

**Supporting Statement for the  
Financial Statements for Holding Companies  
FR Y-9; OMB No. 7100-0128**

## **Summary**

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), has extended for three years, with revision, the Financial Statements for Holding Companies (FR Y-9; OMB No. 7100-0128). This information collection comprises the following five reports:

- Consolidated Financial Statements for Holding Companies (FR Y-9C),
- Parent Company Only Financial Statements for Large Holding Companies (FR Y-9LP),
- Parent Company Only Financial Statements for Small Holding Companies (FR Y-9SP),
- Financial Statements for Employee Stock Ownership Plan Holding Companies (FR Y-9ES), and
- Supplement to the Consolidated Financial Statements for Holding Companies (FR Y-9CS).

The Board requires bank holding companies (BHCs), most savings and loan holding companies (SLHCs),<sup>1</sup> securities holding companies, and U.S. intermediate holding companies (IHCs) (collectively HCs) to provide standardized financial statements through one or more of the FR Y-9 reports. The information collected on the FR Y-9 reports is necessary for the Board to identify emerging financial risks and monitor the safety and soundness of HC operations.

The Board revised the FR Y-9C to implement various changes to the Board's capital rule that the Board has recently finalized. Each of the revisions to the FR Y-9C would take effect the same quarter as the effective date of the relevant associated revision to the Board's capital rule. The Board also revised the instructions for the reporting of operating leases on the FR Y-9C that would take effect March 31, 2020, as well as FR Y-9C changes for reporting home equity lines of credit that would take effect March 30, 2020, and March 31, 2021. Finally, the Board revised the FR Y-9CS to clarify that response to the report is voluntary.

The current estimated total annual burden for the FR Y-9 reports is 124,000 hours, and would decrease to 119,667 hours. The revisions would result in a decrease of 4,333 hours. The forms and instructions are available on the Board's public website at <https://www.federalreserve.gov/apps/reportforms/default.aspx>.”

## **Background and Justification**

The FR Y-9 reports are the Board's primary source of financial data on HCs. Federal Reserve System examiners rely on the FR Y-9 reports to supervise financial institutions between on-site inspections. The Board uses the collected data to detect emerging financial problems,

---

<sup>1</sup> An SLHC must file one or more of the FR Y-9 family of reports unless it is (1) a grandfathered unitary SLHC with primarily commercial assets and thrifts that make up less than 5 percent of its consolidated assets or (2) an SLHC that primarily holds insurance-related assets and does not otherwise submit financial reports with the U.S. Securities and Exchange Commission pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934.

conduct pre-inspection analysis, monitor and evaluate capital adequacy, evaluate mergers and acquisitions, and analyze an HC's overall financial condition to monitor the safety and soundness of its operations. The information collected by the FR Y-9 reports is not available from other sources.

### **Description of Information Collection**

The FR Y-9C consists of standardized financial statements similar to the Call Reports filed by commercial banks.<sup>2</sup> The FR Y-9C collects consolidated data from HCs and is filed quarterly by top-tier HCs with total consolidated assets of \$3 billion or more.<sup>3</sup>

The FR Y-9LP, which collects parent company only financial data, must be submitted by each HC that files the FR Y-9C, as well as by each of its subsidiary HCs.<sup>4</sup> The report consists of standardized financial statements.

The FR Y-9SP is a parent company only financial statement filed semiannually by HCs with total consolidated assets of less than \$3 billion. In a banking organization with total consolidated assets of less than \$3 billion that has tiered HCs, each HC in the organization must submit, or have the top-tier HC submit on its behalf, a separate FR Y-9SP. This report collects basic balance sheet and income data for the parent company, as well as data on its intangible assets and intercompany transactions.

The FR Y-9ES is filed annually by each employee stock ownership plan (ESOP) that is also an HC. The report collects financial data on the ESOP's benefit plan activities. The FR Y-9ES consists of four schedules: a Statement of Changes in Net Assets Available for Benefits, a Statement of Net Assets Available for Benefits, Memoranda, and Notes to the Financial Statements.

The instructions to each of the FR Y-9C, FR Y-9LP, FR Y-9SP, and FR Y-9ES state that respondent HCs should retain workpapers and other records used in the preparation of the reports.

The FR Y-9CS is a voluntary, free-form supplemental report that the Board may utilize to collect critical additional data from HCs deemed to be needed in an expedited manner.<sup>5</sup> The

---

<sup>2</sup> The Call Reports (OMB No. 7100-0036) consist of the Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only and Total Assets Less than \$5 Billion (FFIEC 051), Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only (FFIEC 041), and Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices (FFIEC 031).

<sup>3</sup> Under certain circumstances described in the FR Y-9C's General Instructions, HCs with assets under \$3 billion may be required to file the FR Y-9C.

<sup>4</sup> A top-tier HC may submit a separate FR Y-9LP on behalf of each of its lower-tier HCs.

<sup>5</sup> Certain criteria apply to information collections conducted via the Board's ad hoc clearance process. Such information collections shall (1) be vetted by the Board's clearance officer as well as the Division director responsible for the information collection, (2) display the OMB control number and respondents shall be informed that the information collection has been approved, (3) be used only in such cases where response is voluntary, (4) not be used to substantially inform regulatory actions or policy decisions, (5) be conducted only and exactly as described in the OMB submission, (6) involve only noncontroversial subject matter that will not raise concerns for

FR Y-9CS data collections are used to assess and monitor emerging issues related to HCs, and the report is intended to supplement the other FR Y-9 reports. The data requested by the FR Y-9CS would depend on the Board's data needs in any given situation. For example, changes made by the Financial Accounting Standards Board (FASB) may introduce into U.S. generally accepted accounting principles (U.S. GAAP) new data items that are not currently collected by the other FR Y-9 reports. The Board could use the FR Y-9CS report to collect these data until the items are implemented into the other FR Y-9 reports.<sup>6</sup>

### **Respondent Panel**

The FR Y-9 reports panel is comprised of HCs. Specifically, the FR Y-9C panel consists of top-tier HCs with total consolidated assets of \$3 billion or more; FR Y-9LP panel consists of each HC that files the FR Y-9C, as well as by each of its subsidiary HCs; FR Y-9SP panel consists of HCs with total consolidated assets of less than \$3 billion; FR Y-9ES panel consists of each employee stock ownership plan (ESOP) that is also an HC; and FR Y-9CS panel consists of any HC the Board selects.

### **Adopted Revisions to the FR Y-9C**

#### **Simplifications Rule**

The Board revised the FR Y-9C to implement the Board's final rule to simplify certain aspects of the capital rule (simplifications rule), which 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 holding companies that do not apply to advanced approaches institutions.<sup>7,8</sup> The simplifications rule results in different calculations for these tiers of regulatory capital for non-advanced approaches holding companies and advanced approaches HCs. To reflect the effects of the simplifications rule for non-advanced approaches HCs, the Board revised the FR Y-9C to adjust the existing regulatory capital calculations reported on Schedule HC-R, Part I. Although the report would include two sets of calculations (for non-advanced approaches HCs and advanced approaches HCs), a HC would complete only the set applicable to that holding company.

---

other Federal agencies, (7) include information collection instruments that are each conducted only one time, (8) include a detailed justification of the effective and efficient statistical survey methodology (if applicable), and (9) collect personally identifiable information (PII) only to the extent necessary (if collecting PII, the form must display current privacy act notice). In addition, for each information collection instrument, respondent burden will be tracked and submitted to OMB.

<sup>6</sup> The FR Y-9CS was most recently used by the Board on June 30, 2008. In that collection, data were requested from banking organizations implementing an Advanced Measurement Approach to calculate operational risk capital under the Basel II Risk-Based Capital Framework. The report was used to conduct a voluntary Loss Data Collection Exercise (LDCE) relating to operational risk.

<sup>7</sup> In general, an advanced approaches HC, as defined in the Board's Regulation Q, has consolidated total assets of \$250 billion or more, has consolidated total on-balance sheet foreign exposure of \$10 billion or more, has a subsidiary depository institution that uses the advanced approaches to calculate its total risk-weighted assets, or elects to use the advanced approaches to calculate its total risk-weighted assets. See 12 CFR 217.100.

<sup>8</sup> 84 FR 35234 (July 22, 2019).

The simplifications rule provides for certain amendments to the capital rule, associated with the proposed reporting revisions to the FR Y-9C, with an effective date of April 1, 2020. On October 29, 2019, the Board issued a final rule that permits non-advanced approaches banking organizations to implement the simplifications rule on January 1, 2020.<sup>9</sup> As a result, non-advanced approaches HCs have the option to implement the simplifications rule on the revised effective date of January 1, 2020, or wait until the quarter beginning April 1, 2020. The Board revised Schedule HC-R, Regulatory Capital, to implement the associated changes to the capital rule effective as of the March 31, 2020, report date, consistent with the simplifications rule's optional effective date.

Additionally, the Board adopted a simplified capital calculations methodology on Schedule HC-R, Part I and Part II, and thereby reduced burden. As previously mentioned, the FR Y-9C would include two sets of calculations (one that incorporates the effects of the simplifications rule and another that does not); therefore, a holding company would only complete the column for the set of calculations applicable to that holding company. For the March 31, 2020, report date, non-advanced approaches HCs that elect to adopt the simplifications rule on January 1, 2020, would complete the column for the set of calculations that incorporates the effects of the simplifications rule. Non-advanced approaches HCs that elect to wait to adopt the simplifications rules on April 1, 2020, and all advanced approaches holding companies would complete the column for the set of calculations that does not reflect the effects of this rule (i.e., that reflects the capital calculation in effect for all holding companies before this revision). Beginning with the June 30, 2020, report date, all non-advanced approaches holding companies would complete the column for the set of calculations that incorporates the effects of the simplifications rule. The advanced approaches holding companies would complete the column that does not reflect the effects of the simplifications rule.

Currently, the regulatory capital calculations in FR Y-9C Schedule HC-R require that a holding company's capital cannot include mortgage servicing assets (MSAs), certain temporary difference deferred tax assets (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 that those three data items combined cannot comprise more than 15 percent of CET1 capital. Under the simplifications rule, the Board increased the threshold for MSAs, DTAs that could not be realized through net operating loss carrybacks (temporary difference DTAs),<sup>10</sup> and investments in the capital of unconsolidated financial institutions for non-advanced approaches HCs. The Board revised Schedule HC-R to permit non-advanced approaches HCs to include as capital MSAs and temporary difference DTAs up to 25 percent of CET1 capital, on an individual basis. The 15 percent aggregate limit would be removed. In addition, the Board revised the capital calculation for minority interest included in the various capital categories for non-advanced approaches HCs and the calculation of the capital conservation buffer.

The simplifications rule also combined the current three categories of investments in financial institutions (non-significant investments in the capital of unconsolidated financial

---

<sup>9</sup> 84 FR 61804 (November 13, 2019).

<sup>10</sup> The Board notes that the Tax Cuts and Jobs Act, Pub. L. No. 115-97, 131 Stat. 2054 (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.

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 will apply 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 capital using the corresponding deduction approach.<sup>11</sup> The Board revised the FR Y-9C to implement this change.

Consistent with the current capital rule, a holding company must risk weight MSAs, temporary difference DTAs, and investments in the capital of unconsolidated financial institutions that are not deducted. As a result of the simplifications rule, non-advanced approaches banking organizations 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.<sup>12</sup> For non-advanced approaches banking organizations, the 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.<sup>13</sup> 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 inclusion of equity exposures to determine 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.<sup>14</sup> The Board revised the FR Y-9C to implement this change, as discussed below.

In order to implement these regulatory capital changes, a number of revisions were made to Schedule HC-R, Part I, for non-advanced approaches HCs. Specifically, the Board created two columns for existing items 11 through 19 on the FR Y-9C. Column A would be reported by non-advanced approaches HCs that elect to adopt the simplifications rule on January 1, 2020, in the March 31, 2020, FR Y-9C report and by all non-advanced approaches HCs beginning in the June 30, 2020, FR Y-9C report using the definitions under the simplifications rule. Column A would not include items 11 or 16, and items 13 through 15 would be designated as items 13.a, column A through item 15.a, column A to reflect the new calculation methodology. Column B would be reported by advanced approaches HCs and by non-advanced approaches HCs that elect to wait to adopt the simplifications rule on April 1, 2020, in the March 31, 2020, FR Y-9C report and only by advanced approaches HCs beginning in the June 30, 2020, FR Y-9C report using the

---

<sup>11</sup> 84 FR 35234 (July 22, 2019).

<sup>12</sup> 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 or 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.

<sup>13</sup> 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 217.52 and .53.

<sup>14</sup> See footnote 11.

existing definitions. Existing items 13 through 15 would be designated as items 13.b, column B through item 15.b, column B to reflect continued use of the existing calculation methodology.

With respect to the revisions related to the capital calculation for minority interests, the Board modified the FR Y-9C instructions to reflect the ability of non-advanced approaches HCs to use the revised method under the simplifications rule to calculate minority interest in existing items 4, 22, and 39 (CET1, additional tier 1, and tier 2 minority interest, respectively).

In addition, as a result of certain changes made by the capital simplifications rule, the Board clarified when a holding company must report the amount of distributions and discretionary bonus payments in Schedule HC-R, Part I, item 48 (which would be renumbered as item 52). The Board clarified the instructions for renumbered item 52 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 Board's ability to monitor compliance with the limitations on distributions and discretionary bonus payments. Holding companies must comply with this instructional clarification beginning with the March 31, 2020, report date.

### **Community Bank Leverage Ratio**

The Board revised the FR Y-9C to implement a simplified alternative measure of capital adequacy, the community bank leverage ratio (CBLR), for qualifying HCs with less than \$10 billion in total consolidated assets. The revisions would align the FR Y-9C with the CBLR final rule,<sup>15</sup> which implemented section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA).<sup>16</sup> The revisions to the FR Y-9C would become effective for the March 31, 2020, report date, the first report date in respect of which a HC could elect to opt into the framework established by the community leverage bank ratio final rule (CBLR framework).

Under the CBLR final rule, HCs 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 would be eligible to opt into the CBLR framework. A HC that opts into the CBLR framework, maintains a leverage ratio of greater than 9 percent, and continues to meet the other qualifying criteria will be considered to have satisfied the generally applicable risk-based and leverage capital requirements and any other capital or leverage requirements to which it is subject.<sup>17</sup>

Under the CBLR final rule, a holding company that opts into the CBLR framework (CBLR HC) may opt out of the CBLR framework at any time, without restriction, by reverting to the generally applicable capital requirements in the Board's capital rule and reporting its regulatory capital information in the FR Y-9C Schedule HC-R, "Regulatory Capital," Parts I and II, at the time of opting out.

---

<sup>15</sup> 84 FR 61776 (November 13, 2019).

<sup>16</sup> See Pub. L. No. 115-174, 132 Stat. 1296 (2018).

<sup>17</sup> See footnote 15.

As described in the CBLR final rule, a CBLR HC that no longer meets the qualifying criteria for the CBLR framework will be required within two consecutive calendar quarters (grace period) either to satisfy once again the qualifying criteria or demonstrate compliance with the generally applicable capital requirements. During the grace period, the HC would continue to be treated as a CBLR HC and would be required to report its leverage ratio and related components in FR Y-9C Schedule HC-R, Part I.<sup>18</sup> A CBLR HC that ceases to meet the qualifying criteria as a result of a business combination (e.g., a merger) will receive no grace period, and will immediately become subject to the generally applicable capital requirements. Similarly, a CBLR HC 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.<sup>19</sup>

The Board incorporated revisions related to the CBLR framework into Schedule HC-R, Part I. As provided in the CBLR final rule, the numerator of the community bank leverage ratio will be tier 1 capital, which is currently reported on Schedule HC-R, Part I, item 26. Therefore, the Board did not propose any changes related to the numerator of the CBLR.

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

As provided in the CBLR final rule, an HC 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 HC-R, Part I, item 44, the Board did not propose a separate item for the community bank leverage ratio in Schedule HC-R, Part I. Instead, the Board revised the FR Y-9C to move the tier 1 leverage ratio from item 44 of Part I and renumber it as item 31, and rename the item to the Leverage Ratio, as this ratio would apply to all HCs (as the community bank leverage ratio for qualifying HCs or the tier 1 Leverage Ratio for all other HCs).

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 new items identified below would collect information necessary to ensure that a HC continuously meets the qualifying

---

<sup>18</sup> For example, if the CBLR HC no longer meets one of the qualifying criteria as of February 15, and still does not meet the criteria as of the end of that quarter, the grace period for such an HC will begin as of the end of the quarter ending March 31. The banking organization may continue to use the CBLR 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 HC once again meets all qualifying criteria of the CBLR framework, including a leverage ratio of greater than 9 percent, by that date.

<sup>19</sup> 84 FR 61776 (November 13, 2019).

criteria for using the CBLR framework. The Board added a “yes/no” checkbox (item 31.a.) on Schedule HC-R, Part I, after item 31, “Leverage ratio,” where each HC would report whether or not it has a CBLR framework election in effect as of the quarter-end report date.

### *Qualifying Criteria for Using the CBLR Framework*

A HC would need to satisfy certain qualifying criteria to be eligible to opt into the CBLR framework. The items below would collect the information necessary to ensure that an HC continuously meets the qualifying criteria for using the CBLR framework. Specifically, a qualifying HC must not be an advanced approaches (AA) HC and must meet the following 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.<sup>20</sup>

Accordingly, the Board will collect the items described below from CBLR HCs only:

- In item 32 of Schedule HC-R, Part I, a CBLR HC will report total assets, as reported in Schedule HC, item 12.
- In item 33, a CBLR HC will report the sum of trading assets from Schedule HC, item 5, and trading liabilities from Schedule HC, item 15, in Column A. The HC will also report that sum divided by total assets from Schedule HC, item 12, and expressed as a percentage in Column B. As provided in the CBLR final rule, trading assets and trading liabilities will be added together, not netted, for purposes of this calculation. Also as discussed in the CBLR final rule, a HC will not meet the definition of a qualifying community banking organization for purposes of the CBLR framework if the percentage reported in Column B is greater than 5 percent.
- In items 34.a through 34.d, a CBLR HC will report information related to commitments, other off-balance sheet exposures, and sold credit derivatives.
  - In item 34.a, a CBLR HC will report the unused portion of conditionally cancellable commitments. This amount will be the amount of all unused commitments less the amount of unconditionally cancellable commitments, as discussed in the CBLR final rule and defined in the agencies’ capital rule.<sup>21</sup> This item will be calculated consistent with the sum of Schedule HC-R, Part II, items 18.a and 18.b, Column A.
  - In item 34.b, a CBLR HC will report total securities lent and borrowed, which will be the sum of Schedule HC-L, items 6.a and 6.b.
  - In item 34.c, a CBLR HC will report the sum of certain other off-balance sheet exposures and sold credit derivatives. Specifically, a CBLR HC will report the

---

<sup>20</sup> As provided in the CBLR final rule, the Board would reserve the authority to disallow the use of the CBLR framework by an HC based on the risk profile of the HC. This authority derives from the general reservation of authority included in the Board’s Regulation Q, in which the CBLR framework is to be codified. See 12 CFR 217.1(d).

<sup>21</sup> See definition of “unconditionally cancellable” in 12 CFR 217.2.



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 HC will not include derivatives that are not sold credit derivatives, such as foreign exchange swaps and interest rate swaps, in item 34.c.

- In item 34.d, a CBLR HC will report the sum of items 34.a through 34.c in Column A. The HC will also report that sum divided by total assets from Schedule HC, item 12, and expressed as a percentage in Column B. As discussed in the CBLR final rule, a HC will not be eligible to opt into the CBLR framework if this percentage is greater than 25 percent.
- In item 35, a CBLR HC will report the total of unconditionally cancellable commitments, which will be calculated consistent with the instructions for existing Schedule HC-R, Part II, item 19. This item is not used specifically to calculate a HC's eligibility for the CBLR framework. However, the Board is collecting this information in order to monitor balance sheet exposures that are not reflected in the CBLR framework and to identify any CBLR HCs with elevated concentrations in unconditionally cancellable commitments.
- In item 36, a CBLR HC will 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 HC is neither required to calculate tier 2 capital nor make any deductions that would be taken from tier 2 capital. Therefore, if a CBLR HC has investments in the capital instruments of an unconsolidated financial institution that would qualify as tier 2 capital of the CBLR HC under the generally applicable capital requirements (tier 2 qualifying instruments), and the CBLR HC's total 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 HC is required to make a deduction from CET1 capital or T1 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 T1 capital instruments of the CBLR HC and the sum exceeds the 25 percent CET1 threshold. The Board considers it important to continue collecting information on the amount of investments in these capital instruments in order to identify any instances where such activity potentially creates an unsafe or unsound practice or condition.

Because a CBLR HC will not be subject to the generally applicable capital requirements, a CBLR HC will not need to complete any of the items in Schedule HC-R, Part I, after proposed item 36, nor will the holding company need to complete Schedule HC-R, Part II, Risk-Weighted Assets.

In connection with moving the leverage ratio calculations and inserting items for the CBLR qualifying criteria in Schedule HC-R, Part I, existing items 27 through 35 of Schedule HC-R, Part I, will be renumbered as items 37 through 45. Existing items 40 through 43 will be renumbered as items 46 through 49, while existing items 46 through 48 will be renumbered as

items 50 through 52. For advanced approaches HCs, existing item 45 for total leverage exposure and the supplementary leverage ratio, will be renumbered as item 53.

A CBLR HC will indicate that it has elected to apply the CBLR framework by completing Schedule HC-R, Part I, items 32 through 36. HCs not subject to the CBLR framework would be required to report all data items in Schedule HC-R, Part I, except for items 32 through 36.

### **Standardized Approach for Counterparty Credit Risk on Derivatives**

The Board revised the FR Y-9C instructions to implement changes to the capital rule regarding how to calculate the exposure amount of derivative contracts (the standardized approach for counterparty credit risk, or SA-CCR) that were implemented by final rule (the SA-CCR final rule).<sup>22</sup>

The SA-CCR final rule amends the capital rule by replacing the current exposure methodology (CEM) with SA-CCR for advanced approaches HCs. The final rule requires holding companies subject to Category I and II standards (Category I and II holding companies) under the Board's tailoring final rule<sup>23</sup> to 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 (IMM) 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 prorata 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.

Under the SA-CCR final rule, a non-advanced approaches HC will be able to use either CEM or SA-CCR to calculate the exposure amount of any noncleared and cleared derivative contracts and to determine the risk-weighted asset amount of any default fund contributions under the standardized approach. A HC that meets the criteria for a banking organization subject to Category III standards<sup>24</sup> will also use SA-CCR for calculating its supplementary leverage ratio if it chooses to use SA-CCR to calculate its derivative and default fund exposures.

---

<sup>22</sup> 84 FR 4362 (January 24, 2020).

<sup>23</sup> 84 FR 59230 (November 1, 2019).

<sup>24</sup> The Board's final tailoring rule, approved on October 10, 2019, describes a Category III banking organization generally as a banking organization with \$250 billion or more in total consolidated assets that is not a global

Accordingly, the Board revised the instructions for HC-R Part II, consistent with the SA-CCR final rule. Generally, the revisions to the reporting of derivatives elements in Schedule HC-R, Part II, are driven by differences in the methodology for determining the exposure amount of a derivative contract under SA-CCR relative to CEM. The General Instructions for Schedule HC-R, Part II, and the instructions for Schedule HC-R, Part II, items 20, 21, and Memorandum items 1 through 3 were revised. These revisions will be effective for the June 30, 2020, report date, the same quarter as the effective date of the SA-CCR final rule, with a mandatory compliance date of January 1, 2022. The Board also clarified the FR Y-9C instructions for HC-R, Part II, items 20 and 21 to explain that derivatives cleared through a central counterparty or a qualified central counterparty should be reported in HC-R, Part II, items 20 as an over-the-counter derivative.

### **High Volatility Commercial Real Estate (HVCRE)**

The Board revised the FR Y-9C instructions to implement changes to the HVCRE exposure definition in section 2 of the capital rule<sup>25</sup> to conform to the statutory definition of an HVCRE Acquisition, Development, or Construction (ADC) loan (HVCRE final rule).<sup>26</sup> The revisions align the capital rule with section 214 of the EGRRCPA to exclude from the definition of HVCRE exposure credit facilities that finance the acquisition, development, or construction of one- to four-family residential properties.<sup>27</sup>

The HVCRE final rule also clarifies the definition of HVCRE exposure in the capital rule by adding a new paragraph that provides that the exclusion for one- to four-family residential properties would not include credit facilities that solely finance land development activities, such as the laying of sewers, water pipes, and similar improvements to land, without any construction of one- to four-family residential structures. In order for a loan to be eligible for this exclusion, the credit facility would be required to include financing for construction of one- to four-family residential structures.

---

systemically important bank (GSIB) nor has significant international activity, or a banking organization with total consolidated assets of \$100 billion or more, but less than \$250 billion, that meets or exceeds other specified risk-based indicators. See “Prudential Standards for Large Bank Holding Companies, Savings and Loan Holding Companies, and Foreign Banking Organizations,” 84 FR 59032 (November 1, 2019).

<sup>25</sup> 12 CFR Part 217.2.

<sup>26</sup> 84 FR 68019 (December 13, 2019).

<sup>27</sup> Section 214 became effective upon enactment of the EGRRCPA. Accordingly, on July 6, 2018, the Board, along with the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC), issued a statement advising institutions that, when determining which loans should be subject to a heightened risk weight, they may choose to continue to apply the current regulatory definition of HVCRE exposure, or they may choose to apply the heightened risk weight only to those loans they reasonably believe meet the definition of “HVCRE ADC loan” set forth in section 214 of the EGRRCPA. 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>. The Board temporarily implemented this revision to the FR Y-9C through an emergency PRA clearance that permitted, but did not require, a HC to use the definition of HVCRE ADC loan in place of the existing definition of HVCRE loan.

## Operating Lease Liabilities

In February 2016, the 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 a holding company, the ASU’s accounting requirements, as 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.

The Board revised the FR Y-9C instructions to implement changes for operating leases to be reported as other liabilities instead of other borrowings for regulatory reporting purposes. The change 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.

For HCs that are public business entities, as defined under U.S. GAAP, ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within those fiscal years. For HCs that are not public business entities, at present, the new standard is effective for fiscal years beginning after December 15, 2019, and interim reporting periods within fiscal years beginning after December 15, 2020. Early application of the new standard is permitted for all HCs.

The FR Y-9C reports Supplemental Instructions for March 2019<sup>28</sup> 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 HC-M, item 14, “Other borrowings,” which is consistent with the current FR Y-9C instructions for reporting a lessee’s obligations under capital leases under ASC Topic 840. In response to this instructional guidance, the Board received questions from HCs concerning the reporting of a bank lessee’s lease liabilities for operating leases. These HCs 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 HCs report operating lease liabilities internally.

---

<sup>28</sup> See [https://www.federalreserve.gov/reportforms/supplemental/SI\\_FRY9\\_201903.pdf](https://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201903.pdf).

The Board agrees with the views expressed by these HCs and revised the FR Y-9C to require that operating lease liabilities be reported on the FR Y-9C balance sheet in Schedule HC, item 20, “Other liabilities.” In Schedule HC-G, Other Liabilities, operating lease liabilities would be reported in item 4, “Other” effective March 31, 2020.

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

Holding companies 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 HC-C, Loans and Lease Financing Receivables. The amounts of closed-end loans secured by 1-4 family residential properties are reported in Schedule HC-C, item 1.c.(2)(a) or (b), depending on whether the loan is a first or a junior lien.<sup>29</sup>

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. The FR Y-9C 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 nonrevolving status. This leads to inconsistency in how these credits are reported in Schedule HC-C, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b), and in other holding company items that use the definitions of these three loan categories.

To address this absence of instructional guidance and promote consistency in reporting, the Board 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 HC-C, item 1.c.(2)(a) or (b), as appropriate.

The Board considers that it is important to collect accurate data on loans secured by 1-4 family residential properties in the FR Y-9C reports. Consistent classification of HELOCs based on the status of the draw period is particularly important for the Board’s 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 create a financial shock for borrowers when they must make a balloon payment or begin regular monthly repayments after the draw period. Some HCs report HELOCs past the draw period as revolving, and this practice increases the amounts outstanding, charge-offs, recoveries, past dues, and nonaccruals reported in the open-end category relative to the amounts reported by HCs that treat HELOCs past the draw period as closed-end, which makes the data less useful for analysis and

---

<sup>29</sup> Holding companies report additional information on open-end and closed-end loans secured by 1-4 family residential properties in certain other FR Y-9C schedules in accordance with the loan category definitions in Schedule HC-C, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b).

safety and soundness monitoring. In addition, in Accounting Standards Update No. 2019-04,<sup>30</sup> 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 Board has determined that there would be little or no impact to the regulatory capital calculations or other regulatory reporting requirements as a result of this clarification.

In light of prior comments regarding the time needed for any systems changes, the Board proposed that compliance with the clarified instructions would not have been required until the March 31, 2021, report date. The Board's December 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.

Board revised the FR Y-9C instructions to create a new memorandum item, Schedule HC-C, Part I, Memorandum 15, for HCs to report HELOCs that have converted to non-revolving closed-end status that are included in Schedule HC-C, Part I, item 1.c.1. This new line item will not be required until the March 31, 2021, report date. The Board also clarified instructions for Schedule HC-C, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b).

### **Adopted Revisions to the FR Y-9CS**

The Board revised the FR Y-9CS to clarify that response to the report is voluntary.

### **Time Schedule for Information Collection**

The FR Y-9C and FR Y-9LP are filed quarterly as of the last calendar day of March, June, September, and December. The filing deadline for the FR Y-9C is 40 calendar days after the March 31, June 30, and September 30 as-of dates and 45 calendar days after the December 31 as-of date. The filing deadline for the FR Y-9LP is 45 calendar days after the quarter-end as-of date. The FR Y-9SP is filed semiannually as of the last calendar day of June and December, and the filing deadline is 45 calendar days after the as-of date. The annual FR Y-9ES is collected as of December 31, and the filing deadline is July 31 of the following year, unless an extension to file by October 15 is granted. Respondents will be notified of the filing deadline for the FR Y-9CS if it is utilized by the Board.

### **Public Availability of Data**

Data from the FR Y-9 reports that are not granted confidential treatment are publicly available on the Federal Financial Institutions Examination Council website:

<https://www.ffiec.gov/NPW>.

---

<sup>30</sup> Accounting Standards Update 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.

## Legal Status

The Board has the authority to impose the reporting and recordkeeping requirements associated with the FR Y-9 family of reports on BHCs pursuant to section 5 of the Bank Holding Company Act of 1956 (BHC Act) (12 U.S.C. § 1844); on SLHCs pursuant to section 10(b)(2) and (3) of the Home Owners' Loan Act (12 U.S.C. § 1467a(b)(2) and (3)), as amended by sections 369(8) and 604(h)(2) of the Dodd-Frank Wall Street and Consumer Protection Act (Dodd-Frank Act); on U.S. IHCs pursuant to section 5 of the BHC Act (12 U.S.C. § 1844), as well as pursuant to sections 102(a)(1) and 165 of the Dodd-Frank Act (12 U.S.C. §§ 511(a)(1) and 5365);<sup>31</sup> and on securities holding companies pursuant to section 618 of the Dodd-Frank Act (12 U.S.C. § 1850a(c)(1)(A)). Except for the FR Y-9CS report, which is expected to be collected on a voluntary basis, the obligation to submit the remaining reports in the FR Y-9 series of reports and to comply with the recordkeeping requirements set forth in the respective instructions to each of the other reports, is mandatory.

With respect to the FR Y-9C report, Schedule HI's data item 7(g) "FDIC deposit insurance assessments," Schedule HC-P's data item 7(a) "Representation and warranty reserves for 1-4 family residential mortgage loans sold to U.S. government agencies and government sponsored agencies," and Schedule HC-P's data item 7(b) "Representation and warranty reserves for 1-4 family residential mortgage loans sold to other parties" are considered confidential commercial and financial information. Such treatment is appropriate under exemption 4 of the Freedom of Information Act (FOIA) (5 U.S.C. § 552(b)(4)) because these data items reflect commercial and financial information that is both customarily and actually treated as private by the submitter, and which the Board has previously assured submitters will be treated as confidential. It also appears that disclosing these data items may reveal confidential examination and supervisory information, and in such instances, this information would also be withheld pursuant to exemption 8 of the FOIA (5 U.S.C. § 552(b)(8)), which protects information related to the supervision or examination of a regulated financial institution.

In addition, for both the FR Y-9C report and the FR Y-9SP report, Schedule HC's memorandum item 2.b., the name and email address of the external auditing firm's engagement partner, is considered confidential commercial information and protected by exemption 4 of the FOIA (5 U.S.C. § 552(b)(4)) if the identity of the engagement partner is treated as private information by HCs. The Board has assured respondents that this information will be treated as confidential since the collection of this data item was proposed in 2004.

---

<sup>31</sup> Section 165(b)(2) of Title I of the Dodd-Frank Act (12 U.S.C. § 5365(b)(2)), refers to "foreign-based bank holding company." Section 102(a)(1) of the Dodd-Frank Act (12 U.S.C. § 5311(a)(1)), defines "bank holding company" for purposes of Title I of the Dodd-Frank Act to include foreign banking organizations that are treated as bank holding companies under section 8(a) of the International Banking Act of 1978 (12 U.S.C. § 3106(a)). The Board has required, pursuant to section 165(b)(1)(B)(iv) of the Dodd-Frank Act (12 U.S.C. § 5365(b)(1)(B)(iv)), certain foreign banking organizations subject to section 165 of the Dodd-Frank Act to form U.S. intermediate holding companies. Accordingly, the parent foreign-based organization of a U.S. IHC is treated as a BHC for purposes of the BHC Act and section 165 of the Dodd-Frank Act. Because section 5(c) of the BHC Act authorizes the Board to require reports from subsidiaries of BHCs, section 5(c) provides additional authority to require U.S. IHCs to report the information contained in the FR Y-9 series of reports.

Aside from the data items described above, the remaining data items collected on the FR Y-9C report and the FR Y-9SP report are generally not accorded confidential treatment. The data items collected on FR Y-9LP, FR Y-9ES, and FR Y-9CS<sup>32</sup> reports, are also generally not accorded confidential treatment. As provided in the Board's Rules Regarding Availability of Information (12 CFR part 261), however, a respondent may request confidential treatment for any data items the respondent believes should be withheld pursuant to a FOIA exemption. The Board will review any such request to determine if confidential treatment is appropriate, and will inform the respondent if the request for confidential treatment has been denied.

To the extent the instructions to the FR Y-9C, FR Y-9LP, FR Y-9SP, and FR Y-9ES reports each respectively direct the financial institution to retain the workpapers and related materials used in preparation of each report, such material would only be obtained by the Board as part of the examination or supervision of the financial institution. Accordingly, such information is considered confidential pursuant to exemption 8 of the FOIA (5 U.S.C. § 552(b)(8)). In addition, the financial institution's workpapers and related materials may also be protected by exemption 4 of the FOIA, to the extent such financial information is treated as confidential by the respondent (5 U.S.C. § 552(b)(4)).

### **Consultation Outside the Agency**

The Board consulted with the Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency in regard to these revisions.

### **Public Comments**

On December 27, 2019, the Board published an initial notice in the *Federal Register* (84 FR 71414) requesting public comment for 60 days on the proposal to extend, with revision, of the FR Y-9 series reports. The comment period for this notice expired on February 25, 2020. The Board received one comment from a bankers' association. The Board also considered comments on a proposal to make similar revisions to the Call Reports<sup>33</sup> in order to promote consistency between the Call Reports and the FR Y-9 reports.

The Board did not receive any comments on the FR Y-9C report related to the CBLR changes. However, the Board considered comments received on the Call Report proposal, and adopted changes on the FR Y-9C to maintain consistency with the Call Report. Several comments were received on the Call Report proposal related to the CBLR proposed changes. One commenter supported the proposed line item additions to Schedule RC-R, Part I, to support changes to the leverage ratio, but another commenter recommended removing proposed items 35 through 38.c<sup>34</sup> of Part I because the data to be reported are not qualifying criteria under the CBLR framework. Two 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

---

<sup>32</sup> The FR Y-9CS is a supplemental report that may be utilized by the Board to collect additional information that is needed in an expedited manner from HCs. The information collected on this supplemental report is subject to change as needed. Generally, the FR Y-9CS report is treated as public. However, where appropriate, data items on the FR Y-9CS report may be withheld under exemptions 4 and/or 8 of the Freedom of Information Act (5 U.S.C. § 552(b)(4) and (8)).

<sup>33</sup> 84 FR 4780 (January 27, 2020).

<sup>34</sup> These items 37 through 38.c are not applicable to the FR Y-9C report.



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 have been reported, with these five items 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 had been originally proposed in April 2019, because the insertion of these data items would be confusing and could lead to reporting errors. Thus, this commenter suggested a break-up of 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.

The Board has considered these comments on the Call Report and will retain proposed FR Y-9C items 35 through 36 for reporting by CBLR holding companies in Schedule HC-R, Part I, as proposed for the reasons cited in the December 2019 notice. While these items are not used specifically to calculate a holding company’s eligibility for the CBLR framework, the Board considers collecting information on unconditionally cancellable commitments or investments in the tier 2 capital instruments important for identifying instances where such activity potentially creates an unsafe or unsound practice or condition.

The Board will also 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 HC-R, Part I, as it would be revised) as well as the placement of the proposed data items to be completed only by CBLR holding companies, including those within the grace period (designated items 32 through 36 of Schedule HC-R, Part I, as it would be revised). Because all holding companies 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 holding companies to avoid completing the remainder of Schedule HC-R after item 36 of Part I. The Board considers this option less confusing for CBLR holding companies than having to complete the leverage ratio items in their current location, which is after numerous items that will not be applicable to CBLR holding companies.

Furthermore, the Board will modify the formatting of Schedule HC-R, Part I, to better distinguish the data items that should be completed only by CBLR holding companies 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 HC-R, Part I, item 32, which is the first data item to be completed only by CBLR holding companies, and between items 36, which is the final data item only for CBLR holding companies banks, and item 37, which is the first data item applicable only to other institutions subject to the generally applicable capital requirements. The portion of Schedule HC-R, Part I, applicable only to CBLR holding companies 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 Board acknowledges that, under the CBLR final rule, a holding company 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 Board agrees with the commenter's recommendation that an institution should report its status as of the report date regarding the use of the CBLR framework. Therefore, the Board will add a "yes/no" item 31.a to Schedule HC-R, Part I, after item 31, "Leverage ratio," in which each holding company 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 HC-R should be completed based on the response to item 31.a. This "yes/no" response should assist a holding company in understanding which specific data items it should complete in the rest of Schedule HC-R. The response also should assist users of Schedule HC-R in understanding the regulatory capital regime an institution is following as of the report date. The Board is not adopting a commenter's recommendation to add additional data items relating to use of the CBLR, for example by differentiating between holding companies that currently meet the CBLR qualifying criteria and those that are within the grace period, as the Board does not need this additional level of detail in the FR Y-9C report.

The Board considers such modifications to the format and structure of Part I of Schedule HC-R will limit the burden on reporting institutions and lessen possible confusion, including for users of Schedule HC-R and for those qualifying community institutions that elect to adopt the CBLR framework.

The Board received a comment from a bankers' association requesting additional clarification to the FR Y-9C instructions that conform to changes on the Call Report related to certain derivatives reporting issues. The Call Report 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 potential future exposures (PFE) of these contracts or the contractual remaining maturity of these contracts. The derivatives information reported in Memorandum items 1 through 3 of Schedule HC-R, Part II, is collected to assist the Board 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 HC-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 Board revised the instructions for Schedule HC-R, Part II, Memorandum item 3, to clarify the reporting of settled-to-market centrally cleared derivative contracts.

The commenter on the Call Report proposal also expressed concerns related to the reporting of notional amounts in Schedule HC-R by institutions that use SA-CCR. The commenter recommended that the notional amounts by institutions that use SA-CCR should be

based on the contractual notional amount, i.e., the notional amount as defined in U.S. generally accepted accounting principles (U.S. GAAP), consistent with current practice in Schedule HC-R. Institutions report the notional amounts of over-the-counter and centrally cleared derivative contracts by remaining maturity in Schedule HC-R, Part II, Memorandum items 2 and 3. After considering this comment, the Board will clarify the instructions for Schedule HC-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 Board also clarified the reporting instructions to Schedule HC-L that all notional amounts should be based on U.S. GAAP contractual notional amounts.

The commenter recommended that the Board revise the FR Y-9C instructions on reporting of notional amounts in Schedule HC-L, Derivatives and Off-Balance Sheet Items, and Schedule HC-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 commenter recommended not reporting the notional amounts for derivatives that have matured. The Board agrees and has clarified the FR Y-9C, Schedule HC-L and Schedule HC-R, instructions to exclude reporting of the notional amounts of derivatives that have matured. The Board considered another comment received on the Call Report regarding clarification on whether the client facing leg of a derivative cleared through a central counterparty or a qualified central counterparty should be reported as an OTC or centrally cleared derivative. The Board has clarified the FR Y-9C instructions for HC-R, Part II, items 20 and 21 to clarify that such derivatives should be reported in HC-R, Part II, item 20, as an over-the-counter derivative.

Two Call Report 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 no longer collecting 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 Board uses this information collected on the FR Y-9C in its oversight and supervision of holding companies engaging in OTC derivative activities. The breakdown of the fair value of collateral posted for OTC derivative exposures in Schedule HC-L, item 15.b provides the Board with important insights into the extent to 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.

The Board received a comment from a bankers' association requesting that the Board ensure consistency across regulatory reports by modifying the proposed reporting of HELOCs in line with comments on proposed Call Report changes. In connection with the Call Report proposal, three commenters opposed the 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 proposed for clarification

and the instructions for the Board's FR Y-14M report filed by holding companies with total consolidated assets of \$100 billion or more.<sup>35</sup> 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 Call Report 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 on the FR Y-9C proposal and the Call Report comments, the Board will not implement the proposed clarification to the instructions for Schedule HC-C, Part I, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b) that would have resulted 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 Board will adopt this treatment for FR Y-9C 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 FR Y-9C while other institutions continue to report such HELOCs as open-end loans, the Board will instruct institutions to report all HELOCs that convert to closed-end status on or after January 1, 2021, as open-end loans in Schedule HC-C, Part I, item 1.c.(1). A holding company that currently reports HELOCs that have converted to non-revolving closed-end status as open-end loans in Schedule HC-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. A holding company that currently reports HELOCs that convert to non-revolving closed-end status as closed-end loans in Schedule HC-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 FR Y-9C 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

---

<sup>35</sup> Capital Assessments and Stress Testing Report (FR Y-14M; OMB No. 7100-0341).

before the end of this period also should be reported as open-end loans in Schedule HC-C, Part I, item 1.c.(1), subject to the transition guidance above.

The Board also agrees with the commenter's suggestion to create a memorandum item in Schedule HC-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 15 in Schedule HC-C, Part I, would enable the Board 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. To provide time needed for any systems changes, the Board will implement this new memorandum item as of the March 31, 2021.

Aside from the changes discussed above, the Board extended, with revision, the FR Y-9C as originally proposed. On April 1, 2020, the Board published a final notice in the *Federal Register* (85 FR 18230).

### **Estimate of Respondent Burden**

As shown in the table below, the estimated total annual burden for the FR Y-9 is 124,000 hours, and would decrease to 119,667 hours with the adopted revisions, resulting in a decrease of 4,333 hours. FR Y-9C non-advanced approaches HCs (non-AA HCs) estimated average hours per response of 40.61 is calculated by a weighted average approach.<sup>36</sup> The average estimated hours per response for advanced approaches FR Y-9C filers and for the FR Y-9LP, FR Y-SP, FR Y-9ES, and FR Y-9CS filers would remain unchanged. These reporting requirements represent 1.34 percent of the total Federal Reserve System paperwork burden.

---

<sup>36</sup> The number of qualifying non-AA HCs for the CBLR framework (FR Y-9C CBLR) is 176 respondents. Of the qualifying HCs, the Board estimates an initial adoption rate of 60 percent, or 106 respondents. The estimated hours per response for FR Y-9C CBLR respondents is 31.11 hours, a decrease of 11.34 hours. The FR Y-9C (CBLR) estimated number of respondents was multiplied by estimated average hours per response ( $106 \times 31.11 = 13,191$ ) and FR Y-9C (Non-CBLR) estimated number of respondents multiplied by estimated average hours per response ( $238 \times 44.84 = 42,690$ ). Both of these figures for CBLR and Non-CBLR were added together creating the weighted summation ( $13,191 + 42,690 = 55,881$ ), which was then divided by the total number of non-AA HCs in the current burden table, resulting in an estimated average hours per response of 40.61 ( $55,881 / 4,344 = 40.61$ ), reflecting a decrease for all non-AA HCs of  $(43.76 - 40.61) = 3.15$  hours. The number of respondents is calculated using March 31, 2019, data or the most recent data available for the series.

<b>FR Y-9</b>	<i>Estimated number of respondents<sup>37</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<b>Current</b>				
<i>Reporting</i>				
FR Y-9C (non AA HCs) with less than \$5 billion in total assets	155	4	40.48	25,098
FR Y-9C (non AA HCs) with \$5 billion or more in total assets	189	4	46.45	35,116
FR Y-9C (AA HCs)	19	4	48.59	3,693
FR Y-9LP	434	4	5.27	9,149
FR Y-9SP	3,960	2	5.40	42,768
FR Y-9ES	83	1	0.50	42
FR Y-9CS	236	4	0.50	472
<i>Recordkeeping</i>				
FR Y-9C	363	4	1.00	1,452
FR Y-9LP	434	4	1.00	1,736
FR Y-9SP	3,960	2	0.50	3,960
FR Y-9ES	83	1	0.50	42
FR Y-9CS	236	4	0.50	<u>472</u>
<i>Current Total</i>				124,000
<b>Proposed</b>				
FR Y-9C (non AA HCs CBLR) with less than \$5 billion in total assets	71	4	29.14	8,276
FR Y-9C (non AA HCs CBLR) with \$5 billion or more in total assets	35	4	35.11	4,915
FR Y-9C (non AA HCs non CBLR) with less than \$5 billion in total assets	84	4	40.98	13,769
FR Y-9C (non AA HCs non CBLR) with \$5 billion or more in total assets	154	4	46.95	28,921
FR Y-9C (AA HCs)	19	4	48.59	3,693
FR Y-9LP	434	4	5.27	9,149
FR Y-9SP	3,960	2	5.40	42,768
FR Y-9ES	83	1	0.50	42
FR Y-CS	236	4	0.50	472
<i>Recordkeeping</i>				
FR Y-9C	363	4	1.00	1,452
FR Y-9LP	434	4	1.00	1,736
FR Y-9SP	3,960	2	0.50	3,960
FR Y-9ES	83	1	0.50	42

<sup>37</sup> Of these respondents, 4 FR Y-9C FR Y 9C (non AA HCs non CBLR) with less than \$5 billion in total assets filers; 177 FR Y-9LP filers; 3,153 FR Y-9SP filers; and 83 FR Y-9ES filers 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>.

FR Y-9CS		236	4	0.50	<u>472</u>
	<i>Proposed Total</i>				119,667
	<i>Change</i>				(4,333)

---

The current estimated total annual cost to the public for the FR Y-9 is \$7,142,400 and would decrease to \$6,892,819 with the adopted revisions.<sup>38</sup>

### **Sensitive Questions**

These collections of information contain 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 these information collections will be \$2,050,800.

---

<sup>38</sup> 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 Standard Occupational Classification System, <https://www.bls.gov/soc/>.