidated financial institutions that exceed certain thresholds; certain investments in excluded covered debt instruments, as applicable; and significant investments in the capital and covered debt instruments of unconsolidated financial institutions. Any deductions related to covered debt instruments and excluded covered debt instruments (together, TLAC debt holdings) would be applied at the level of tier 2 capital under the agencies' existing regulatory capital rule. Any required deduction would be made using the "corresponding deduction approach," by which an advanced approaches banking organization would deduct TLAC debt holdings first from tier 2 capital and, if it had insufficient tier 2 capital to make the full requisite deduction, deduct the remaining amount from additional tier 1 capital and then, if necessary, from CET1 capital.

In order to implement these proposed changes, the agencies proposed to make a number of revisions to the instructions for Schedule RC-R, Part I, that would be applicable to advanced approaches banking organizations and would be included in the FFIEC 031 and FFIEC 041 instruction book. Specifically, the agencies proposed to revise the instructions for items 11, 17, 24, and 33 (proposed to be renumbered as item 45) to effectuate the deductions from regulatory capital for advanced approaches banking organizations related to investments in covered debt instruments and excluded covered debt instruments. These changes would generally align with the Board's proposed amendments to FR Y-9C, Schedule HC-R, Part I, issued in conjunction with the TLAC Holdings NPR.[24]

Proposed Revisions to Call Report Schedule RC-R, Part II

The agencies also proposed to revise the instructions for Schedule RC-R, Part II, that would be applicable to advanced approaches banking organizations and would be included in the FFIEC 031 and FFIEC 041 instruction book. Specifically, the agencies propose to revise the instructions for items 2.a, 2.b, 7, and 8 to incorporate investments in covered debt instruments and excluded debt instruments, as applicable, by advanced approaches banking organizations in their calculation of risk-weighted assets. These changes would generally align with the Board's proposed amendments to FR Y-9C, Schedule HC-R, Part II, issued in conjunction with the TLAC Holdings NPR.

Revisions to the Supplementary Leverage Ratio for Certain Central Bank Deposits of Custodial Banks

Background

On November 19, 2019, the agencies announced final revisions to the SLR for certain central bank deposits of banking organizations predominantly engaged in custodial activities.[25] The final rule, which implements section 402 of the EGRRCPA, takes effect April 1, 2020. In

[24] See 84 FR 13823-13824 (April 8, 2019).

[25] See the custodial bank SLR final rule attached to OCC News Release 2019-135 (https://www.occ.gov/news-issuances/news-releases/2019/nr-ia-2019-135.html), Board Press Release (https://www.federalreserve.gov/newsevents/pressreleases/bcreg20191119a.htm), and FDIC Press Release 109 2019 (https://www.fdic.gov/news/news/press/2019/pr19109.html), all of which are dated November 19, 2019.

the October 2019 notice, the agencies proposed changes to the instructions for Call Report Schedule RC-R that would implement the proposed changes to the agencies' capital rule.

Proposed Revisions to Call Report Schedule RC-R, Part I

In the October 2019 notice, the agencies proposed to modify the instructions for the calculation of the total leverage exposure to enable an institution that qualifies as a "custodial banking organization" to exclude deposits placed at a "qualifying central bank" from the total leverage exposure reported in Schedule RC-R, Part I, item 45.a (which would become item 54.a of Part I, as proposed above). The excluded deposits would be limited to the amount of deposit liabilities on the consolidated balance sheet of the custodial banking organization that are linked to fiduciary or custody and safekeeping accounts.

Standardized Approach for Counterparty Credit Risk on Derivative Contracts

Background

On November 19, 2019, the agencies announced that they had adopted a final rule implementing a new approach for calculating the exposure amount of derivative contracts under the capital rule: the standardized approach for counterparty credit risk (SA-CCR final rule).[26] The SA-CCR final rule takes effect April 1, 2020 (i.e., for the Call Report and the FFIEC 101 for the June 30, 2020, report date) with a mandatory compliance date of January 1, 2022 (i.e., for the Call Report for the March 31, 2022, report date).

The SA-CCR final rule replaces the current exposure methodology (CEM) with SA-CCR in the capital rule for advanced approaches institutions. The final rule requires banking organizations subject to Category I and II standards (Category I and II banking organizations) in the agencies' tailoring final rule,[27] discussed above, use SA-CCR to calculate their standardized total risk-weighted assets and permits non-advanced approaches banking organizations the option of using SA-CCR in place of CEM to calculate the exposure amount of their noncleared and cleared derivative contracts. Category I and II banking organizations would have to choose either SA-CCR or the internal models methodology to calculate the exposure amount of their noncleared and cleared derivative contracts in connection with calculating their risk-based capital under the advanced approaches. The SA-CCR final rule provides for the eventual elimination of the current methods for Category I and II banking organizations to determine the risk-weighted asset amount for their default fund contributions to a central counterparty (CCP) or a qualifying central counterparty (QCCP) and implements a new and simpler method that would be based on the banking organization's pro-rata share of the CCP's and QCCP's default fund. However, the final rule allows banking organizations that elect to use SA-CCR to continue to use method 1 and method 2 under CEM to calculate the risk-weighted asset amount for default fund contributions until January 1, 2022.

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[26] See the SA-CCR final rule attached to OCC News Release 2019-136 (https://www.occ.gov/news-issuances/news-releases/2019/nr-ia-2019-136.html), Board Press Release (https://www.federalreserve.gov/newsevents/pressreleases/bcreg20191119c.htm), and FDIC Press Release 110 2019 (https://www.fdic.gov/news/news/press/2019/pr19110.html), all of which are dated November 19, 2019.
[27] 84 FR 59231 (November 1, 2019).

The SA-CCR final rule also requires Category I and Category II banking organizations to use SA-CCR to determine the exposure amount of derivative contracts for purposes of calculating total leverage exposure for the supplementary leverage ratio. If a Category III banking organization chooses to use SA-CCR to calculate its total risk-weighted assets, it must use SA-CCR to determine the exposure amount of derivative contracts for its total leverage exposure. Where a banking organization has the option to choose among the approaches applicable to such banking organization under the capital rule, it must use the same approach for all purposes.

Furthermore, the final rule allows a clearing member banking organization to recognize the counterparty credit risk-reducing effect of client collateral in replacement cost and potential future exposure (PFE) for purposes of calculating total leverage exposure under certain circumstances. In particular, this treatment applies to a clearing member banking organization's exposure from its client-facing derivative transactions. For such exposures, a clearing member banking organization would use SA-CCR, as applied for risk-based capital purposes, which permits recognition of both cash and non-cash forms of margin in the form of financial collateral received from a client to offset the replacement cost and PFE components for client-facing derivative transactions.

In the October 2019 notice, the agencies proposed to revise the instructions for Call Report Schedule RC-R, Part II to implement the changes to the calculation of the exposure amount of derivative contracts under the agencies' capital rule.

Additionally, the SA-CCR final rule notes that the FDIC is unable to incorporate the SA-CCR methodology into the deposit insurance assessment pricing methodology for highly complex institutions[28] upon the effective date of this rule, but will consider options for addressing the use of SA-CCR in the deposit insurance system as derivative exposure data reported using SA-CCR becomes available. In the meantime, certain clarifications would be made to the instructions for reporting counterparty exposures in Schedule RC-O, Memorandum items 14 and 15, of the FFIEC 031 and the FFIEC 041 Call Reports, requiring highly complex institutions to continue to calculate derivative exposures using CEM, but without any reduction for collateral other than cash collateral that is all or part of variation margin and that satisfies certain requirements.[29] Similarly, certain clarifications would be made to the instructions for Schedule RC-O, Memorandum items 14 and 15, in the FFIEC 031 and the FFIEC 041 Call Reports requiring highly complex institutions to continue to report the exposure amount associated with securities financing transactions, including cleared transactions that are securities financing transactions, using the standardized approach.[30]

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[28] See 12 CFR 327.8(g).
[29] See 12 CFR sections 3.10(c)(4)(ii)(C)(1)(ii) and (iii) and 3.10(c)(4)(ii)(C)(3)-(7) (OCC); 12 CFR sections 217.10(c)(4)(ii)(C)(1)(ii) and (iii) and 217.10(c)(4)(ii)(C)(3)-(7) (Board); and 12 CFR sections 324.10(c)(4)(ii)(C)(1)(ii) and (iii) and 324.10(c)(4)(ii)(C)(3)-(7) (FDIC) (as amended under the SA-CCR final rule).
[30] See 12 CFR section 3.37(b) or (c) (OCC); 12 CFR section 217.37(b) or (c) (Board); and 12 CFR section 324.37(b) or (c) (FDIC) (as amended under the SA-CCR final rule).

Proposed Revisions to Call Report Schedule RC-R, Part II

Under the generally applicable capital rules that apply to all institutions, a banking organization must report the notional amount and regulatory capital exposure amount of its derivatives exposures in Schedule RC-R, Part II. In the October 2019 notice, the agencies proposed to revise the instructions for Schedule RC-R, Part II, to be consistent with SA-CCR. Generally, the proposed revisions to the reporting of derivatives elements in Schedule RC-R, Part II, are driven by the treatment of cleared derivatives' variation margin (settled-to-market versus collateralized-to-market), netting provisions impacting the calculations of notional and exposure amounts, and attributions of derivatives to cleared versus noncleared derivatives. The General Instructions for Schedule RC-R, Part II, and the instructions for Schedule RC-R, Part II, items 20, 21, and Memorandum items 1 through 3 would be revised.

High Volatility Commercial Real Estate (HVCRE) Land Development Loans

Background

On December 13, 2019, the agencies published a final rule that conforms the HVCRE exposure definition in section 2 of the capital rule[31] to the statutory definition of an HVCRE acquisition, development, or construction (HVCRE ADC) loan[32] and clarifies the capital treatment for loans that finance the development of land under the revised HVCRE exposure definition (HVCRE final rule).[33] This final rule takes effect April 1, 2020.

Proposed Revisions to Call Report Schedule RC-R, Part II

On July 6, 2018, the agencies released a statement providing, in relevant part, that institutions reporting the Call Reports may choose to continue to apply the current regulatory definition of HVCRE exposure when determining which loans should be subject to a heightened risk weight or may choose to apply the heightened risk weight only to those loans they reasonably believe meet the statutory definition of HVCRE ADC loan.[34] In the October 2019 notice, the agencies proposed to require institutions to apply the HVCRE exposure definition in the HVCRE final rule beginning with the Call Reports for June 30, 2020. Specifically, the agencies proposed to make conforming revisions to the instructions for Schedule RC-R, Part II, items 4.b and 5.b, in all versions of the Call Reports effective as of that report date.

Operating Lease Liabilities

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, "Leases," which added Topic 842, Leases, to the Accounting Standards Codification (ASC). Once ASU 2016-02 is effective for an institution, this ASU's accounting requirements, as

[31] See 12 CFR 3.2 (OCC); 12 CFR 217.2 (Board); and 12 CFR 324.2 (FDIC).
[32] See section 214 of the EGRRCPA.
[33] 84 FR 68019 (December 13, 2019).
[34] See Board, FDIC, and OCC, Interagency statement regarding the impact of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA), https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20180706a1.pdf.

amended by certain subsequent ASUs, supersede ASC Topic 840, Leases.

The most significant change that ASC Topic 842 makes to the previous lease accounting requirements is to lessee accounting. Under the lease accounting standards in ASC Topic 840, lessees recognize lease assets and lease liabilities on the balance sheet for capital leases, but do not recognize operating leases on the balance sheet. The lessee accounting model under Topic 842 retains the distinction between operating leases and capital leases, which the new standard labels finance leases. However, the new standard requires lessees to record a right-of-use (ROU) asset and a lease liability on the balance sheet for operating leases. (For finance leases, a lessee's lease asset also is designated an ROU asset.) In general, the new standard permits a lessee to make an accounting policy election to exempt leases with a term of one year or less at their commencement date from on-balance sheet recognition.

For institutions that are public business entities, as defined under U.S. generally accepted accounting principles (GAAP), Topic 842 is currently in effect. For institutions that are not public business entities, the FASB recently amended the effective date of the new standard so that Topic 842 will now take effect for fiscal years beginning after December 15, 2020, and interim reporting periods within fiscal years beginning after December 15, 2021.[35] Early application of the new standard is permitted for all institutions.

The Call Report Supplemental Instructions for March 2019[36] stated that a lessee should report lease liabilities for operating leases and finance leases, including lease liabilities recorded upon adoption of the ASU, in Schedule RC-M, items 5.b, "Other borrowings," and 10.b, "Amount of 'Other borrowings' that are secured," which is consistent with the current Call Report instructions for reporting a lessee's obligations under capital leases under ASC Topic 840. In response to this instructional guidance, the agencies received questions from institutions concerning the reporting of a bank lessee's lease liabilities for operating leases. These institutions indicated that reporting operating lease liabilities as other liabilities instead of other borrowings would better align the reporting of the single noninterest expense item for operating leases in the income statement (which is the presentation required by ASC Topic 842) with their balance sheet classification and would be consistent with how these institutions report operating lease liabilities internally.

The agencies considered the views expressed by these institutions and proposed in the October 2019 notice to require that operating lease liabilities be reported on the Call Report balance sheet in Schedule RC, item 20, "Other liabilities." In Schedule RC-G, Other Liabilities, operating lease liabilities would be reported in item 4, "All other liabilities." In subitems of Schedule RC-G, item 4, institutions must itemize and describe any components of this item in amounts greater than $100,000 that exceed 25 percent of the amount reported in item 4. Because of the expected prevalence of operating lease liabilities, the agencies also proposed to add a new subitem with the preprinted caption "Operating lease liabilities" to item 4 to facilitate the reporting of these liabilities when their amount exceeds the reporting threshold for itemizing and

[35] See FASB ASU 2019-10, Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates (https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176173775344&acceptedDisclaimer=true).
[36] See https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC031_FFIEC041_FFIEC051_suppinst_201903.pdf.

describing components of "All other liabilities." These changes would take effect as of the March 31, 2020, report date.

Reporting Home Equity Lines of Credit That Convert From Revolving to Non-Revolving Status

Proposed Instructional Clarification

Institutions report the amount outstanding under revolving, open-end lines of credit secured by 1-4 family residential properties (commonly known as home equity lines of credit or HELOCs) in item 1.c.(1) of Schedule RC-C, Part I, Loans and Leases. The amounts of closed-end loans secured by 1-4 family residential properties are reported in Schedule RC-C, Part I, item 1.c.(2)(a) or (b), depending on whether the loan is a first or a junior lien.[37]

A HELOC is a line of credit secured by a lien on a 1-4 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 loan term through monthly payments. Because the Call Report instructions do not address the reporting treatment for a home equity line of credit when it reaches its end-of-draw period and converts from revolving to non revolving status, the agencies have found diversity in how these credits are reported in Schedule RC-C, Part I, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b), and in other Call Report items that use the definitions of these three loan categories.

In September 2015, to address this absence of instructional guidance and promote consistency in reporting, the agencies proposed to clarify the instructions for reporting loans secured by 1-4 family residential properties by specifying that after a revolving open-end line of credit has converted to non-revolving closed-end status, the loan should be reported as closed-end in Schedule RC-C, Part I, item 1.c.(2)(a) or (b), as appropriate.[38] As discussed in a subsequent notice,[39] the agencies received a number of comments that raised concerns with the proposal. In particular, some commenters stated that reclassifying HELOCs after the draw period could raise operational challenges for institutions' loan systems that would require additional time to implement. Based on the feedback received, the agencies did not proceed with their proposed instructional clarification at that time.

The agencies continue to believe that it is important to collect accurate data on loans secured by 1-4 family residential properties in the Call Report. Consistent classification of HELOCs based on the status of the draw period is particularly important for the agencies' safety and soundness monitoring. Due to the structure of HELOCs discussed above, borrowers generally are not required to make principal repayments during the draw period, which may

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[37] Institutions report additional information on open-end and closed-end loans secured by 1-4 family residential properties in certain other Call Report schedules in accordance with the loan category definitions in Schedule RC-C, Part I, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b).
[38] See 80 FR 56539 (September 18, 2015).
[39] See 81 FR 45357 (July 13, 2016).

create a financial shock for borrowers when they must make a balloon payment or begin regular monthly repayments after the draw period. With some institutions reporting HELOCs past the draw period as revolving, this increases the amounts outstanding, charge-offs, recoveries, past dues, and nonaccruals reported in the open-end category relative to the amounts reported by institutions that treat HELOCs past the draw period as closed-end, which makes the data less useful for agency comparisons and safety and soundness monitoring. In addition, in ASU No. 2019-04,[40] the FASB amended ASC Subtopic 326-20 on credit losses to require that, when presenting credit quality disclosures in notes to financial statements prepared in accordance with U.S. GAAP, an entity must separately disclose line-of-credit arrangements that are converted to term loans from line-of-credit arrangements that remain in revolving status. The agencies further stated in the October 2019 notice that they had determined that there would be little or no impact to the regulatory capital calculations, FDIC deposit insurance assessments, or other regulatory reporting requirements as a result of this proposed clarification, which were other concerns previously raised by commenters.

Therefore, in the October 2019 notice, the agencies re-proposed to clarify the Call Report instructions for Schedule RC-C, Part I, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b), to address continuing diversity in reporting practices by stating that revolving, open-end lines of credit secured by 1-4 family residential properties that have converted to non-revolving closed-end status should be reported as closed-end loans. The effect of this clarification would extend to the instructions for numerous data items elsewhere in the Call Report that reference the Schedule RC-C, Part I, loan category definitions for open-end and closed-end loans secured by 1-4 family residential properties and were identified in the October 2019 notice. That notice also identified a limited number of Call Report data items to which this instructional clarification would not be applied.

To address prior comments regarding the time needed for any systems changes, the agencies proposed that compliance with the clarified instructions would not be required until the March 31, 2021, report date. The October 2019 notice further proposed that institutions not currently reporting in accordance with the clarified instructions would be permitted, but not required, to report in accordance with the clarified instructions before that date.

Timing

The October 2019 notice indicated that the capital-related reporting changes would coincide with the effective dates of the various final capital rules. Thus, the reporting revisions to the Call Report, as applicable, would take effect March 31, 2020, for the capital simplifications rule, the community bank leverage ratio rule, and the tailoring final rule. In this regard, the filing of the FFIEC 031 Call Report by all institutions that are advanced approaches institutions under the tailoring final rule and the filing of the FFIEC 031 or FFIEC 041 Call Report by institutions considered Category III institutions under this rule would take effect as of March 31, 2020. Non-advanced approaches institutions may elect to wait to adopt the capital simplifications rule for reporting purposes until the June 30, 2020, report date. The reporting revisions to the Call Report, as applicable, would take effect June 30, 2020, for the custodial bank supplementary

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[40] ASU No. 2019-04, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments," issued in April 2019.

leverage ratio final rule, the standardized approach for counterparty credit risk on derivative contracts final rule, and the high volatility commercial real estate exposures final rule. However, the mandatory compliance date for reporting in accordance with the standardized approach for counterparty credit risk final rule is the March 31, 2022, report date.

In addition, the reporting of operating lease liabilities as "All other liabilities" in Call Report Schedule RC-G would take effect March 31, 2020, and the change in the reporting of construction, land development, and other land loans with interest reserves in Call Report Schedule RC-C, Part I, would take effect March 31, 2021. The requirement to continue reporting HELOCs that convert to closed-end status as open-end loans in Schedule RC-C, Part I, would apply to those HELOCs that convert on or after January 1, 2021, with pre-2021 conversions subject to the transition guidance above; new Memorandum item 16 in Schedule RC-C, Part I, for HELOCs in non-revolving closed-end status that are reported as open-end loans would take effect March 31, 2021, in the FFIEC 031 and the FFIEC 041 Call Reports and June 30, 2021, in the FFIEC 051 Call Report.

Time Schedule for Information Collection and Publication

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

Public Availability of Data

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

Legal Status

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

Most of the information provided on the Call Reports is made public. However, the following items are confidential: (1) the FDIC deposit insurance assessment information reported in response to item 2.g on schedule RI-E, (2) the prepaid deposit insurance assessments information reported in response to item 6.f on schedule RC-F, and (3) the information regarding other data for deposit insurance and FICO assessments reported in response to memorandum items 6-9, 14-15, and 18 on schedule RC-O. Board staff have determined that it is possible to reverse engineer an institution's Capital, Asset Quality, Management, Earnings, Liquidity, and Sensitivity (CAMELS) rating based on the data reported under the FDIC deposit insurance assessment data item and the prepaid deposit insurance assessments data item. If this information were publicly available, it would be possible to determine the state member bank's CAMELS rating. Therefore, this information can be kept confidential under exemption 8 of the Freedom of Information Act (FOIA), which specifically exempts from disclosure information "contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions" (5 U.S.C. § 552(b)(8)). Board staff have also advised that the release of this information and information regarding other data for deposit insurance and FICO assessments reported in response to memorandum items 6-9, 14-15, and 18 on schedule RC-O would likely cause substantial harm to the competitive position of the institution from whom the information was obtained if it was released. Therefore, this information can be kept confidential also under exemption 4 of FOIA, which exempts "trade secrets and commercial or financial information obtained from a person and privileged or confidential" (5 U.S.C. § 552(b)(4)).

Consultation Outside the Agency

The Board, FDIC, and OCC coordinated in developing these revisions.

Public Comments

On October 4, 2019, the agencies, under the auspices of the FFIEC, published an initial notice in the *Federal Register* (84 FR 53227) requesting public comment for 60 days on the extension, with revision, of the Call Reports. The comment period for this notice expired on December 3, 2019. The agencies received comments on the proposed reporting changes covered in the notice from four entities: three bankers' associations and one savings association.

Except for the proposed TLAC holdings rule, final rules have been adopted for all of the regulatory capital rulemakings addressed in the October 2019 notice. The capital-related reporting changes discussed in the October 2019 notice take effect in the same quarters as the various capital rules that have been finalized. However, because the proposed TLAC holdings rule is still pending, at this time the agencies are not proceeding with the implementation of the TLAC-related reporting changes proposed in the October 2019 notice. If the proposed TLAC holdings rule is adopted as a final rule, the agencies plan to issue a 30 day *Federal Register* notice pursuant to the Paperwork Reduction Act (PRA) to implement the associated reporting changes, which would address any comments received on the proposed changes.

After carefully considering the comments received on the October 2019 notice, the agencies are adopting the reporting changes proposed in that notice (other than for TLAC) with modifications discussed in the following sections.

Comments Received and Final Capital Simplifications Rule Reporting Revisions

Two commenters opposed the agencies' proposal to require all advanced approaches institutions to file the FFIEC 031 Call Report because this requirement could impact the reporting burden of numerous small depository institution subsidiaries of holding companies that are advanced approaches institutions.

In proposing to require all advanced approaches institutions to file the FFIEC 031 Call Report (including those advanced approaches institutions that currently file the FFIEC 041 Call Report) in conjunction with the implementation of the capital simplifications rule, the agencies sought to retain a streamlined and straightforward Part I of Schedule RC-R for the more than 1,400 non advanced approaches institutions that filed the FFIEC 041 Call Report (based on data as of September 30, 2019). When the capital simplifications rule takes effect in the first quarter of 2020, allowing advanced approaches institutions currently filing the FFIEC 041 Call Report to continue to do so, rather than requiring them to begin filing the FFIEC 031 Call Report as had been proposed, would subject all institutions filing the FFIEC 041 to the complexity of the same dual column structure for items 11 through 19 of Schedule RC-R, Part I, that is discussed above in the context of the FFIEC 031 reporting form. The benefit of a simple, straightforward Part I of Schedule RC-R in the FFIEC 041 Call Report that would be applicable to the more than 1,400 non-advanced approaches institutions is expected to offset the impact on the small group of less than 20 advanced approaches institutions that currently file the FFIEC 041 Call Report of having to migrate to the FFIEC 031 Call Report when the capital simplifications rule takes effect. Thus, the agencies are not adopting the commenters' recommendation to permit advanced approaches institutions currently eligible to file the FFIEC 041 to continue to file this version of the Call Report.

In addition, as a consequence of the technical amendments that the capital simplifications rule made to the agencies' capital rule effective October 1, 2019, the agencies are clarifying when an institution must report the amount of distributions and discretionary bonus payments in Schedule RC-R, Part I, item 48 (which would be renumbered as item 54). The agencies are clarifying the instructions for renumbered item 54 to explain that an institution must report the amount of distributions and discretionary bonus payments made during the calendar quarter ending on the report date if the amount of its capital conservation buffer that it reported for the previous calendar quarter-end report date was less than its applicable required buffer percentage on that previous calendar quarter-end report date. This change will enhance the agencies' ability to monitor compliance with the limitations on distributions and discretionary bonus payments. Institutions must comply with this instructional clarification beginning with the March 31, 2020, report date.

Comments Received and Final CBLR Rule Reporting Revisions

Two commenters addressed certain aspects of the proposed CBLR reporting revisions. Aspects of the proposed CBLR reporting revisions on which no comments were received, including the proposed change in the reporting threshold for Schedule RC-C, Part I, Memorandum item 13, would be implemented as proposed.

One commenter supported "the proposed line item additions to RC-R, Part I reporting to support changes to the leverage ratio," but the other commenter recommended removing proposed items 35 through 38.c of Part I because the data to be reported are not qualifying criteria under the CBLR framework. Both commenters did not favor the proposal to move existing items 36 through 39 of Schedule RC-R, Part I, which are used to measure total assets for the leverage ratio, and existing item 44, "Tier 1 leverage ratio," from their present locations in Part I of the schedule to an earlier position in Part I where all of the CBLR-related items would be reported and these five items would be renumbered as items 27 through 31. One of the commenters stated that, although this proposed change in the presentation of Part I of Schedule RC-R would not affect the results of individual items in Part I, the proposed new presentation could be confusing to end users of the schedule. The second commenter expressed concern about inserting the data items for the CBLR framework within existing Schedule RC-R, Part I, rather than in a separate version of the schedule as the agencies had originally proposed in April 2019, because the insertion of these data items was confusing and could lead to reporting errors. Thus, this commenter suggested that the agencies break the proposed revised structure of Part I of Schedule RC-R into three separate parts with existing Part II of Schedule RC-R becoming the fourth part of the schedule. In addition, this commenter noted that an institution that is eligible to opt into the CBLR framework may opt into and out of the framework at any time, and that there is a grace period for an institution that no longer meets the qualifying criteria for the CBLR framework. During the grace period, the institution continues to be treated as a CBLR bank. Because an institution's status, i.e., as a CBLR bank or as subject to the generally applicable capital requirements, can change from quarter to quarter, the commenter recommended the addition of data items to Schedule RC-R for reporting the institution's status with respect to the CBLR framework.

The agencies have considered these comments and will retain proposed items 35 through 38.c for reporting by CBLR banks in Schedule RC-R, Part I, as proposed for the reasons cited in the October 2019 notice.[41] The agencies propose to collect information regarding unconditionally cancellable commitments and investments in the tier 2 capital instruments of unconsolidated financial institutions, as reported in proposed items 35 and 36, in order to monitor balance sheet exposures that are not reflected in the CBLR framework and to identify CBLR banks with elevated concentrations in unconditionally cancellable commitments. The allocated transfer risk reserve and allowances for credit losses on purchased credit-deteriorated assets, which would be reported in proposed items 37 and 38.a through 38.c, currently exist in Part II of Schedule RC-R, which a CBLR bank would no longer complete. The agencies use the information reported in these data items in the calculation of regulatory limits on investment securities and lending where relevant.

[41] See 84 FR 53234 (October 4, 2019).

The agencies also will retain the proposed movement of the data items related to the leverage ratio to a position immediately after the calculation of tier 1 capital (designated items 27 through 31 of Schedule RC-R, Part I, as it would be revised) as well as the placement of the proposed data items to be completed only by CBLR banks, including those within the grace period (designated items 32 through 38.c of Schedule RC-R, Part I, as it would be revised). Because all institutions are subject to a leverage ratio requirement, all institutions must calculate and report the ratio's numerator, which is tier 1 capital, and its denominator, which is based on average total assets. As a consequence, items 1 through 31 of Part I would be applicable to and completed by all institutions. Moving the leverage ratio data items as proposed would allow CBLR banks to avoid completing the remainder of Schedule RC-R after item 38.c of Part I, which the agencies believe will be less confusing for CBLR banks than having to complete the leverage ratio items in their current location in Part I of the schedule, which is after numerous items that will not be applicable to CBLR banks.

Furthermore, the agencies are modifying the formatting of Schedule RC-R, Part I, to better distinguish the data items that should be completed only by CBLR banks and those that should be completed only by those institutions applying the generally applicable capital requirements. This will be accomplished by improving the captioning before Schedule RC-R, Part I, item 32, which is the first data item to completed only by CBLR banks, and between items 38.c, which is the final data item only for CBLR banks, and item 39, which is the first data item applicable only to other institutions subject to the generally applicable capital requirements. The portion of Schedule RC-R, Part I, applicable only to CBLR banks also will be marked by bordering. These modifications to the formatting of Part I should functionally achieve an outcome similar to the comment suggesting that Part I be split into Parts 1, 2, and 3 with existing Part II then renumbered as Part 4.

In addition, the agencies acknowledge that, under the CBLR final rule, an institution that is eligible to opt into the CBLR framework may choose to opt into or out of this framework at any time and for any reason. Accordingly, the agencies see merit in a commenter's recommendation that an institution should report its status as of the report date regarding the use of the CBLR framework. Therefore, the agencies propose to add a "yes/no" item 31.a to Schedule RC-R, Part I, after item 31, "Leverage ratio," in which each institution would report whether it has a CBLR framework election in effect as of the quarter-end report date. An institution would answer "yes" if it qualifies for the CBLR framework (even if it is within the grace period) and has elected to adopt the framework as of that report date. Otherwise, the institution would answer "no." Captioning after the "yes/no" response to item 31.a would indicate which of the subsequent data items in Schedule RC-R should be completed based on the response to item 31.a. This "yes/no" response should assist an institution in understanding which specific data items it should complete in the rest of Schedule RC-R. The response also should assist users of Schedule RC-R in understanding the regulatory capital regime an institution is following as of the report date. The agencies are not adopting a commenter's recommendation to add additional data items relating to use of the CBLR, for example by differentiating between banks that currently meet the CBLR qualifying criteria and those that are within the grace period, as the agencies do not need this additional level of detail in the Call Report.

The agencies believe these modifications to the format and structure of Part I of Schedule RC-R will limit the burden on reporting institutions and lessen possible confusion, including for users of Schedule RC-R and for those qualifying community institutions that elect to adopt the CBLR framework. Redlined drafts of Call Report Schedule RC-R in all three versions of the Call Report as it is proposed to be revised, with the modifications described in this section, will be available on the FFIEC's Reporting Forms webpage, https://www.ffiec.gov/ffiec_report_forms.htm.

Comments Received and Final Tailoring Rule Reporting Revisions

Two commenters addressed the agencies' proposal to require all institutions subject to Category I, II, or III capital standards to file the FFIEC 031 Call Report. One commenter observed that institutions that are subsidiaries of Category I, II, and III institutions, and therefore also considered Category I, II, and III institutions, will experience increases in overall reporting burden if they currently file the FFIEC 041 Call Report, but now must file the FFIEC 031 Call Report. The other commenter explicitly stated that the agencies should not expand the scope of the FFIEC 031 to require subsidiaries of Category I, II, and III institutions that previously were eligible to file the FFIEC 041 Call Report to file the FFIEC 031 Call Report. This commenter recommended that the agencies confirm that subsidiary depository institutions that currently file the FFIEC 041 or FFIEC 051 Call Report should continue to do so rather than "filing the more burdensome FFIEC 031."

The agencies have reviewed these comments and are modifying the proposed change in scope as it applies to Category III institutions not currently required to file the FFIEC 031 Call Report. Accordingly, subsidiary depository institutions of Category III institutions that have less than $100 billion in total assets and have no foreign offices (as defined in the Call Report instructions) would be eligible to file the FFIEC 041 Call Report and would not be required to file the FFIEC 031. To accommodate this modification to the originally proposed change in scope for Category III institutions, the agencies will retain existing SLR information items 45.a and 45.b (proposed to be renumbered as items 55.a and 55.b), as well as existing item 46.b for the countercyclical capital buffer (proposed to be renumbered as item 56.b), in Schedule RC-R, Part I, in the FFIEC 041 Call Report rather than removing these three items from this report as had been proposed.[42] However, the agencies will require all Category I and II institutions, including depository institution subsidiaries of Category I and II institutions, to file the FFIEC 031 Call Report as proposed. As advanced approaches institutions, depository institutions that are Category I and II institutions are not eligible to file the FFIEC 041 and FFIEC 051 Call Reports.

Comments Received and Instructions for Reporting Derivatives

The agencies did not receive comments specifically addressing their proposals to revise the instructions for Schedule RC-R, Part II consistent with the SA-CCR final rule. However, two commenters submitted similar questions and requests for clarifications related to certain

[42] Subsidiary depository institutions of Category III institutions that have less than $5 billion in total assets and have no foreign offices would not be eligible to file the FFIEC 051 report, as the required SLR and countercyclical capital buffer information is not collected on the FFIEC 051 report.

derivatives reporting issues. In Schedule RC-R, Part II, Memorandum item 3, institutions report the notional principal amounts of centrally cleared derivative contracts by remaining maturity. Commenters sought clarification as to whether, for purposes of reporting derivatives referred to as settled-to-market contracts in Memorandum item 3, the remaining maturity of such derivatives should be the remaining maturity used to determine the conversion factor for the calculation of the PFE of these contracts or the contractual remaining maturity of these contracts. The derivatives information reported in Memorandum items 1 through 3 of Schedule RC-R, Part II, is collected to assist the agencies in understanding, and assessing the reasonableness of, the credit equivalent amounts of the over-the-counter derivatives and the centrally cleared derivatives reported in Schedule RC-R, Part II, items 20 and 21, column B. Accordingly, when reporting settled-to-market centrally cleared derivative contracts in Memorandum item 3, the remaining maturity used to determine the applicable conversion factor should be the basis for reporting. The agencies will clarify the instructions for Memorandum item 3 to address the reporting of settled-to-market contracts.

Both commenters stated that the Call Report instructions do not explain whether institutions should report notional amounts in Schedule RC-L, Derivatives and Off-Balance Sheet Items, and Schedule RC-R, Part II, Risk-Weighted Assets, 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. In seeking clarification of the reporting requirements for such situations, the commenters recommended that notional amounts not be reported for derivatives that have matured. The agencies agree and will clarify the Call Report instructions to so indicate.

For purposes of reporting notional amounts in the Call Report, one commenter recommended that the agencies clarify whether the notional amount as defined in U.S. GAAP[43] or under the SA-CCR final rule should be used when an institution must report the notional amount of derivative contracts in Schedule RC-R, Regulatory Capital, and elsewhere in the Call Report, such as Schedule RC-L. The SA-CCR notional amount should be reported in Schedule RC-R only when an institution uses SA-CCR to calculate its exposure amounts when the institution determines its standardized total risk-weighted assets. When an institution uses CEM to calculate exposure amounts for its derivative contracts, the notional amounts to be reported in Schedule RC-R should be based on the definition in U.S. GAAP. All notional amounts reported in Schedule RC-L should be based on the U.S. GAAP notional amount. The agencies will revise the instructions for Schedules RC-L and RC-R in this manner.

Both commenters addressed the reporting of the fair value of collateral held against over-the-counter (OTC) derivative exposures by type of collateral and type of derivative counterparty in Schedule RC-L, item 16.b, and questioned whether this information is meaningful. One commenter requested clarification of the purpose for collecting this information while the other recommended that the agencies no longer collect this information. The data items for reporting the fair value of collateral are applicable to institutions with total assets of $10 billion or more. In general, the agencies use this information in their oversight and supervision of banks engaging in OTC derivative activities. The breakdown of the fair value of collateral posted for OTC derivative exposures in item 16.b provides the agencies with important insights into the extent to

[43] See Accounting Standards Codification Section 815-10-20.

which collateral is used as part of the credit risk management practices associated with derivative credit exposures to different types of counterparties and changes over time in the nature and extent of the collateral protection. Thus, the agencies are not adopting the commenters' recommendation.

Comments Received and Final Reporting Revisions to HELOC That Convert From Revolving to Non-Revolving Status

Three commenters opposed the agencies' proposal to require that HELOCs that have converted to non-revolving closed-end status should be reported as closed-end loans. Commenters cited the numerous data items in multiple Call Report schedules that would be affected by this proposed instructional clarification and the reconfiguration of systems that would need to be undertaken as well as a definitional conflict between the Call Report instructions as the agencies proposed to clarify them and the instructions for the Board's FR Y-14M report[44] filed by holding companies with total consolidated assets of $100 billion or more. In addition, one commenter stated that the proposed Call Report instructional clarification may lead to inconsistencies between the reporting of HELOCs in open-end and closed-end status in the Call Report and disclosures of HELOCs made in filings with the Securities and Exchange Commission under the federal securities laws. Another commenter cited differences in the risk profiles of loans underwritten as HELOCs and those underwritten as closed-end loans at origination and indicated that the proposed instructional clarification could distort performance trends for loans secured by 1-4 family residential properties as HELOCs migrate between the open-end and closed-end loan categories in the Call Report. Two of the commenters opposing the proposed instructional clarification instead recommended the creation of a memorandum item in the Call Report loan schedule (Schedule RC-C, Part I) to identify for supervisory purposes the amount of HELOCs that have converted to non-revolving closed-end status. The other commenter suggested segregating closed-end HELOCs using a separate loan category code, which may also imply separate reporting and disclosure of such HELOCs.

One commenter also requested that the agencies clarify the reporting treatment for "drawdowns of a HELOC Flex product that contain 'lock-out' features," which was described as the borrower's exercise of an option to convert a draw on the line of credit to "a fixed rate interest structure with defined payments and term."

After considering the comments received, the agencies will not implement the proposed clarification to the instructions for Schedule RC-C, Part I, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b) that would result in revolving, open-end lines of credit secured by 1-4 family residential properties that have converted to non-revolving closed-end status being reported as closed-end loans. In light of the guidance in the instructions for the Board's FR Y-14M report that directs reporting entities to continue to report HELOCs that are no longer revolving credits in the Home Equity schedule, the agencies propose to adopt this treatment for Call Report purposes. However, recognizing the existing diversity in practice in which some institutions report HELOCs that have converted from revolving to non-revolving status as closed-end loans in the Call Report while other institutions continue to report such HELOCs as open-end loans, the agencies propose that institutions report all HELOCs that convert to closed-end status on or after January 1, 2021,

[44] Capital Assessments and Stress Testing Report (FR Y-14M; OMB Number 7100-0341).

as open-end loans in Schedule RC-C, Part I, item 1.c.(1). An institution that currently reports HELOCs that have converted to non-revolving closed-end status as open-end loans in Schedule RC-C, Part I, item 1.c.(1), should not change its reporting practice for these loans and should continue to report these loans in item 1.c.(1) regardless of their conversion date. An institution that currently 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. With respect to HELOC Flex products, the proposed reporting treatment described above would mean that amounts drawn on a HELOC during its draw period that a borrower converts to a closed-end amount before the end of this period also should be reported as open-end loans in Schedule RC-C, Part I, item 1.c.(1), subject to the transition guidance above.

The agencies also agree with commenters' suggestion to create a memorandum item in Schedule RC-C, Part I, in which institutions would report the amount of HELOCs that have converted to non-revolving closed-end status that are included in item 1.c.(1), "Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit." This new Memorandum item 16 in Schedule RC-C, Part I, would enable the agencies to monitor the proportion of an institution's home equity credits in revolving and non-revolving status and changes therein and assess whether changes in this proportion in relation to changes in past due and nonaccrual home equity credits and charge-offs and recoveries of such credits warrant supervisory follow-up. Memorandum item 16 would be collected quarterly in the FFIEC 031 and the FFIEC 041 Call Reports and semiannually as of June 30 and December 31 in the FFIEC 051 Call Report. To provide time needed for any systems changes, the agencies propose to implement this new memorandum item as of the March 31, 2021, report date in the FFIEC 031 and the FFIEC 041 Call Reports and as of the June 30, 2021, report date in the FFIEC 051 Call Report.

On January 27, 2020, the agencies, under the auspices of the FFIEC, published a final notice in the *Federal Register* (85 FR 4780). The comment period ended on February 26, 2020. The agencies received comments on the proposed reporting changes only to the Call Report from two parties. These comments related solely to the Call Report revisions arising from the agencies' final rule on the SA-CCR on derivative contracts. On November 19, 2019, the agencies announced that they had adopted this final rule implementing a new approach for calculating the exposure amount of derivative contracts under the agencies' regulatory capital rule. The final rule was published in the *Federal Register* on January 24, 2020 (85 FR 4362). The SA-CCR final rule takes effect April 1, 2020 (i.e., for the Call Report for the June 30, 2020, report date) with a mandatory compliance date of January 1, 2022 (i.e., for the Call Report for the March 31, 2022, report date).

One commenter addressed the reporting of counterparty exposure data in Call Report Schedule RC-O, Memorandum items 14 and 15. The commenter recommended that institutions required to report such data (i.e., "highly complex institutions" as defined in the FDIC's assessment regulations, 12 CFR 327.8(g)) should be allowed to calculate the amount of counterparty derivative exposure that would be included in these two Memorandum items using the SA-CCR methodology once these institutions have adopted this methodology for regulatory capital purposes. The commenter noted that the agencies' January 2020 notice stated that these institutions would continue to use the CEM, rather than the SA-CCR methodology, to calculate counterparty derivative exposures for purposes of Memorandum items 14 and 15. The commenter further recommended that all changes to the FDIC's assessment methodology as well as instructional clarifications for reporting and calculating counterparty exposure data in Call Report Schedule RC-O should be subject to public notice and comment.

In the agencies' *Federal Register* notice for the SA-CCR final rule, the FDIC stated that "a lack of historical data on derivative exposure using SA-CCR makes the FDIC unable to incorporate the SA-CCR methodology into the deposit insurance assessment pricing methodology for highly complex institutions upon the effective date of" the SA-CCR final rule. The FDIC further stated that it "plans to review derivative exposure data reporting using SA-CCR, and then consider options for addressing the use of SA-CCR in the deposit insurance assessment system." The agencies' January 2020 notice reiterated these statements, adding that the instructions for reporting counterparty exposures in Schedule RC-O, Memorandum items 14 and 15, would clarify that highly complex institutions would continue to be required to calculate derivative exposures using CEM. The counterparty exposure data reported in Memorandum items 14 and 15 are inputs to the scorecard for highly complex institutions that is used to determine the initial base assessment rate for such institutions.[45] Thus, the instructions for Memorandum items 14 and 15 must be aligned with the deposit insurance assessment pricing methodology for highly complex institutions set forth in the FDIC's assessment regulations. Because these regulations continue to specify the use of CEM when calculating derivative exposures, the agencies are retaining the instructions for these two Memorandum items that would be clarified as described above and would not allow institutions to use the SA-CCR methodology for deposit insurance assessment purposes. After sufficient monitoring of derivative exposure data calculated for regulatory capital purposes using SA-CCR enables the FDIC to consider options for addressing the use of SA-CCR for assessment purposes, any changes to the deposit insurance assessment system would be made through the notice and comment rulemaking process. Any proposed rulemaking could be expected to explain the effect the proposal, if adopted, would have on the instructions for the derivative exposure calculation within the measurement of the counterparty exposures to be reported in Call Report Schedule RC-O, Memorandum items 14 and 15.

Another comment cited concerns with the agencies' proposed instructional clarification stating that an institution that uses SA-CCR to calculate exposure amounts should report the "SA-CCR notional" amount of a derivative in Schedule RC-R, Regulatory Capital. The SA-CCR final rule refers to this notional amount as the "adjusted notional amount." Institutions report the notional amounts of over-the-counter and centrally cleared derivative contracts by remaining maturity in Schedule RC-R, Part II, Memorandum items 2 and 3. The commenter recommended that the reporting of notional amounts in Schedule RC-R by institutions that use SA-CCR should continue to be based on the contractual notional amount, i.e., the notional amount as defined in U.S. generally accepted accounting principles, consistent with current practice in Schedule

[45] See 12 CFR 327.16(b)(2)(ii)(A)(2)(iii) and 12 CFR Part 327, Appendix A, Section VI. Description of Scorecard Measures.

RC-R.

The agencies note that they had proposed in their January 2020 notice to clarify the instructions for reporting notional amounts in Schedule RC-R, including the reporting of the "SA-CCR notional" amount by institutions that use SA-CCR, in response to this same commenter's recommendation to clarify these instructions in its comment letter on the agencies' initial PRA *Federal Register* notice for proposed revisions to the Call Report and one other interagency report. In that comment letter, the commenter appeared to recommend that the reporting of notional amounts in Schedule RC-R by institutions that use SA-CCR be based on the "SA CCR notional" amount. Absent this comment on the October 2019 notice, the agencies would have retained the current practice for reporting notional amounts in Schedule RC-R. After considering this comment on the January 2020 notice, the agencies now will retain the current method of reporting notional amounts in Schedule RC-R for all institutions rather than making the instructional clarification proposed in their January 2020 notice. Thus, the agencies will clarify the instructions for Schedule RC-R, Part II, Memorandum items 2 and 3, to indicate that all institutions, including those that use SA-CCR to calculate exposure amounts, should report contractual notional amounts.

The agencies also received a comment requesting that they clarify the instructions for Schedule RC-R, Part II, items 20, "Over-the-counter derivatives," and 21, "Centrally cleared derivatives," with respect to where the client-facing leg of a derivative cleared through a central counterparty or a qualified central counterparty should be reported. The agencies will clarify the instructions for these items to explain that the client-facing leg of such a derivative should be reported in item 20 as an over-the-counter derivative.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the Call Reports is 150,877 hours, and would decrease to 138,506 with the proposed revisions. The average estimated hours per response for Board Call Report filers would decrease from 48.42 hours to 44.45 hours due to the proposed changes. The estimated average hours per response for the quarterly filings of the Call Report is a weighted average of the three versions of the Call Report (FFIEC 031, FFIEC 041, and FFIEC 051). Both the weighted average Call Report burden estimate and the three separate versions of the Call Report vary by agency because of differences in the composition of the institutions under each agency's supervision (e.g., size distribution of institutions, types of activities in which they are engaged, and existence of foreign offices). These reporting requirements represent 1.3 percent of the Board's total paperwork burden.

FFIEC 031, FFIEC 041, and FFIEC 051	*Estimated number of respondents*[46]	*Annual frequency*	*Estimated average hours per response*	*Estimated annual burden hours*
Current	779	4	48.42	150,877
Proposed	779	4	44.45	138,506
Change				(12,371)

The current estimated total annual cost to the public for the Call Reports is $8,690,515 and would decrease to $7,977,946 with the proposed revisions.[47]

Sensitive Questions

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

Estimate of Cost to the Federal Reserve System

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

[46] Of these respondents, 526 are considered small entities as defined by the Small Business Administration (i.e., entities with less than $600 million in total assets), https://www.sba.gov/document/support--table-size-standards.

[47] Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at $19, 45% Financial Managers at $71, 15% Lawyers at $69, and 10% Chief Executives at $96). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2018*, published March 29, 2019, https://www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, https://www.bls.gov/soc/.