Supplemental Instructions: Interim Final Rules and Notice Issued March 2020

In March 2020, in response to the impact on the financial markets by Coronavirus Disease 2019 (also referred to as COVID-19), the Federal Reserve Board and the other federal banking agencies issued and published in the *Federal Register*, three interim final rules (IFRs) and a notice that impact the reporting of regulatory capital in the FR Y-9C report. These revisions impact the instructions for calculation of certain amounts reported on Schedule HC-R, Regulatory Capital. The Board has approved these revisions for the March 31, 2020, FR Y-9C Report. For most of these changes, the Board has requested public comment through the Paperwork Reduction Act sections of the IFRs. The Board also issued a separate *Federal Register* notice requesting public comment on FR Y-9C revisions related to the Money Market Mutual Fund Liquidity Facility (MMLF) interim final rule.

The revisions impacting the FR Y-9C Report include the following:

1) Revising the definition of eligible retained income in the capital rule;
2) Permitting holding companies to neutralize the effects of purchasing assets through the MMLF on their risk-based and leverage capital ratios;
3) Providing holding companies that implement the Accounting Standards Update No. 2016-13, Financial Instruments - Credit Losses, Topic 326, Measurement of Credit Losses on Financial Instruments, before the end of 2020 the option to delay for two years an estimate of CECL's effect on regulatory capital, relative to the incurred loss methodology's effect on capital, followed by a three-year transition period;
4) Allowing holding companies to implement the final rule titled *Standardized Approach for Calculating the Exposure Amount of Derivative Contracts* (SA-CCR rule) for the first quarter of 2020, on a best efforts basis.

For further information on these revisions, see the following *Federal Register* notices: Federal Register Notice – Eligible Retained Income, Federal Register Notice - MMLF, Regulatory Capital Rule: Revised Transition of the Current Expected Credit losses Methodology for Allowances, and Standardized Approach for Calculating the Exposure Amount of Derivative Contracts.

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Change in the Definition of Eligible Retained Income

The instructions for Schedule HC-R, Part I, item 51, have been revised to incorporate revisions reflected in the interim final rule published in the *Federal Register* on March 20, 2020. Beginning with the March 31, 2020, report date, holding companies that are required to report amounts in item 51 should using the following instructions.

Item No. **Caption and Instructions**

51 **Eligible retained income.** Report the amount of eligible retained income as the greater of (1) a holding company's net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income, and (2) the average of holding company's net income over the four preceding calendar quarters. (See the instructions for Schedule HC-R, Part I, item 52, for the definition of "distributions" from section 2 of the regulatory capital rules.)

For Schedule HC-R, Part I, item 51, the four preceding calendar quarters refers to the calendar quarter ending on the last date of the reporting period and the three preceding calendar quarters as illustrated in the example below. The average of an holding company's net income over the four preceding calendar quarters refers to average of three-month net income for the calendar quarter ending on the last date of the reporting period and the three-month net income for the three preceding calendar quarters as illustrated in the example below.

Example and a worksheet calculation:

Assumptions:

- Eligible retained income is calculated for FR Y-9C report date of March 31, 2020.
- The holding company reported the following on its FR Y-9C in Schedule HI, *Income Statement*, item 14, "Net income (loss) attributable to holding company (item 12 minus item 13)":

FR Y-9C Report Date	Amount Reported in Item 14	Three Month Net Income
March 31, 2019	$400 (A)	$400
June 30, 2019	$900 (B)	$500 (B-A)
September 30, 2019	$1,500 (C)	$600 (C-B)
December 31, 2019	$1,900 (D)	$400 (D-C)
March 31, 2020	$200 (E)	$200 (E)

- The distributions and associated tax effects not already reflected in net income (e.g., dividends declared on the holding company's common stock between April

1, 2019, and March 31, 2020) in this example are $400 per each of the four preceding calendar quarters.

	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Net Income	$500	$600	$400	$200
Adjustments for distributions and associated tax effects not already reflected in net income	($400)	($400)	($400)	($400)
Adjusted Net Income (Net Income – Adjustments)	$100	$200	$0	($200)

(1)	Calculate a holding company's net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income	$100 + $200 + $0 + ($200) = $100
(2)	Calculate the average of a holding company's three-month net income over the four preceding calendar quarters	($500 + $600 + $400 + $200) / 4 = $425*
(3)	Take the greater of step (1) and step (2) and report in Schedule HC-R, Part I, item 51.	$425

*From a practical perspective, a holding company can use the year-to-date net income reflected in Schedule HI, item 14, for December 31, 2019, subtract from it the net income reflected in Schedule HI, item 14, for March 31, 2019, and then add the net income in Schedule HI, item 14, for March 31, 2020 to calculate the numerator in the step 2, above. For the example above, the average of a holding company's three-month net income over the four preceding calendar quarters: ($1,900 (D) less $400 (A) plus $200 (E)) divided by 4 = $425.

Interim Final Rule for Money Market Liquidity Facility

To enhance the liquidity and functioning of money markets, the Federal Reserve Bank of Boston launched the Money Market Mutual Fund Liquidity Facility, or MMLF, on March 18, 2020. On March 23, 2020, the agencies published an interim final rule, which permits holding companies[1] to exclude from regulatory capital requirements exposures related to the MMLF.

The interim final rule modifies the Board's capital rule and allows holding companies to neutralize the effects of purchasing assets through the MMLF on their risk-based and leverage capital ratios. This treatment extends to the community bank leverage ratio. Specifically, a holding company may exclude from its total leverage exposure, average total consolidated assets, standardized total risk-weighted assets, and advanced approaches total risk-weighted assets, as applicable, any exposure acquired pursuant to a non-recourse loan from the MMLF. The interim final rule only applies to activities with the MMLF. The facility is scheduled to terminate on September 30, 2020, unless the facility is extended by the Federal Reserve Board.

Consistent with generally accepted accounting principles (GAAP), the Board would expect holding companies to report assets purchased through the MMLF on their balance sheets. These assets would be reflected at the time of purchase at the amortized cost or fair value. The non-recourse nature of the transaction would impact the valuation of the liability to the Federal Reserve. After reflecting any appropriate discounts on the assets and associated liabilities, holding companies are not expected to report any material net gains or losses (if any) at the time of purchase. Any discounts generally would be accreted over time into income and expense.

Starting with the March 31, 2020, reporting date, holding companies would include the amount of assets purchased from the MMLF in Schedule HC-B and Schedule HC-R, as appropriate.

For regulatory capital reporting, assets purchased from the MMLF should be reported in either Schedule HC-R, Part II, item 2.a., "Held-to-maturity securities," or Schedule HC-R, Part II, item 2.b., "Available-for-sale debt securities and equity securities with readily determinable fair values not held for trading," as appropriate, in both Column A (Totals) and Column C (0% risk-weight category).[2] The average of such assets purchased would be reported in Schedule HC-R, part I, item 29, "LESS: Other deductions from (additions to) assets for leverage ratio purposes," and thus excluded from Schedule HC-R, item 30, "Total assets for the leverage ratio."

Borrowings from the Federal Reserve Bank of Boston would be included in Schedule HC, item 16, "Other borrowed money," and included in Schedule HC-M, item 14.b, "Other borrowed money with a remaining maturity of one year or less."

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[1] For purposes of the MMLF, "banking organizations" consist of all U.S. depository institutions, U.S. bank holding companies (parent companies incorporated in the United States or their U.S. broker-dealer subsidiaries), and U.S. branches and agencies of foreign banks.

[2] Reporting in Schedule HC-R, Part II, only applies to non CBLR holding companies.

Furthermore, holding companies are encouraged to separately disclose in "Notes to the Balance Sheet – Other" the amount of assets purchased from the MMLF included in Schedule HC-R, Part II, item 2.a. or 2.b. In addition, holding companies should separately disclose in a similar narrative, the average amount of assets purchased from the MMLF that were excluded from Schedule HC-R, item 30.

If a consolidated broker-dealer subsidiary of the reporting holding company has purchased assets from the MMLF that the holding company reports as "Other assets" on its consolidated balance sheet for financial reporting purposes, the holding company should also report these assets as "Other assets" on FR Y-9C report, Schedule HC, Balance Sheet. Further, for risk-based capital purposes, these assets should be reported in Schedule HC-R, Part II, item 8, "Other Assets," with a zero percent risk weight.

2020 CECL Transition Provision

These reporting instructions are based on the CECL IFR issued by the Board on March 27, 2020. The instructions are intended to address application of the regulatory transition provision for holding companies for their March 31, 2020, FR Y-9C reports. The Board would revise the instructions for the June 30, 2020, if there are changes to the final rule in response to comments received and after considering interaction of the IFR with Section 4014 of the CARES Act.

Eligibility
A holding company is eligible to use the 2020 CECL Transition Provision if it is required to adopt CECL under U.S. GAAP (as in effect on January 1, 2020) as of the first day of a fiscal year that begins during the 2020 calendar year and:

(1) reports a decrease in retained earnings immediately upon adoption of CECL; or
(2) would report a positive Modified CECL Transitional Amount in any quarter ending in of 2020 after adopting CECL.

A holding company must make its election in calendar year 2020 on the first FR Y-9C report filed after it adopts CECL or the same FR Y-9C report that a holding company reports a positive Modified CECL Transitional Amount for any quarter ending in 2020.

Even if a holding company makes an election to use the 2020 CECL Transition Provision, the holding company may only reflect the adjustment in the quarter or quarters in which the holding company implements CECL for regulatory reporting purposes.

Transition Period under the 2020 CECL Transition
Beginning with the earlier of 1) the first quarter of the fiscal year that a holding company was required to adopt CECL under U.S. GAAP (as in effect on January 1, 2020), or 2) the first quarter in which the holding company files regulatory reports reflecting CECL, and for the subsequent 19 quarters (for a total of 20 quarters or the five year transition period), a holding company is permitted to make the adjustments described below to amounts used in calculating regulatory capital. If a holding company temporarily ceases using CECL during this period, the holding company may not reflect a regulatory capital adjustment for any quarter (during the first 8 quarters) in which it did not implement CECL but would be allowed to apply the transition in subsequent quarters when the holding company uses CECL. However, a holding company that has elected the transition, but does not apply it in any quarter, does not receive any extension of the transition period.

Example 1: A holding company was required to adopt the provision of Accounting Standards Update No. 2016-13, Financial Instruments—Credit Losses, Topic 326, Measurement of Credit Losses on Financial Instruments (ASU 2016-13) on January 1, 2020. This holding company, however, delays adoption of CECL under Section 4014 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)[3] until July 1, 2020, and elects to use the 2020 CECL

[3] Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, § 4014, 134 Stat. 281 (March. 27,

Transition Provision. This holding company's transition period begins on January 1, 2020, despite not adopting CECL until July 1, 2020, for FR Y-9C report purposes. As such, on July 1, 2020, this holding company would have 18 quarters[4], including the quarter of adoption, remaining in its transition period.

Example 2: A holding company was required to adopt the provisions of ASU 2016-13 on October 1, 2020, and elects to use the 2020 CECL Transition Provision. This holding company also does not delay adoption of CECL under Section 2014 of the CARES Act. This holding company's transition period would begin on October 1, 2020. As such, on October 1, 2020 this holding company would have 20 quarters, including the quarter of adoption, remaining in its transition period.

For the first 8 quarters after the start of its transition period, a holding company is permitted to make an adjustment of 100% of the transitional items calculated below, for each quarter in which the holding company applies CECL. Beginning with the ninth quarter of the transition period, the holding company phases out the cumulative adjustment at the end of the eighth quarter (i.e., first 2 years of the 2020 CECL Transition Provision), over the following 12 quarters as follows: 75% adjustment in quarters 9-12 (i.e., Year 3); 50% in quarters 13-16 (i.e., Year 4); and 25% in quarters 17-20 (i.e., Year 5).

Holding companies that elect the 2020 CECL transition approach would calculate the following amounts, as applicable. AACL refers to the Adjusted Allowances for Credit Losses, as defined in 12 CFR 3.2 (OCC); 12 CFR 217.2 (Board); or 12 CFR 324.2 (FDIC).

CECL Transitional Amount means the decrease net of any DTAs in the amount of a holding company s retained earnings as of the beginning of the fiscal year in which the holding company adopts CECL from the amount of the holding company's retained earnings as of the closing of the fiscal year-end immediately prior to the holding company's adoption of CECL.

DTA Transitional Amount means the increase in the amount of a holding company's DTAs arising from temporary differences as of the beginning of the fiscal year in which the holding company adopts CECL from the amount of the holding company's DTAs arising from temporary differences as of the closing of the fiscal year-end immediately prior to the holding company's adoption of CECL.

AACL Transitional Amount means the difference in the amount of a holding company's AACL as of the beginning of the fiscal year in which the holding company adopts CECL and the amount of the holding company's ALLL as of the closing of the fiscal year-end immediately prior to the holding company's adoption of CECL.

Eligible Credit Reserves Transitional Amount means the increase in the amount of a holding company's eligible credit reserves as of the beginning of the fiscal year in which the holding company adopts CECL from the amount of the holding company's eligible credit reserves as of the closing of the fiscal year-end immediately prior to the holding company's adoption of CECL.

2020).

[4] 6 quarters of the initial transition followed by 12 quarters of the phase-out of the transition.

Modified CECL Transitional Amount means A) during the first two years of the transition period, the difference between AACL as reported in the most recent FR Y-9C (or Call Report), and the AACL as of the beginning of the fiscal year in which the holding company adopts CECL, multiplied by 0.25, plus the *CECL transitional amount*, and B) during the last three years of the transition period, the difference between AACL as reported in the FR Y-9C report at the end of the second year of the transition period and the AACL as of the beginning of the fiscal year in which the holding company adopts CECL, multiplied by 0.25, plus the CECL transitional amount.

Modified AACL Transitional Amount means A) during the first two years of the transition period, the difference between AACL as reported in the most recent FR Y-9C (or Call Report), and the AACL as of the beginning of the fiscal year in which the holding company adopts CECL, multiplied by 0.25, plus the *AACL transitional amount*, and B) during the last three years of the transition period, the difference between AACL as reported in the FR Y-9C report at the end of the second year of the transition period and the AACL as of the beginning of the fiscal year in which the holding company adopts CECL, multiplied by 0.25, plus the AACL transitional amount.

Adjustments to Instructions for FR Y-9C report Data Items

HC-R, Part I, Item 2: (Retained Earnings) – A holding company electing the 2020 CECL transition would add the *Modified CECL Transitional Amount*, as defined in section 301 of the Board's regulatory capital rules, when calculating this item, adjusted as follows: 100% in Years 1 and 2 of the transition period; 75% in Year 3 of the transition period; 50% in Year 4 of the transition period; and 25% in Year 5 of the transition period.

HC-R, Part I, Item 2.a: (CECL Transition) (Starting in June 30, 2020, FR Y-9C report) – A holding company that has adopted CECL would report whether it is using a CECL transition, as defined in section 301 of the Board's regulatory capital rules, in the FR Y-9C report for the current quarter. The holding company can choose from the following entries: 0 = Adopted without Transition; 1= 3-year CECL Transition; 2 = 5-year 2020 CECL Transition. A holding company that has not adopted CECL must not complete Schedule HC-R, Part I, 2.a.

HC-R, Part I, Item 15.a. (Less: DTAs arising from temporary differences) (Less: DTAs arising from temporary differences) – A holding company electing the 2020 CECL transition would subtract the *DTA Transitional Amount,* as defined in section 301 of the Board's regulatory capital rules, from the amount of DTAs from temporary differences used in the calculation of this item, adjusted as follows: 100% in Years 1 and 2 of the transition; 75% in Year 3; 50% in Year 4; and 25% in Year 5.

HC-R, Part I, Item 27: (Average Total Consolidated Assets) – A holding company electing the 2020 CECL transition would add the *Modified CECL Transitional Amount*, as defined in section 301 of the Board's regulatory capital rules, when calculating this item, adjusted as follows: 100% in Years 1 and 2 of the transition period; 75% in Year 3 of the transition period; 50% in Year 4 of the transition period; and 25% in Year 5 of the transition period.

HC-R, Part I, Item 40.a: (Adjusted Allowances for Credit Losses/ALLL in Tier 2 Capital) – A holding company electing the 2020 CECL transition would subtract the *Modified AACL Transitional Amount*, as defined in section 301 of the Board's regulatory capital rules, when calculating this item, adjusted as follows: 100% in Years 1 and 2 of the transition period; 75% in Year 3 of the transition period; 50% in Year 4 of the transition period; and 25% in Year 5 of the transition period.

HC-R, Part I, Item 40.b: (Eligible Credit Reserves) – For a holding company subject to the advanced approaches, the holding company electing the 2020 CECL transition would deduct *Eligible Credit Reserves Transitional Amount*, as defined in section 301 of the Board's regulatory capital rules, when calculating this item, adjusted as follows: 100% in Years 1 and 2 of the transition period; 75% in Year 3 of the transition period; 50% in Year 4 of the transition period; and 25% in Year 5 of the transition period.

HC-R, Part II, Item 8: (All Other Assets) – An holding company electing the 2020 CECL transition would subtract the *DTA Transitional Amount*, as defined in section 301 of the Board's regulatory capital rules, from the amount of temporary difference DTAs associated with the AACL that are risk-weighted in this item, adjusted as follows: 100% in Years 1 and 2 of the transition period; 75% in Year 3 of the transition period; 50% in Year 4 of the transition period; and 25% in Year 5 of the transition period.

Example of Application for First Quarter 2020:

As an example, assume a holding company is required under U.S. GAAP to adopt the provisions of ASU 2016-13 on January 1, 2020. This holding company chooses not to delay adoption of CECL for FR Y-9C report purposes under the provisions of the CARES Act, and elects to use the 2020 CECL Transition Provision in the March 31, 2020, FR Y-9C report. This holding company's 2020 CECL transition period begins on January 1, 2020.

The holding company's December 31, 2019, FR Y-9C report reflected the following amounts:
ALLL: $120
Temporary Difference DTAs: $20
Retained earnings: $200
Eligible credit reserves (advanced approaches only): $110

On January 1, 2020, the holding company adopted CECL and reflected the following amounts:
AACL: $150
AACL Transitional Amount = $150 - $120 = $30
(AACL on 1/1/20 – ALLL on 12/31/19)
Temporary Difference DTAs: $30
DTA Transitional Amount = $30 - $20 = $10
(DTAs on 1/1/20 – DTAs on 12/31/19)
Retained earnings: $180
CECL Transitional Amount = $200 - $180 = $20
(Retained earnings on 12/31/19 – retained earnings on 1/1/20)

Eligible credit reserves (advanced approaches only): $140

Eligible Credit Reserves Transitional Amount = $140 - $110 = $30
(Eligible credit reserves on 1/1/20 – eligible credit reserves on 12/31/19)

On March 31, 2020, the holding company reflected the following amounts:
AACL: $170

Modified AACL Transitional Amount = ($170-$150)*0.25 + $30 = $35
(AACL on 3/31/20 – AACL on 1/1/20)*0.25 + AACL Transitional Amount)
Modified CECL Transitional Amount = ($170-$150)*.25 + $20 = $25
(AACL on 3/31/20 – AACL on 1/1/20)*0.25 + CECL Transitional Amount)

The holding company would adjust the following items in its March 31, 2020, FR Y-9C report, Schedule HC-R:

- Part I, Item 2 (Retained earnings): Add $25 (Modified CECL Transitional Amount)
- Part I, 15.a or 15.b) (Temporary difference DTAs): Subtract $10 (DTA Transitional Amount) when calculating DTAs subject to deduction
- Part I, Item 27 (Average total consolidated assets): Add $25 (Modified CECL Transitional Amount)
- A holding company that is not electing the CBLR framework would make these additional adjustments:
- Part I, Item 40.a (Allowances in Tier 2 Capital): Subtract $35 (Modified AACL Transitional Amount)
- Part II, Item 8 (All other assets): Subtract $10 (DTA Transitional Amount)
- A holding company subject to the supplementary leverage ratio (advanced approaches & Category III holding company) would make this additional adjustment:
- Part I, Item 40.b (Eligible credit reserves): Deduct $30 (Eligible Credit Reserves Transitional Amount)

Early Adoption of the *Standardized Approach for Calculating the Exposure Amount of Derivative Contracts* (SA-CCR rule)

On March 23, 2020, the federal banking agencies published a notice in the *Federal Register* that allows holding companies to implement the final rule titled *Standardized Approach for Calculating the Exposure Amount of Derivative Contracts* (SA-CCR rule) for the first quarter of 2020, on a best efforts basis. The instructions that were approved for the second quarter FR Y-9C report can be used by holding companies who choose to adopt the SA-CCR rule for the March 31, 2020, report date.

For further information on these revisions, holding companies can review the final *Federal Register* notice published on April 1, 2020, and the draft instructions reflecting these changes on the Federal Reserve Report Forms website.

Board of Governors of the Federal Reserve System

Supplemental Instructions **March 2020**

Coronavirus Aid, Relief, and Economic Security (CARES) Act: Accounting and Reporting Considerations

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted into law to provide emergency assistance and health care response for individuals, families, and businesses affected by the 2020 coronavirus (also known as Coronavirus Disease 2019 (COVID-19)) pandemic. The CARES Act includes sections that provide new regulatory reporting options for holding companies and affect accounting and reporting in the Consolidated Financial Statements for Holding Companies (FR Y-9C) for first quarter 2020 and subsequent reporting, including: (1) Sec. 2303, Modifications for Net Operating Losses; (2) Sec. 4013, Temporary Relief from Troubled Debt Restructurings; and (3) Sec. 4014, Optional Temporary Relief from Current Expected Credit Losses.

1) Sec. 2303, Modifications for Net Operating Losses

Sec. 2303 of the CARES Act makes two changes to sections of the Internal Revenue Code that were impacted by the Tax Cuts and Jobs Act, which was enacted on December 22, 2017, related to (1) net operating loss (NOL) carryforwards and (2) NOL carrybacks. As stated in the Glossary entry for "Income Taxes" in the FR Y-9C instructions, when a holding company's deductions exceed its income for income tax purposes, it has sustained an NOL. To the extent permitted under a taxing authority's laws and regulations, an NOL that occurs in a year following periods when a holding company had taxable income may be carried back to recover income taxes previously paid. Generally, an NOL that occurs when loss carrybacks are not available becomes an NOL carryforward.

The CARES Act, (1) repeals the 80% taxable income limitation for NOL carrybacks and carryforwards deductions in tax years beginning before 2021, and (2) for NOL carrybacks under federal law, allows an holding company to apply up to 100% of a carryback for up to five years for any NOLs incurred in taxable years 2018, 2019, and 2020. Although the Glossary entry for "Income Taxes" currently refers to federal law prior to the CARES Act (e.g., indicating that, "for years beginning on or after January 1, 2018, a bank may no longer carry back operating losses to recover taxes paid in prior tax years"), holding companies should use the newly enacted provisions of federal law within the CARES Act when determining the extent to which NOLs may be carried forward or back.

Additionally, deferred tax assets (DTAs) are recognized for NOL carryforwards as well as deductible temporary differences, subject to estimated realizability. As a result, a holding company can recognize the tax benefit of an NOL for accounting and reporting purposes to the extent the holding company determines that a valuation allowance is not considered necessary (i.e., realization of the tax benefit is more likely than not). U.S. generally accepted accounting principles (GAAP) require the effect of changes in tax laws or rates to

be recognized in the period in which the legislation is enacted. Thus, in accordance with Accounting Standards Codification (ASC) Topic 740, Income Taxes, the effects of the CARES Act should be recorded in a holding company's FR Y-9C for March 31, 2020, because the CARES Act was enacted during this reporting period. Changes in DTAs and deferred tax liabilities (DTLs) resulting from the change in tax law for NOL carrybacks and carryforwards and other applicable provisions of the CARES Act will be reflected in an holding company's income tax expense in the period of enactment, i.e., the March 31, 2020, FR Y-9C.

As mentioned above, the CARES Act restores NOL carryback potential for federal income tax purposes to NOLs incurred in taxable years 2018, 2019, and 2020. Consequently, holding companies should note that DTAs arising from temporary differences that could be realized through NOL carrybacks are not subject to deduction for regulatory capital purposes. Instead, except for holding companies that have a community bank leverage ratio framework election in effect, such DTAs are assigned a risk weight of 100 percent. Only those DTAs arising from temporary differences that could not be realized through NOL carrybacks, net of related valuation allowances and net of DTLs, that exceed the thresholds described in FR Y-9C Schedule HC-R, Part I, items 15.a and 15.b, as applicable, and item 16, if applicable, are deducted from common equity tier 1 capital.

2) Sec. 4013, Temporary Relief from Troubled Debt Restructurings (TDR)

As provided for under the CARES Act, a holding company may account for an eligible loan modification either under Sec. 4013 or in accordance with ASC Subtopic 310-40.[1] If a loan modification is not eligible under Sec. 4013, or if the holding company elects not to account for the loan modification under Sec. 4013, the holding company should evaluate whether the modified loan is a TDR.

To be an eligible loan under Sec. 4013 (section 4013 loan), a loan modification must be (1) related to COVID-19; (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date of termination of the national emergency concerning the COVID-19 outbreak declared by the President on March 13, 2020, under the National Emergencies Act (National Emergency) or (B) December 31, 2020.

Holding companies accounting for eligible loans under Sec. 4013 are not required to apply ASC Subtopic 310-40 to the section 4013 loans for the term of the loan modification. Holding companies do not have to report section 4013 loans as TDRs in regulatory reports. However, consistent with Sec. 4013, holding companies should maintain records of the volume of section 4013 loans. Data about section 4013 loans may be collected for supervisory purposes. While there is no supervisory collection in the first quarter 2020 FR Y-9C, the Board is considering adding new temporary items to the second quarter 2020 FR Y-9C to start collecting the currently outstanding number and the dollar amount of section 4013 loans.

[1] ASC Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors (ASC Subtopic 310-40).

Holding companies should continue to follow reporting instructions and U.S. GAAP for section 4013 loans, including:

- Appropriately reporting past due and nonaccrual status;
- Maintaining an appropriate allowance for loan and lease losses in accordance with ASC Subtopic 450-20 or ASC Subtopic 310-10, or an appropriate allowance for credit losses in accordance with ASC Subtopic 326-20, as applicable.

Holding companies are not required to report section 4013 loans in the following FR Y-9C items:

- Schedule HC-C, Part I, Memorandum item 1, "Loans restructured in troubled debt restructurings that are in compliance with their modified terms."
- Schedule HC-N, Memorandum item 1, "Loans restructured in troubled debt restructurings included in Schedule HC-N, items 1 through 7, above."

One-to-four family residential mortgages will not be considered restructured or modified for the purposes of the Board's risk-based capital rules solely due to a short-term modification made on a good faith basis in response to COVID-19, provided that the loans are prudently underwritten and not 90 days or more past due or carried in nonaccrual status. Loans meeting these requirements that received a 50 percent risk weight prior to such a modification may continue receiving that risk weight.

3) Sec. 4014, Optional Temporary Relief from Current Expected Credit Losses

Sec. 4014 of the CARES Act allows a holding company to delay the adoption of Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments (ASU 2016-13), until the earlier of (1) December 31, 2020, or (2) the termination of the National Emergency.

March 2020 FR Y-9C Materials

New or revised holding company data items take effect this quarter in Schedule HC-R, Regulatory Capital, of the FR Y-9C forms to implement certain recent changes to the Board's regulatory capital rule, including the capital simplifications rule and the community bank leverage ratio rule. New topics that have been added to the Supplemental Instructions for March 2020 are "Recent Banking Agency Actions Affecting Regulatory Capital," "Nonaccrual Treatment for Purchased Credit-Deteriorated (PCD) Assets," and "Presentation of Provisions for Credit Losses on Off-Balance Sheet Credit Exposures." The topics on "Technical Amendments to the Banking Agencies' Regulatory Capital Rule" and "Presentation of Net Benefit Cost in the Income Statement" have been removed from the Supplemental Instructions this quarter; information on these topics will be included in the FR Y-9C instruction book updates for March 2020. The topic on "Accounting and Reporting Implications of the Tax Cuts and Jobs Act" also has been removed this quarter.

Recent Board Actions Affecting Regulatory Capital

In light of recent disruptions in economic conditions caused by COVID-19, the Board and other federal banking agencies have recently issued, and requested comment on, interim final rules that revise certain aspects of the regulatory capital rule. These interim final rules, all of which took effect before March 31, 2020:

- Revise the definition of "eligible retained income" in the capital rule;
- Permit holding companies to neutralize the effects of purchasing assets through the Money Market Mutual Fund Liquidity Facility on their risk-based and leverage capital ratios; and
- Provide holding companies that implement Accounting Standards Update (ASU) No. 2016-13, Financial Instruments – Credit Losses, Topic 326, Measurement of Credit Losses on Financial Instruments, before the end of 2020 the option to delay for two years an estimate of the current expected credit losses (CECL) methodology's effect on regulatory capital, relative to the incurred loss methodology's effect on capital, followed by a three-year transition period.

Supplemental Instructions for implementing these three interim final rules in the FR Y-9C for March 31, 2020, will be posted on the Federal Reserve website at: https://www.federalreserve.gov/apps/reportforms/default.aspx. The Board has approved implementing the reporting changes arising from these interim final rules.

In addition, the Board has issued a Federal Register notice allowing holding companies to implement the final rule for the standardized approach for calculating the exposure amount of derivative contracts (SA-CCR) one quarter early, i.e., for the first quarter of 2020, on a best efforts basis. The SA-CCR final rule was issued with an effective date of April 1, 2020. Revised instructions for Schedule HC-R to implement the SA-CCR final rule are included in the FR Y-9C instruction book updates for March 2020.

Nonaccrual Treatment for Purchased Credit-Deteriorated (PCD) Assets

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments," which introduces the concept of PCD assets. PCD assets are acquired financial assets that, at acquisition, have experienced more-than-insignificant deterioration in credit quality since origination. When recording the acquisition of PCD assets, the amount of expected credit losses as of the acquisition date is recorded as an allowance and added to the purchase price of the assets rather than recording these acquisition date expected credit losses through provisions for credit losses. The sum of the purchase price and initial allowance for credit losses establishes the amortized cost basis of the PCD assets at acquisition. Any difference between the unpaid principal balance of the PCD assets and the amortized cost basis of the assets as of the acquisition date is the noncredit discount or premium. The initial allowance for credit losses and noncredit discount or premium determined on a collective basis at that acquisition date are allocated to the individual PCD assets.

After acquisition, the noncredit discount or premium recorded at acquisition is accreted into interest income over the remaining lives of the PCD assets on a level-yield basis. However, if a PCD asset is placed in nonaccrual status, Accounting Standards Codification (ASC) paragraph 310-20-35-17 requires holding companies to cease accreting the noncredit discount or premium into interest income.

The current instructions for Schedule HC-N provide an exception to the criteria for placing financial assets in nonaccrual status for purchased credit-impaired (PCI) assets. However, the Schedule HC-N instructions indicate that this nonaccrual exception for PCI assets was not extended to PCD assets: "For purchased credit-deteriorated loans, debt securities, and other financial assets that fall within the scope of ASU 2016-13, nonaccrual status should be determined and subsequent nonaccrual treatment, if appropriate, should be applied in the same manner as for other financial assets held by a holding company."

For purposes of the March 31, 2020, FR Y-9C, if a holding company has adopted ASU 2016-13 and has a PCD asset, including a PCD asset that was previously a PCI asset or part of a pool of PCI assets, that would otherwise be required to be placed in nonaccrual status (see the Glossary entry for "Nonaccrual status"), the holding company may elect to continue accruing interest income and not report the PCD asset as being in nonaccrual status if the following criteria are met:

(1) The holding company reasonably estimates the timing and amounts of cash flows expected to be collected, and
(2) The holding company did not acquire the asset primarily for the rewards of ownership of the underlying collateral, such as use of collateral in operations of the holding company or improving the collateral for resale.

When a PCD asset that meets the criteria above is not placed in nonaccrual status, the asset should be subject to other alternative methods of evaluation to ensure that the holding company's net income is not materially overstated. Further, a holding company is not permitted to accrete the credit-related discount embedded in the purchase price of a PCD asset that is attributable to the acquirer's assessment of expected credit losses as of the date of acquisition (i.e., the contractual cash flows the acquirer did not expect to collect at acquisition). Interest income should no longer be recognized on a PCD asset to the extent that the net investment in the asset would increase to an amount greater than the payoff amount. If a holding company is required or has elected to carry a PCD asset in nonaccrual status, the asset must be reported as a nonaccrual asset at its amortized cost basis in Schedule HC-N, column C.

For PCD assets whereby the holding company has made a policy election to maintain previously existing pools on adoption of ASU 2016-13, the determination of nonaccrual or accrual status should be made at the pool level, not the individual asset level.

For a PCD asset that is not reported in nonaccrual status, the delinquency status of the PCD asset should be determined in accordance with its contractual repayment terms for purposes of reporting the amortized cost basis of the asset as past due in Schedule HC-N, column A or B, as appropriate. If the PCD asset that is not reported in nonaccrual status consists of a pool of loans that were previously PCI that is being maintained as a unit of account after the adoption of ASU

2016-13, delinquency status should be determined individually for each loan in the pool in accordance with the individual loan's contractual repayment terms.

The Board will permit holding companies the option to not report PCD assets in nonaccrual status if they meet the criteria described above on an interim basis. The Board plans to propose changes to the FR Y-9C instructions to revise the nonaccrual treatment for PCD assets through the Paperwork Reduction Act (PRA) process, which will include a request for comment.

Presentation of Provisions for Credit Losses on Off-Balance Sheet Credit Exposures

For FR Y-9C purposes, the instructions currently require all provisions for credit losses on off-balance sheet credit exposures to be reported in Schedule HI, item 7.d, "Other noninterest expense."

The Board, the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) (together, the agencies) have received questions from institutions concerning the reporting of provisions for credit losses on off-balance sheet credit exposures in the Call Report income statement (Schedule RI) upon an institution's adoption of ASU 2016-13 which corresponds with reporting in the FR Y-9C report, Schedule HI, income statement. This ASU introduces the current expected credit losses methodology (CECL) for estimating allowances for credit losses and addresses the measurement and reporting of expected credit losses on off-balance sheet credit exposures. According to ASC Subtopic 326-20, an institution should "report in net income (as a credit loss expense) the amount necessary to adjust the liability for credit losses for management's current estimate of expected credit losses on off-balance sheet credit exposures."

In their questions, these institutions indicated that, upon adoption of ASU 2016-13, reporting provisions for credit losses on off-balance sheet credit exposures together with the other provisions for credit losses in the FR Y-9C income statement would be more appropriate than reporting them as part of other noninterest expense. The institutions also noted that such a change would allow for more consistency in how their credit loss provisions for off-balance sheet exposures are presented for financial reporting purposes.

The Board plans to request public comment through the PRA process on this proposed change in reporting for holding companies that have adopted ASU 2016-13. However, until that process is complete, the Board will permit holding companies to report provisions for credit losses on off-balance sheet credit exposures in either Schedule HI, item 4, "Provision for loan and lease losses," or, as provided in the current FR Y-9C Instructions, Schedule HI, item 7.d, "Other noninterest expense." A holding company that makes this election for reporting in the fiscal quarter in which it adopts ASU 2016-13 (i.e., in the quarter ending March 31, 2020, for a holding company with a calendar year fiscal year) should maintain the same reporting treatment in each subsequent quarter until the proposed reporting change is finalized.

Reporting High Volatility Commercial Real Estate (HVCRE) Exposures

Note: This section is relevant only to holding companies that have not elected to use the community bank leverage ratio framework.

Section 214 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA), which was enacted on May 24, 2018, adds a new Section 51 to the Federal Deposit Insurance Act (FDI Act) governing the risk-based capital requirements for certain acquisition, development, or construction (ADC) loans. EGRRCPA provides that, effective upon enactment, the Federal Reserve may only require a holding company to assign a heightened risk weight to an HVCRE exposure if such exposure is an "HVCRE ADC Loan," as defined in this new law.

The Board and other federal banking agencies published a final rule on December 13, 2019, that revises the HVCRE exposure definition, consistent with section 214 of EGRRCPA. The final rule is effective on April 1, 2020. Holding companies must evaluate new ADC credit facilities in accordance with the revised definition of an HVCRE exposure starting on that date, and reflect those that meet this revised definition as HVCRE exposures in the June 30, 2020, FR Y-9C. Under the capital rule's standardized approach, loans that meet the revised HVCRE exposure definition receive a 150 percent risk weight.

HVCRE exposures that are held for sale and held for investment are reported in Schedule HC-R, Part II, items 4.b and 5.b, respectively. HVCRE exposures held for trading are reported in Schedule HC-R, Part II, item 7. The portion of any HVCRE exposure that is secured by collateral or has a guarantee that qualifies for a risk weight lower than 150 percent may continue to be assigned a lower risk weight when completing Schedule HC-R, Part II.

Holding companies may continue to report and risk weight HVCRE exposures in a manner consistent with the current FR Y-9C instructions for Schedule HC-R, Part II, for the March 31, 2020, report date. Prior to the effective date of the HVCRE final rule, banking organizations should refer to the interagency statement regarding the impact of the EGRRCPA, dated July 6, 2018, for more information on the capital rule and associated reporting requirements that the Board administers and that EGRRCPA immediately affected. Holding companies also have the flexibility to fully implement the HVCRE final rule as of the March 31, 2020, report date, if they elect to do so.

For purposes of applying the revised HVCRE exposure definition under the final rule, holding companies are permitted, but not required, to reclassify a credit facility that was originated on or after January 1, 2015, and prior to April 1, 2020, the effective date of this final rule. The final rule also clarifies that the one-to-four family residential properties exclusion does not include credit facilities that solely finance land development activities, such as the laying of sewers, water pipes, and similar improvements to land. Under the final rule, a facility that finances land development, but does not finance the construction of one- to four-family residential structures, will be categorized as an HVCRE exposure, unless the exposure meets another exclusion.

Goodwill Impairment Testing

In January 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-04, "Simplifying the Test for Goodwill Impairment," to address concerns over the cost and complexity of the two-step goodwill impairment test in Accounting Standards Codification (ASC) Subtopic 350-20, Intangibles–Goodwill and Other – Goodwill, that applies to an entity that has not elected the private company alternative for goodwill (which is discussed in the Glossary entry for "Goodwill" in the FR Y-9C instructions).

Thus, the ASU simplifies the subsequent measurement of goodwill by eliminating the second step from the test, which involves the computation of the implied fair value of a reporting unit's goodwill. Instead, under the ASU, when an entity tests goodwill for impairment, which must take place at least annually, the entity should compare the fair value of a reporting unit with its carrying amount. In general, the entity should recognize an impairment charge for the amount, if any, by which the reporting unit's carrying amount exceeds its fair value. However, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. This one-step approach to assessing goodwill impairment applies to all reporting units, including those with a zero or negative carrying amount. An entity retains the option to perform the qualitative assessment for a reporting unit described in ASC Subtopic 350-20 to determine whether it is necessary to perform the quantitative goodwill impairment test.

For a holding company that is a public business entity and is also a U.S. Securities and Exchange Commission (SEC) filer, as both terms are defined in U.S. generally accepted accounting principles (GAAP), the ASU is effective for goodwill impairment tests in fiscal years beginning after December 15, 2019. For a public business entity that is not an SEC filer, the ASU is effective for goodwill impairment tests in fiscal years beginning after December 15, 2020. For all other holding companies, the ASU is effective for goodwill impairment tests in fiscal years beginning after December 15, 2021. Early adoption is permitted for goodwill impairment tests performed on testing dates after January 1, 2017. For FR Y-9C purposes, a holding company should apply the provisions of ASU 2017-04 to goodwill impairment tests on a prospective basis in accordance with the applicable effective date of the ASU. A holding company that early adopts ASU 2017-04 for U.S. GAAP financial reporting purposes should early adopt the ASU in the same period for FR Y-9C purposes.

For additional information, holding companies should refer to ASU 2017-04, which is available at
https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176168778106&acceptedDi sclaimer=true

Credit Losses on Financial Instruments

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, "Measurement of Credit Losses on Financial Instruments," which introduces the current expected credit losses methodology (CECL) for estimating allowances for credit losses. Under CECL, the allowance for credit losses is a valuation account, measured as the difference between the financial assets' amortized cost basis and the net amount expected to be collected on the financial assets (i.e., lifetime credit losses). To estimate expected credit losses under CECL, holding companies will use a broader range of data than under existing U.S. GAAP. These data include information about past events, current conditions, and reasonable and supportable forecasts relevant to assessing the collectability of the cash flows of financial assets.

The ASU is applicable to all financial instruments carried at amortized cost (including loans held for investment and held-to-maturity debt securities, as well as trade receivables, reinsurance receivables and receivables that relate to repurchase agreements and securities lending agreements) a lessor's net investments in leases, and off-balance-sheet credit exposures

not accounted for as insurance, including loan commitments, standby letters of credit, and financial guarantees. The new standard does not apply to trading assets, loans held for sale, financial assets for which the fair value option has been elected, or loans and receivables between entities under common control.

The ASU also modifies the treatment of credit impairment on available-for-sale (AFS) debt securities. Under the new standard, holding companies will recognize a credit loss on an AFS debt security through an allowance for credit losses, rather than the current practice required by U.S. GAAP of write-downs of individual securities for other-than-temporary impairment.

On November 15, 2019, the FASB issued ASU No. 2019-10 to defer the effective dates of ASU 2016-13 for certain holding companies. Under this ASU, for holding companies that are U.S. Securities and Exchange Commission (SEC) filers, excluding those that are "smaller reporting companies" as defined in the SEC's rules, ASU 2016-13 continues to be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, i.e., January 1, 2020, for such entities with calendar year fiscal years. For all other holding companies, including those SEC filers that are smaller reporting holding companies, ASU 2016-13 now will take effect for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, i.e., January 1, 2023, for such entities with calendar year fiscal years. For all holding companies, early application of the new credit losses standard is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

Holding companies must apply ASU 2016-13 for FR Y-9C purposes in accordance with the effective dates set forth in the ASU, as amended in November 2019. A holding company that early adopts ASU 2016-13 for U.S. GAAP financial reporting purposes should also early adopt the ASU in the same period for FR Y-9 purposes. However, Section 4014 of the Coronavirus Aid, Relief, and Economic Security Act allows a holding company to delay the adoption of ASU 2016-13 until the earlier of (1) December 31, 2020, or (2) the termination of the national emergency concerning the coronavirus outbreak declared by the President on March 13, 2020, under the National Emergencies Act.

Holding companies report the quarterly average for its total assets, generally as defined for Schedule HC, item 12, "Total assets," in Schedule HC-K, item 5. The amount of total assets reported in Schedule HC, item 12, is net of the allowance for loan and lease losses or allowances for credit losses, as applicable. The Board recognizes that holding companies that adopted ASU 2016-13 as of January 1, 2020, and report in accordance with this ASU in its first quarter 2020 FR Y-9C may not have recorded the entries for the initial balances of their allowances for credit losses as of January 1, 2020, in its books and records until a date after January 1. Accordingly, such holding companies may use the allowance amounts reflected in their books and records for the days before the recording of their initial allowances for credit losses under ASU 2016-13 when calculating the quarterly average for total assets to be reported in its first quarter 2020 FR Y-9C.

For additional information, holding companies should refer to the agencies' Frequently Asked Questions on the New Accounting Standard on Financial Instruments – Credit Losses, which were most recently updated on April 3, 2019; the agencies' June 17, 2016, Joint Statement on the New Accounting Standard on Financial Instruments – Credit Losses; and ASU 2016-13,

which is available at
http://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176168232528&acceptedDisclaimer=tr ue.

Since the issuance of ASU 2016-13, the FASB has published the following amendments to the new credit losses accounting standard:

- ASU 2018-19, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses," available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176171644373&acceptedDisclaimer=true;
- ASU 2019-04, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments," available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176172541591&acceptedDisclaimer=true;
- ASU 2019-05, "Financial Instruments – Credit Losses (Topic 326): Targeted Transition Relief," available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176172668879&acceptedDisclaimer=true;
- ASU 2019-10, "Financial Instruments–Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates," available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176173775344&acceptedDisclaimer=true; and
- ASU 2019-11, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses," available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176173831330&acceptedDisclaimer=true
- ASU 2020-03, "Codification Improvements to Financial Instruments," available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176174290619&acceptedDisclaimer=true.

Accounting for Hedging Activities

In August 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-12, "Targeted Improvements to Accounting for Hedging Activities." This ASU amends Accounting Standards Codification (ASC) Topic 815, Derivatives and Hedging, to "better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results."

For holding companies that are public business entities, as defined under U.S. GAAP, ASU 2017-12 is currently in effect. For holding companies that are not public business entities (i.e., that are private companies), the FASB issued ASU 2019-10 on November 15, 2019, to defer the effective date of ASU 2017-12 by one year. As amended by ASU 2019-10, ASU 2017-12 will take effect for entities that are not public business entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021.

Early application of ASU 2017-12 is permitted for all holding companies in any interim period or fiscal year before the effective date of the ASU. Further, ASU 2017-12 specifies transition requirements and offers transition elections for hedging relationships existing on the data of adoption (i.e., hedging relationships in which the hedging instrument has not expired, been sold, terminated, or exercised or for which the holding company has not removed the designation of the hedging relationship). These transition requirements and elections should be applied on the date of adoption of ASU 2017-12 and the effect of adoption should be reflected as of the beginning of the fiscal year of adoption (i.e., the initial application date). Thus, if a holding company early adopts ASU 2017-12 in an interim period, any adjustments shall be reflected as of the beginning of the fiscal year that includes the interim period of adoption, e.g., as of January 1 for a calendar year. A holding company that early adopts ASU 2017-12 in an interim period for U.S. GAAP financial reporting purposes should also early adopt the ASU in the same period for FR Y-9C purposes.

The FR Y-9C instructions, including the Glossary entry for "Derivative Contracts," will be revised to conform to the ASU at a future date.

For additional information, holding companies should refer to ASU 2017-12, which is available at http://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176169282347&acceptedDisclaimer=true; and ASU 2019-10, "Financial Instruments–Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates," which is available at: https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176173775344&acceptedDisclaimer=true.

Recognition and Measurement of Financial Instruments: Investments in Equity Securities

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities." This ASU makes targeted improvements to U.S. GAAP. As one of its main provisions, the ASU requires investments in equity securities, except those accounted for under the equity method and those that result in consolidation, to be measured at fair value with changes in fair value recognized in net income. Thus, the ASU eliminates the existing concept of available-for-sale (AFS) equity securities, which are measured at fair value with changes in fair value generally recognized in other comprehensive income. To be classified as AFS under current U.S. GAAP, an equity security must have a readily determinable fair value and not be held for trading. In addition, for an equity security that does not have a readily determinable fair value, the ASU permits an entity to elect to measure the security at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. When this election is made for an equity security without a readily determinable fair value, the ASU simplifies the impairment assessment of such an investment by requiring a qualitative assessment to impairment.

The ASU's measurement guidance for investments in equity securities also applies to other ownership interests, such as interests in partnerships, unincorporated joint ventures, and limited liability companies. However, the measurement guidance does not apply to Federal Home Loan

Bank and Federal Reserve Bank stock.

For holding companies that are public business entities, as defined under U.S. GAAP, ASU 2016-01 is currently in effect. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Holding companies must apply ASU 2016- 01 for FR Y-9C purposes in accordance with the effective dates set forth in the ASU. Holding companies with a calendar year fiscal year that are not public business entities (and did not early adopt ASU 2016-01) should have begun to report their investments in equity securities in accordance with the ASU in the FR Y-9C for December 31, 2019. Holding companies with a fiscal year other than the calendar year that are not public business entities (and did not early adopt the ASU) must begin to report these investments in accordance with the ASU in the FR Y-9C for the quarter in 2020 that includes the end of their fiscal year. For example, if such a holding company has a fiscal year that begins April 1, it must begin to report in accordance with ASU 2016-01 in the FR Y-9C for March 31, 2020.

With the elimination of AFS equity securities upon a holding company's adoption of ASU 2016- 01, the amount of net unrealized gains (losses) on these securities, net of tax effect, that is included in AOCI on the FR Y-9C balance sheet (Schedule HC, item 26.b) as of the adoption date will be reclassified (transferred) from AOCI into the retained earnings component of equity capital on the balance sheet (Schedule HC, item 26.a). Thereafter, changes in the fair value of (i.e., the unrealized gains and losses on) an holding company's equity securities that would have been classified as AFS under previous U.S. GAAP will be recognized through net income rather than other comprehensive income (OCI). For a holding company's holdings of equity securities without readily determinable fair values as of the adoption date for which the measurement alternative is elected, the measurement provisions of the ASU are to be applied prospectively to these securities.

For a holding company with a fiscal year other than the calendar year that is not a public business entity, did not early adopt ASU 2016-01, and must first report its investments in equity securities in accordance with the ASU in the FR Y-9C in 2020, e.g. a holding company with a fiscal year that began April 1, 2019, the holding company should report the fair value as of March 31, 2020, of its equity securities with readily determinable fair values not held for trading in Schedule HC, item 2.c, and leave Schedule HC-B, item 7, columns C and D, blank in its first quarter 2020 FR Y-9C.

Continuing this example, a holding company with a fiscal year end that began April 1, 2019, the holding company should report the following in Schedule HI, item 8.b, "Unrealized holding gains (losses) on equity securities not held for trading," in its March 31, 2020 FR Y-9C:

1) Unrealized holding gains (losses) before applicable income taxes, if any, during the January 1 through March 31, 2020, reporting period on equity securities with readily determinable fair values not held for trading. Because these equity securities were reported as available-for-sale equity securities in the FR Y-9C for December 31, 2019, the unrealized holding gains (losses) on these securities, net of applicable income taxes, if any, that were included in AOCI on the FR Y-9C balance sheet (Schedule HC, item 26.b) as of that date should be reclassified (transferred) from AOCI into retained earnings on the balance sheet (Schedule HC, item 26.a). The holding company should

not report any amounts associated with this reclassification in Schedule HI-A, Changes in Holding Company Equity Capital, because the reclassification is between two accounts within equity capital section of the FR Y-9C balance sheet and does not result in any change in the total amount of equity capital. No unrealized holding gains (losses) on available-for-sale equity securities should be reported in Schedule HI-A, item 12, in the FR Y-9C for March 31, 2020.

2) Unrealized holding gains (losses) during the January 1 through March 31, 2020, reporting period on equity securities and other equity investments without readily determinable fair values not held for trading that, after the adoption of ASU 2016-01, are measured at fair value through earnings. Unrealized holding gains (losses) on these equity securities and other equity investments, net of applicable income taxes, during the period from April 1, 2019, through December 31, 2019, should be reported as a direct adjustment to retained earnings and included in Schedule HI-A, item 2, as part of the cumulative effect of a change in accounting principle.

3) Impairment, if any, plus or minus changes resulting from observable price changes during the January 1 through March 31, 2020, reporting period on equity securities and other equity investments without readily determinable fair values not held for trading for which this measurement alternative is elected. The amount of observable price changes on these equity securities and other equity investments during the period from April 1, 2019, through December 31, 2019, also should be reported as a direct adjustment to retained earnings and included in Schedule HI-A, item 2. Any other-than-temporary impairment losses on these equity securities and other equity investments that were recognized during this April 1 through December 31, 2019, reporting period will already have been included in retained earnings as of year-end 2019.

4) Realized gains (losses) on equity securities and other equity investments not held for trading during the January 1 through March 31, 2020, reporting period. Realized gains (losses) on these equities securities and other equity investments that were recognized during the period from April 1, 2019, through December 31, 2019, will already be included in retained earnings as of year-end 2019.

For additional information, holding companies should refer to ASU 2016-01, which is available at:
http://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176167762170&acceptedDisclaimer=true. Holding companies may also refer to the Glossary entry for "Securities Activities" in the FR Y-9C instruction books which was updated in September 2019 in response to the changes in the accounting for investments in equity securities.

Recognition and Measurement of Financial Instruments: Fair Value Option Liabilities

In addition to the changes in the accounting for equity securities discussed in the preceding section of these Supplemental Instructions, ASU No. 2016-01 requires a holding company to present separately in other comprehensive income (OCI) the portion of the total change in the

fair value of a liability resulting from a change in the instrument-specific credit risk ("own credit risk") when the holding company has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. Until a holding company adopts the own credit risk provisions of the ASU, U.S. GAAP requires the holding company to report the entire change in the fair value of a fair value option liability in earnings. The ASU does not apply to other financial liabilities measured at fair value, including derivatives. For these other financial liabilities, the effect of a change in an entity's own credit risk will continue to be reported in net income.

The change due to own credit risk, as described above, is the difference between the total change in fair value and the amount resulting from a change in a base market rate (e.g., a risk-free interest rate). A holding company may use another method that it believes results in a faithful measurement of the fair value change attributable to instrument-specific credit risk. However, it will have to apply the method consistently to each financial liability from period to period.

The effective dates of ASU 2016-01 are described in the preceding section of these Supplemental Instructions. Notwithstanding these effective dates, early application of the ASU's provisions regarding the presentation in OCI of changes due to own credit risk on fair value option liabilities is permitted for all holding companies for financial statements of fiscal years or interim periods that have not yet been issued or made available for issuance, and in the same period for FR Y-9C Report purposes.

For additional information, holding companies should refer to ASU 2016-01, which is available at:
http://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176167762170&acceptedDisclaimer=true.

New Revenue Recognition Accounting Standard

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers," which added Topic 606, Revenue from Contracts with Customers, to the Accounting Standards Codification (ASC). The core principle of Topic 606 is that a holding company should recognize revenue at an amount that reflects the consideration to which it expects to be entitled in exchange for transferring goods or services to a customer as part of the entity's ordinary activities. ASU 2014-09 also added Topic 610, Other Income, to the ASC. Topic 610 applies to income recognition that is not within the scope of Topic 606, other Topics (such as Topic 840 on leases), or other revenue or income guidance. As discussed in the following section of these Supplemental Instructions, Topic 610 applies to a holding company's sales of repossessed nonfinancial assets, such as other real estate owned (OREO). The sale of repossessed nonfinancial assets is not considered an "ordinary activity" because holding companies do not typically invest in nonfinancial assets. ASU 2014-09 and subsequent amendments are collectively referred to herein as the "new standard." For additional information on this accounting standard and the revenue streams to which it does and does not apply, please refer to the Glossary entry for "Revenue from Contracts with Customers," which has been added to the FR Y-9C instructions this quarter.

For holding companies that are public business entities, as defined under U.S. GAAP, the new standard is currently in effect. For holding companies that are not public business entities (i.e., that are private companies), the new standard is effective for fiscal years beginning after December 15, 2018, and interim reporting periods within fiscal years beginning after December 15, 2019. Holding companies that are private companies with a calendar year fiscal year (that did not early adopt the new standard) should have begun to report revenue in accordance with the standard in the FR Y-9C for December 31, 2019. Holding companies with a fiscal year other than the calendar year that are not public business entities (and did not early adopt the ASU) must begin to report in accordance with the new standard in the FR Y-9C for the quarter in 2020 that includes the end of their fiscal year. For example, if such a holding company has a fiscal year that begins April 1, it must begin to report revenue in accordance with the new standard in the FR Y-9C for March 31, 2020.

For FR Y-9C purposes, a holding company must apply the new revenue recognition standard on a modified retrospective basis as of the effective date of the standard. When applying the modified retrospective method in the FR Y-9C, a holding company with a fiscal year that begins April 1, for example, must determine the effect on its retained earnings as of January 1, 2020, of adopting the new revenue recognition standard as of April 1, 2019. The holding company should report the effect of this change in accounting principle, net of applicable income taxes, as a direct adjustment to equity capital in Schedule HI-A, item 2, in the FR Y-9C for March 31, 2020, and each subsequent quarter in 2020. The holding company also must report revenue in its FR Y-9C income statement in accordance with this new standard beginning as of January 1, 2020.

For additional information, holding companies should refer to the new standard, which is available at http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498.

Revenue Recognition: Accounting for Sales of OREO

As stated in the preceding section, Topic 610 applies to a holding company's sale of repossessed nonfinancial assets, such as OREO. When the new standard becomes effective at the dates discussed above, Topic 610 will eliminate the prescriptive criteria and methods for sale accounting and gain recognition for dispositions of OREO currently set forth in ASC Subtopic 360-20, Property, Plant, and Equipment – Real Estate Sales. Under the new standard, a holding company will recognize the entire gain, if any, and derecognize the OREO at the time of sale if the transaction meets the requirements of Topic 606. Otherwise, a holding company will record any payments received as a deposit liability to the buyer and continue reporting the OREO as an asset at the time of the transaction.

The following paragraphs highlight key aspects of Topic 610 that will apply to seller-financed sales of OREO once the new standard takes effect. When implementing the new standard, a holding company will need to exercise judgment in determining whether a contract (within the meaning of Topic 606) exists for the sale or transfer of OREO, whether the holding company has performed its obligations identified in the contract, and what the transaction price is for calculation of the amount of gain or loss. For additional information, please refer to the Glossary entry for "Foreclosed Assets" in the FR Y-9C instructions, which has been updated

this quarter to incorporate guidance on the application of the new standard to sales of OREO.

Under Topic 610, a holding company's first step in assessing whether it can derecognize an OREO asset and recognize revenue upon the sale or transfer of the OREO is to determine whether a contract exists under the provisions of Topic 606. In order for a transaction to be a contract under Topic 606, it must meet five criteria. Although all five criteria require careful analysis for seller-financed sales of OREO, two criteria in particular may require significant judgment. These criteria are the commitment of the parties to the transaction to perform their respective obligations and the collectability of the transaction price. To evaluate whether a transaction meets the collectability criterion, a selling holding company must determine whether it is probable that it will collect substantially all of the consideration to which it is entitled in exchange for the transfer of the OREO, i.e., the transaction price. To make this determination, as well as the determination that the buyer of the OREO is committed to perform its obligations, a holding company should consider all facts and circumstances related to the buyer's ability and intent to pay the transaction price. As with the current accounting standards governing seller-financed sales of OREO, the amount and character of a buyer's initial equity in the property (typically the cash down payment) and recourse provisions remain important factors to evaluate. Other factors to consider may include, but are not limited to, the financing terms of the loan (including amortization and any balloon payment), the credit standing of the buyer, the cash flow from the property, and the selling holding company's continuing involvement with the property following the transaction.

If the five contract criteria in Topic 606 have not been met, the holding company may not derecognize the OREO asset or recognize revenue (gain or loss) as an accounting sale has not occurred. In contrast, if the holding company determines the contract criteria in Topic 606 have been met, it must then determine whether it has satisfied its performance obligations as identified in the contract by transferring control of the asset to the buyer, indicators of which are identified in the new standard. For seller-financed sales of OREO, the transfer of control generally occurs on the closing date of the sale when the holding company obtains the right to receive payment for the property and transfers legal title to the buyer. However, a holding company must consider all relevant facts and circumstances to determine whether control of the OREO has transferred.

When a contract exists and a holding company has transferred control of the asset, the holding company should derecognize the OREO asset and recognize a gain or loss for the difference between the transaction price and the carrying amount of the OREO asset. Generally, the transaction price in a sale of OREO will be the contract amount in the purchase/sale agreement, including for a seller-financed sale financed at market terms. However, the transaction price may differ from the amount stated in the contract due to the existence of below market terms on the financing. In this situation, the contract amount should be adjusted for the time value by using as the discount rate a market rate of interest considering the credit characteristics of the buyer and the terms of the financing.

As stated in the preceding section, a holding company must apply the new revenue recognition standard, including the change in accounting for seller-financed OREO sales, on a modified retrospective basis for FR Y-9C purposes. A holding company with a fiscal year other than the calendar year, such as a holding company with a fiscal year that begins April 1 that must first

report revenue in accordance with the new standard in the FR Y-9C for March 31, 2020, should follow the guidance for applying the modified retrospective method in the preceding section to its seller-financed OREO sales.

Accounting for Leases

In February 2016, the FASB issued ASU No. 2016-02, "Leases," which added ASC Topic 842, Leases. Once effective, this guidance, as amended by certain subsequent ASUs, supersedes ASC Topic 840, Leases.

Topic 842 does not fundamentally change lessor accounting; however, it aligns terminology between lessee and lessor accounting and brings key aspects of lessor accounting into alignment with the FASB's new revenue recognition guidance in ASC Topic 606. As a result, the classification difference between direct financing leases and sales-type leases for lessors moves from a risk-and-rewards principle to a transfer of control principle. Additionally, there is no longer a distinction in the treatment of real estate and non-real estate leases by lessors.

The most significant change that Topic 842 makes is to lessee accounting. Under existing accounting standards, 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 lease term generally includes the noncancellable period of a lease as well as purchase options and renewal options reasonably certain to be exercised by the lessee, renewal options controlled by the lessor, and any other economic incentive for the lessee to extend the lease. An economic incentive may include a related-party commitment. When preparing to implement Topic 842, lessees will need to analyze their existing lease contracts to determine the entries to record on adoption of this new standard.

For a sale-leaseback transaction to qualify for sales treatment, Topic 842 requires certain criteria within Topic 606 to be met. Topic 606 focuses on the transfer of control of the leased asset from the seller/lessee to the buyer/lessor. A sale-leaseback transaction that does not transfer control is accounted for as a financing arrangement. For a transaction currently accounted for as a sale-leaseback under existing GAAP, an entity is not required to reassess whether the transaction would have qualified as a sale and a leaseback under Topic 842 when it adopts the new standard.

Leases classified as leveraged leases prior to the adoption of Topic 842 may continue to be accounted for under Topic 840 unless subsequently modified. Topic 842 eliminates leveraged lease accounting for leases that commence after an entity adopts the new accounting standard.

For holding companies that are public business entities, as defined by U.S. generally accepted accounting principles (GAAP), ASU 2016-02 is currently in effect. For holding companies that are not public business entities, the FASB issued ASU 2019-10 on November 15, 2019, to defer

the effective date of ASU 2016-02 by one year. As amended by ASU 2019-10, ASU 2016-02 will take effect for entities that are not public business entities for fiscal years beginning after December 15, 2020, and interim reporting periods within fiscal years beginning after December 15, 2021. A holding company that early adopts the new standard must apply it in its entirety to all lease-related transactions. If a holding company chooses to early adopt the new standard for financial reporting purposes, the holding company should implement the new standard in its FR Y-9C report for the same quarter-end report date.

Under ASU 2016-02, a holding company must apply the new leases standard on a modified retrospective basis for financial reporting purposes. Under the modified retrospective method, a holding company should apply the leases standard and the related cumulative-effect adjustments to affected accounts existing as of the beginning of the earliest period presented in the financial statements. However, as explained in the "Changes in accounting principles" section of the Glossary entry for "Accounting Changes" in the FR Y-9C instructions, when a new accounting standard (such as the leases standard) requires the use of a retrospective application method, holding companies should instead report the cumulative effect of adopting the new standard on the amount of retained earnings at the beginning of the year in which the new standard is first adopted for FR Y-9C purposes (net of applicable income taxes, if any) as a direct adjustment to equity capital in the FR Y-9C. For the adoption of the new leases standard, the cumulative-effect adjustment to bank equity capital for this change in accounting principle should be reported in Schedule HI-A, item 2. In July 2018, the FASB issued ASU 2018-11, "Targeted Improvements," which provides an additional and "optional transition method" for comparative reporting purposes at adoption of the new leases standard. Under this optional transition method, a holding company initially applies the new leases standard at the adoption date (e.g., January 1, 2019, for a public business entity with a calendar year fiscal year) and, for FR Y-9C purposes, the holding company should recognize and report a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption consistent with the Glossary instructions described above

For FR Y-9C purposes, all ROU assets for operating leases and finance leases, including ROU assets for operating leases recorded upon adoption of ASU 2016-02, should be reflected in Schedule HC, item 6, "Premises and fixed assets."

Beginning with the March 31, 2020, report date, all holding companies that have adopted ASU 2016-02 should report the lease liability for operating leases on the FR Y-9C balance sheet in Schedule HC, item 20, ''Other liabilities.'' In Schedule HC-G, Other Liabilities, operating lease liabilities should be reported in item 4, "All other liabilities." Lease liabilities for finance leases should be reported in Schedule HC-M, items 14, "Other borrowed money," and 23.b, "Amount of 'Other borrowings' that are secured."

For an operating lease, a lessee should report a single lease cost for the lease in the FR Y-9C income statement, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis, in Schedule HI, item 7.b, "Expenses of premises and fixed assets." For a finance lease, a lessee should report interest expense on the lease liability separately from the amortization expense on the ROU asset. The interest expense should be reported on HI in item 2.c, "Interest on trading liabilities and other borrowed money," on the FR Y-9C. The amortization expense should be reported on Schedule HI in item 7.b, "Expenses of premises and fixed assets."

The Board and agencies have received questions regarding how lessee holding companies should treat ROU assets under the Board's regulatory capital rules in 12 CFR Part 217. (Board).Those rules require that most intangible assets be deducted from regulatory capital. However, some institutions are uncertain whether ROU assets are intangible assets. The agencies are clarifying that, to the extent an ROU asset arises due to a lease of a tangible asset (e.g., building or equipment), the ROU asset should be treated as a tangible asset not subject to deduction from regulatory capital. Except for a holding company that has a community bank leverage ratio framework election in effect, an ROU asset not subject to deduction must be risk weighted at 100 percent under the Board's regulatory capital rules in 12 CFR Part 217 and included in a lessee institution's calculations of total risk-weighted assets. In addition, such an asset must be included in a lessee holding company's total assets for leverage capital purposes. The agencies believe this treatment is consistent with the current treatment of capital leases under the rules, whereby a lessee's lease assets under capital leases of tangible assets are treated as tangible assets, receive a 100 percent risk weight, and are included in the leverage ratio denominator. This treatment is also consistent with the approach taken by the Basel Committee on Banking Supervision at: (https://www.bis.org/press/p170406a.htm).

For additional information on ASU 2016-02, holding companies should refer to the FASB's website at: https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176167901010&acceptedDisclaimer=true, which includes a link to the new accounting standard.

Other Reporting Matters

Premium Amortization on Purchased Callable Debt Securities

In March 2017, the FASB issued Accounting Standards Update (ASU) No. 2017-08, "Premium Amortization on Purchased Callable Debt Securities." This ASU amends Accounting Standards Codification (ASC) Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs (formerly FASB Statement No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases"), by shortening the amortization period for premiums on callable debt securities that have explicit, non-contingent call features and are callable at fixed prices and on preset dates. Under existing U.S. GAAP, the premium on such a callable debt security generally is required to be amortized as an adjustment of yield over the contractual life of the debt security. Under the ASU, the excess of the amortized cost basis of such a callable debt security over the amount repayable by the issuer at the earliest call date (i.e., the premium) must be amortized to the earliest call date (unless the holding company applies the guidance in ASC Subtopic 310-20 that allows estimates of future principal prepayments to be considered in the effective yield calculation when the holding company holds a large number of similar debt securities for which prepayments are probable and the timing and amount of the prepayments can be reasonably estimated). If the call option is not exercised at its earliest call date, the holding company must reset the effective yield using the payment terms of the debt security.

The ASU does not change the accounting for debt securities held at a discount. The discount on such debt securities continues to be amortized to maturity (unless the Subtopic 310-20 guidance mentioned above is applied).

For holding companies that are public business entities, as defined under U.S. GAAP, the new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For holding companies that are not public business entities (i.e., that are private companies), the new standard is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Refer to the Glossary entries for "public business entity" and "private company" in the FR Y-9C instructions for further information on these terms.

Early application of the new standard is permitted for all holding companies, including adoption in an interim period of a year before the applicable effective date for a holding company. If a holding company early adopts the ASU in an interim period, the cumulative- effect adjustment shall be reflected as of the beginning of the fiscal year of adoption.

A holding company must apply the new standard on a modified retrospective basis as of the beginning of the period of adoption. Under the modified retrospective method, a holding company should apply a cumulative-effect adjustment to affected accounts existing as of the beginning of the fiscal year the new standard is adopted. The cumulative-effect adjustment to retained earnings for this change in accounting principle should be reported in FR Y-9C Report Schedule HI-A, item 2.

For additional information, holding companies should refer to ASU 2017-08, which is available at http://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176168934053&accepted Disclaimer=true.

For the following topics, holding companies should continue to follow the guidance in the specified FR Y-9C Supplemental Instructions:

Regulatory Capital Treatment of Certain Centrally-Cleared Derivative Contracts

Holding companies should continue to follow the guidance for Regulatory Capital Treatment of Certain Centrally-Cleared Derivative Contracts in the FR Y-9C Supplemental Instructions for December 2018. These instructions can be accessed via the Federal Reserve's website (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201812.pdf)

Reporting Exposures Hedged with Cleared Eligible Credit Derivatives in Schedule HC-R

Holding companies should continue to follow the guidance for Reporting Exposures Hedged with Cleared Eligible Credit Derivatives in Schedule HC-R that was included in the FR Y- 9C Supplemental Instructions for December 2016. These instructions can be accessed via the Federal Reserve's website
(http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201612.pdf)

Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share

Holding companies should continue to follow the guidance for Disclosures for Investments in Certain

Entities that Calculate Net Asset Value per share that was included in the FR Y- 9C Supplemental Instructions for December 2016. These instructions can be accessed via the Federal Reserve's website (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201612.pdf)

Debt Issuance Cost

Holding companies should continue to follow the guidance for Debt Issuance Cost that was included in the FR Y-9C Supplemental Instructions for September 2016. These instructions can be accessed via the Federal Reserve's website (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201609.pdf

Accounting for Subsequent Restructuring of a Troubled Debt Restructuring

Holding companies should continue to follow the guidance for Accounting for Subsequent Restructuring of a Troubled Debt Restructuring that was included in the FR Y-9C Supplemental Instructions for September 2016. These instructions can be accessed via the Federal Reserve's website (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201609.pdf)

Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans Upon a Foreclosure

Holding companies should continue to follow the guidance for Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans Upon a Foreclosure that was included in the FR Y-9C Supplemental Instructions for September 2016. These instructions can be accessed via the Federal Reserve's website (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201609.pdf)

Reporting Certain Government-Guaranteed Mortgage Loans upon Foreclosure

Holding companies should continue to follow the guidance for Reporting Certain Government-Guaranteed Mortgage Loans upon Foreclosure that was included in the FR Y-9C Supplemental Instructions for September 2016. These instructions can be accessed via the Federal Reserve's website (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201609.pdf)

Secured Consumer Debt Discharged in a Chapter 7 Bankruptcy Order

Holding companies should continue to follow the guidance for Secured Consumer Debt Discharged in a Chapter 7 Bankruptcy Order that was included in the FR Y-9C Supplemental Instructions for December, 2015. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201512.pdf

True Up Liability under an FDIC Loss-Sharing Agreement

Holding companies should continue to follow the guidance for True up liability under an FDIC loss-sharing agreement that was included in the FR Y-9C Supplemental Instructions for September, 2015. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201509.pdf)

Purchased Loans Originated by Others

Holding companies should continue to follow the guidance for purchased loans originated by

others that was included in the FR Y-9C Supplemental Instructions for September, 2015. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201509.pdf)

Troubled Debt Restructurings, Current Market Interest Rates, and ASU No. 2011-02

Holding companies should continue to follow the guidance for troubled debt restructurings that was included in the FR Y-9C Supplemental Instructions for March 31, 2015. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201503.pdf)

Indemnification Assets and Accounting Standards Update No. 2012-06

Holding companies should continue to follow the guidance for indemnification assets that was included in the FR Y-9C Supplemental Instructions for June 30, 2014. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201406.pdf)

Determining the Fair Value of Derivatives

Holding companies should continue to follow the guidance in determining the fair value of derivatives that was included in the FR Y-9C Supplemental Instructions for June 30, 2014. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201406.pdf)

Other- Than- Temporary Impairment

Holding companies should continue to follow the guidance on reporting other-than- temporary-impairment that was included in the FR Y-9C Supplemental Instructions for June 30, 2014. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201406.pdf)

Reporting Defined Benefit Postretirement Plans

Holding companies should continue to follow the guidance regarding the reporting of defined benefit postretirement plans that was included in the FR Y-9C Supplemental Instructions for June 30, 2013. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201306.pdf).

Goodwill Impairment Testing

Holding companies should continue to follow the guidance regarding reporting related to goodwill impairment testing that was included in the FR Y-9C Supplemental Instructions for March 31, 2013. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201303.pdf).

Small Business Lending Fund

Holding companies should continue to follow the guidance regarding reporting related to the U.S. Treasury Department's Small Business Lending Fund (SBLF) that was included in the FR Y-9C Supplemental Instructions for March 31, 2013. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201303.pdf).

Treasury Department's Community Development Capital Initiative Program

Holding companies should continue to follow the guidance regarding reporting related to the Treasury Department's Community Development Capital Initiative Program that was included in the FR Y-9C Supplemental Instructions for September 30, 2012. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201209.pdf).

Reporting Purchased Subordinated Securities in Schedule HC-S

Holding companies should continue to follow the guidance on reporting purchased subordinated securities in Schedule HC-S that was included in the FR Y-9C Supplemental Instructions for September 30, 2011. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201109.pdf).

Consolidated Variable Interest Entities

Holding companies should continue to follow the guidance on reporting and accounting for consolidated variable interest entities that was included in the FR Y-9C Supplemental Instructions for September 30, 2011. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201109.pdf).

Treasury Department's Capital Purchase Program

Holding companies should continue to follow the guidance on accounting and reporting for the U.S. Treasury Department's Capital Purchase Program (CPP) under the Troubled Asset Relief Program mandated by the Emergency Economic Stabilization Act of 2008 that was included in the FR Y-9C Supplemental Instructions for September 30, 2011. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201109.pdf).

Accounting Standards Codification

A description of the adoption of FASB Statement No. 168, "The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles" was included in the FR Y-9C Supplemental Instructions for September 30, 2011. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201109.pdf).

Extended Net Operating Loss Carryback Period

Holding companies should continue to follow the guidance on accounting for the extended net operating loss carryback period under the Worker, Homeownership, and Business Assistance Act of 2009, that was included in the FR Y-9C Supplemental Instructions for December 31, 2010. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201012.pdf).

FASB Interpretation No. 48 on Uncertain Tax Positions

Holding companies should continue to follow the guidance on accounting for uncertain tax positions under FASB Interpretation No. 48 that was included in the FR Y-9C Supplemental Instructions for December 31, 2009. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_200912.pdf).

Business Combinations and Noncontrolling (Minority) Interests

Holding companies should continue to follow the guidance on accounting for business combinations and noncontrolling (minority) interests under FASB Statements Nos. 141(R) and 160 that was included in the FR Y-9C Supplemental Instructions for September 30, 2009. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_200909.pdf)

Fair Value Measurement and Fair Value Option

Holding companies should continue to follow the guidance on fair value measurements under FASB Statement No. 157, *Fair Value Measurements*, and the guidance on implementing the fair value option under FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, that was included in the FR Y-9C Supplemental Instructions for June 30, 2009. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_200906.pdf).

Accounting for Share-based Payments

Holding companies should continue to follow the guidance on accounting for share-based payments under FASB Statement No. 123 (Revised 2004), *Share-Based Payment* (FAS

123(R)), that was included in the FR Y-9C Supplemental Instructions for December 31, 2006. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_200612.pdf).

Tobacco Transition Payment Program

Holding companies should continue to follow guidance on the tobacco buyout program included in the FR Y-9C Supplemental Instructions for June 30, 2006, which can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI.FRY9.200606.pdf).

Commitments to Originate and Sell Mortgage Loans

Holding companies should continue to follow the guidance provided on this subject in the FR Y-9C Supplemental Instructions provided for December 31, 2005. These Supplemental Instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI.FRY9.200512.pdf).