

**Draft Revisions to the Call Report Instructions for Proposed Revisions to the FFIEC 051  
Call Reports with Effective Dates Beginning with the March 31, 2020, Report Date**

These draft instructions, which are subject to change, present the pages from the FFIEC 051 instruction book as they are proposed to be revised, subject to final approval by the U.S. Office of Management and Budget. These proposed revisions are described in the federal banking agencies' initial Paperwork Reduction Act (PRA) [Federal Register notice](#) published on July 22, 2020. As discussed in the agencies' final PRA [Federal Register notice](#) published in the *Federal Register* on November 23, 2020, the agencies are proceeding with the revisions to the FFIEC 051 Call Report instruction book, with certain modifications. The initial and final notices are available on the [FFIEC's web page for the FFIEC 051 Call Report](#).

The revisions to the report form with the effective date of June 30, 2020, pertain to interim final rules (IFRs) and a final rule published by one or all of the banking agencies from March through June 2020 as well as Section 4013 of the 2020 Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which provides optional temporary relief from accounting for eligible loan modifications as troubled debt restructurings. The IFRs and final rule revise certain aspects of the agencies' regulatory capital rule, amend the Federal Reserve Board's (Board) Regulation D on reserve requirements, except certain insider loans from the Board's Regulation O, and modify the Federal Deposit Insurance Corporation's (FDIC) deposit insurance assessment rules. In the second quarter, the agencies received emergency approvals from the U.S. Office of Management and Budget to implement changes to the Call Report arising from these interim final rules, the final rule, and Section 4013 of the CARES Act.

Certain other proposed revisions to the FFIEC 051 Call Report instruction books with effective dates beginning with the December 31, 2020, report date also are included in these draft instructions.

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Note: The changes to the instructions for Schedule RC-R, Part I, and Schedule RC-R, Part II, on pages 5 through 42 are effective as of the March 31, 2020 and June 30, 2020, report dates.

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## SCHEDULE RC-R – REGULATORY CAPITAL

### General Instructions for Schedule RC-R

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

~~These instructions exclude updates pertaining to the regulatory capital-related interim final rules (IFRs) issued by the banking agencies from March through June 2020. See the separate standalone June 2020 COVID-19 Related Supplemental Instructions (Call Report) for instructional changes related to these IFRs.~~

### Part I. Regulatory Capital Components and Ratios

#### Contents – Part I. Regulatory Capital Components and Ratios

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### General Instructions for Schedule RC-R, Part I.

#### **Community Bank Leverage Ratio Framework**

Opting into the Community Bank Leverage Ratio (CBLR) Framework – A qualifying institution may opt into the CBLR framework. A qualifying institution opts into and out of the framework through its reporting in Call Report Schedule RC-R. A qualifying institution that opts into the CBLR framework (CBLR electing institution) must complete Schedule RC-R, Part I, items 1 through 37 and, if applicable, items 38.a

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

through 38.c, and makes that election in Schedule RC-R, Part I, item 31.a. A qualifying institution can opt out of the CBLR framework by completing Schedule RC-R, Parts I and II, excluding Schedule RC-R, Part I, items 32 through 38.c. However, an otherwise qualifying institution's primary federal supervisory authority may disallow the institution's use of the CBLR framework based on the supervisory authority's evaluation of the risk profile of the institution.

On April 23, 2020, the federal banking agencies published two interim final rules to provide temporary relief to community banking organizations with respect to the CBLR framework. The statutory interim final rule implements Section 4012 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which requires the agencies to temporarily lower the community bank leverage ratio qualifying criterion from 9 percent to 8 percent. The temporary changes to the CBLR framework implemented by the statutory interim final rule will cease to be effective as of the earlier of the termination date of the national emergency concerning the coronavirus disease declared by the President on March 13, 2020, under the National Emergencies Act (National Emergency), or December 31, 2020. After this date, the transition interim final rule becomes effective and provides community banking organizations with a clear and gradual transition, by January 1, 2022, back to the greater than 9 percent leverage ratio qualifying criterion previously established by the agencies. The other qualifying criteria in the CBLR framework have not been modified by the interim final rules.

A qualifying institution with a leverage ratio that exceeds the applicable leverage ratio requirement and opts into the CBLR framework shall be considered to have met: (i) the generally applicable risk-based and leverage capital requirements in the agencies' capital rules; (ii) the capital ratio requirements to be considered well capitalized under the agencies' prompt corrective action (PCA) framework (in the case of insured depository institutions); and (iii) any other applicable capital or leverage requirements.<sup>1</sup>

Temporary Change to the Leverage Ratio Requirement under the CBLR Framework (i.e., the statutory interim final rule) – Under this temporary change in the CBLR framework, an institution may qualify for the CBLR framework if its leverage ratio is equal to or greater than 8 percent (as reported in Schedule RC-R, Part I, item 31) and it meets the qualifying criteria: it has less than \$10 billion in total consolidated assets (Schedule RC-R, Part I, item 32); is not part of an advanced approaches banking organization; has total trading assets and trading liabilities of 5 percent or less of total consolidated assets (Schedule RC-R, Part I, item 33); and has total off-balance sheet exposures (excluding derivatives other than sold credit derivatives and unconditionally cancelable commitments) of 25 percent or less of total consolidated assets (Schedule RC-R, Part I, item 34).

This temporary change in the CBLR framework will cease to be effective as of the earlier of the termination date of the National Emergency or December 31, 2020. The statutory interim final rule also includes a grace period. When this rule is in effect, the minimum leverage ratio under the grace period is equal to or greater than 7 percent.

Transition Provisions (i.e., the transition interim final rule) – Upon the expiration of the statutory interim final rule, the transition interim final rule will become effective. Under the provisions of the transition interim final rule, an institution may qualify for the CBLR framework if its leverage ratio is greater than 8 percent in the second through fourth quarters of calendar year 2020 (if applicable), greater than 8.5 percent in calendar year 2021, and greater than 9 percent in calendar year 2022 and thereafter and it meets the qualifying criteria listed in the preceding section on the statutory interim final rule. Also, the two-quarter grace period for a qualifying institution will take into account the graduated increase in the community bank leverage ratio requirement qualifying criterion. In order to maintain eligibility for the CBLR framework during the transition period, an institution's leverage ratio cannot fall more than one percentage point below the community bank leverage ratio requirement qualifying criterion.

Table 1 – Schedule of Community Bank Leverage Ratio Requirements  
(transition interim final rule)

| <u>Calendar Year</u> | <u>Community Bank Leverage Ratio (percent)</u> | <u>Minimum Leverage Ratio under the applicable grace period (percent)</u> |
|----------------------|--|---|
| <u>2020 (2Q-4Q)*</u> | <u>&gt; 8.0</u>                                | <u>&gt; 7.0</u>   |
| <u>2021</u>          | <u>&gt; 8.5</u>                                | <u>&gt; 7.5</u>   |
| <u>2022</u>          | <u>&gt; 9.0</u>                                | <u>&gt; 8.0</u>   |

\* Table 1 reflects the leverage ratio requirement under the transition interim final rule. Effective for the second quarter of 2020 when the statutory interim final rule is in effect, the community bank leverage ratio qualifying criterion is equal to or greater than 8 percent. Similarly, the minimum leverage ratio under the grace period when the statutory interim final rule is in effect is equal to or greater than 7 percent.

Community Bank Leverage Ratio (CBLR) Framework in Calendar Year 2022 and Thereafter – In general, an institution may qualify for the CBLR framework if it has a leverage ratio greater than 9 percent (as reported in Schedule RC-R, Part I, item 31); has less than \$10 billion in total consolidated assets (Schedule RC-R, Part I, item 32); is not an advanced approaches institution;<sup>1</sup> has total trading assets and trading liabilities of 5 percent or less of total consolidated assets (Schedule RC-R, Part I, item 33); and has total off-balance sheet exposures (excluding derivatives other than sold credit derivatives and unconditionally cancelable commitments) of 25 percent or less of total consolidated assets (Schedule RC-R, Part I, item 34). ~~However, an otherwise qualifying institution's primary federal supervisory authority may disallow the institution's use of the CBLR framework based on the supervisory authority's evaluation of the risk profile of the institution.~~

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

Ceasing to Meet the Leverage Ratio Requirement under Have a the CBLR Framework Greater Than 9 Percent or Failing to Meet Any of the Other CBLR Qualifying Criteria – A qualifying institution that temporarily fails to meet any of the qualifying criteria, including the applicable greater than 9 percent leverage ratio requirement, generally would still be deemed well-capitalized so long as the institution maintains a leverage ratio that does not fall more than one percentage point below the leverage ratio requirement during the two-quarter grace period. greater than 8 percent. At the end of the grace period (see below for an example), the institution must meet all qualifying criteria to remain in the CBLR community bank leverage ratio framework or otherwise must apply and report under the generally applicable capital rule. Similarly, an institution with a leverage ratio that is not within one percentage point of the leverage ratio requirement qualifying criterion under the CBLR framework of 8 percent or less is not eligible for the grace period and must comply with the generally applicable capital rule, i.e., for the calendar quarter in which the institution reports a leverage ratio of 8 percent or less, by completing all of Schedule RC-R, Parts I and II, as applicable, excluding Schedule RC-R, Part I, items 32 through 38.c.

Under the CBLR framework, the grace period will begin as of the end of the calendar quarter in which the CBLR electing institution ceases to satisfy any of the qualifying criteria and has a maximum period of and will end after two consecutive calendar quarters. For example, if the CBLR electing institution had met all of the qualifying criteria as of March 31, 2020, but no longer meets one of the qualifying criteria as of February-May 15, 2020, and still does not meet the criteria as of the end of that quarter, the grace period for such an institution will begin as of the end of the quarter ending March 31-June 30, 2020. The institution may continue to use the community bank leverage ratio CBLR framework as of June-September 30, 2020, but will need to comply fully with the generally applicable capital rule (including the associated Schedule RC-R reporting requirements) as of September 30-December 31, 2020, unless the institution once again meets all qualifying criteria of the CBLR framework, including a-the leverage ratio requirement qualifying criterion of greater than 9 percent, before that time.

If a CBLR electing institution is in the grace period when the required community bank leverage ratio increases, the institution would be subject, as of the date of that change, to both the higher community bank leverage ratio requirement and higher grace period leverage ratio requirement. For example, if a CBLR electing institution that had met all of the qualifying criteria as of September 30, 2020, has a 7.2 percent community bank leverage ratio (but meets all of the other qualifying criteria) as of December 31, 2020, the grace period for such an institution will begin as of the end of the fourth quarter of 2020. The institution may continue to use the CBLR framework as of March 31, 2021, if the institution has a leverage ratio of greater than 7.5 percent, and will need to comply fully with the generally applicable capital rule (including the associated Schedule RC-R reporting requirements) as of June 30, 2021, unless the institution has a leverage ratio of greater than 8.5 percent (and meets all of the other qualifying criteria) by that date. In this example, if the institution has a leverage ratio equal to or less than 7.5 percent as of March 31, 2021, it would not be eligible to use the CBLR framework and would be subject immediately to the requirements of the generally applicable capital rule.

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

Category II institutions include institutions with (1) at least \$700 billion in total consolidated assets or (2) at least \$75 billion in cross-jurisdictional activity and at least \$100 billion in total consolidated assets. In addition, depository institution subsidiaries of Category II institutions are considered Category II institutions.

<sup>2</sup> See [12 CFR 3](#) (OCC); [12 CFR 217](#) (Board); [12 CFR 324](#) (FDIC).



### **3-Year and 5-Year 2020 CECL Transition Provisions**

In 2019, the federal banking agencies issued a final rule that, among other provisions, revised the agencies' regulatory capital rule and included a transition option that allows institutions to phase in over a 3-year transition period the day-one effects of adopting the current expected credit losses methodology (CECL) on their regulatory capital ratios (2019 CECL rule).

In 2020, the agencies issued a final rule that provides institutions that implement CECL during the 2020 calendar year 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 regulatory capital, followed by a 3-year transition period, thereby resulting in a 5-year transition period (2020 CECL rule).

Eligibility for, and Transition Period under, the 3-Year CECL Transition – An institution is eligible to use the 3-Year CECL transition provision if it experiences a reduction in retained earnings due to CECL adoption as of the beginning of the fiscal year in which the institution adopts CECL. The transition period under the 3-year CECL transition provision means the three-year period beginning the first day of the fiscal year in which an institution adopts CECL and reflects CECL in its first Call Report filed after that date.

An institution that is eligible to use the 3-year CECL transition provision may elect to phase in the regulatory capital impact of adopting CECL over a 3-year transition period (a 3-year CECL electing institution). A 3-year CECL electing institution is required to begin applying the 3-year CECL transition provision as of the electing banking organization's CECL adoption date. A 3-year CECL electing institution must indicate in Schedule RC-R, Part I, item 2.a, its election to use the 3-year CECL transition provision and must report the transitional amounts, as defined below and as applicable, in the affected items of Schedule RC-R, adjusted for the transition provisions, beginning in the Call Report for the quarter in which the institution first reports its credit loss allowances as measured under CECL.

An institution that does not elect to use the 3-year CECL transition provision in the Call Report for the quarter in which it first reports its credit loss allowances as measured under CECL is not permitted to make an election in subsequent reporting periods and is required to reflect the full effect of CECL in its regulatory capital ratios beginning as of the institution's CECL adoption date.

An institution that initially elects to use the 3-year CECL transition provision, but opts out of this transition provision in a subsequent reporting period, is not permitted to resume using the 3-year CECL transition provision at a later date within the 3-year transition period. An institution may opt out of applying the transition provision by reflecting the full impact of CECL on regulatory capital in Call Report Schedule RC-R.

Eligibility for the 5-Year 2020 CECL Transition – An institution is eligible to use the 5-Year 2020 CECL transition provision if it adopts CECL under U.S. GAAP 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 (as defined below) in any quarter ending in 2020 after adopting CECL.

An institution must indicate in Schedule RC-R, Part I, item 2.a, its election to use the 5-year 2020 CECL transition provision in calendar year 2020 in the first Call Report filed after the institution adopts CECL or the same Call Report in which the institution first reports a positive modified CECL transitional amount for any calendar quarter ending in 2020 (5-year CECL electing institution).

Even if an institution elects to use the 5-Year 2020 CECL transition provision, the institution may only reflect the regulatory capital adjustments set forth in the 2020 CECL rule in the quarter or quarters in which the institution implements CECL for regulatory reporting purposes. An institution that has elected the 5-year 2020 CECL transition provision, but would not report a positive modified CECL transitional amount in a particular quarter, is not required to make the adjustments in Call Report Schedule RC-R in that quarter.

Transition Period under the 5-Year 2020 CECL Transition – Beginning with the earlier of:

- (1) The first quarter of the fiscal year in which an institution was required to adopt CECL under U.S. GAAP (as in effect on January 1, 2020), or
- (2) The first day of a fiscal year that begins in the 2020 calendar year in which the institution files Call Reports reflecting CECL,

and for the subsequent 19 quarters (for a total of 20 quarters or the five-year transition period), an institution is permitted to make the adjustments described below to amounts used in calculating regulatory capital. If an institution temporarily ceases using CECL during this period (i.e., due to election of Section 4014 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)<sup>1</sup>), the institution may not reflect regulatory capital adjustments for any quarter (during the first 8 quarters) in which it did not implement CECL, but it would be allowed to apply the transition in subsequent quarters when the institution uses CECL. However, an institution that has elected the transition, but does not apply it in any quarter, does not receive any extension of the transition period.

Example 1: An institution was required to adopt CECL on January 1, 2020. This institution, however, delays adoption of CECL under Section 4014 of the CARES Act until July 1, 2020, and elects to use the 5-Year 2020 CECL transition provision. This institution's transition period begins on January 1, 2020, despite not adopting CECL until July 1, 2020. As such, on July 1, 2020, this institution would have 18 quarters,<sup>2</sup> including the quarter of adoption, remaining in its transition period.

Example 2: An institution was required to adopt CECL on October 1, 2020, and elects to use the 5-Year 2020 CECL transition provision. This institution does not delay adoption of CECL under Section 4014 of the CARES Act. This institution's transition period begins on October 1, 2020. As such, on October 1, 2020, this institution 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, an institution is permitted to make an adjustment of 100 percent of the transitional items calculated below for each quarter in which the institution applies CECL. Beginning with the ninth quarter of the transition period, the institution phases out the cumulative adjustment as calculated at the end of the eighth quarter (i.e., the first two years of the 5-Year 2020 CECL transition provision) over the following 12 quarters as follows: 75 percent adjustment in quarters 9-12 (i.e., Year three); 50 percent adjustment in quarters 13-16 (i.e., Year four); and 25 percent adjustment in quarters 17-20 (i.e., Year five).

Definitions – Institutions that elect either the 3-year CECL transition provision or the 5-year 2020 CECL transition provision must calculate the following amounts, as applicable. AACL refers to Adjusted Allowances for Credit Losses and ALLL refers to the Allowance for Loan and Lease Losses, both as defined in the regulatory capital rule (12 CFR 3.2 (OCC); 12 CFR 217.2 (Board); and 12 CFR 324.2 (FDIC)).

- *CECL transitional amount* means the difference, net of any deferred tax assets (DTAs), in the amount of an institution's retained earnings as of the beginning of the fiscal year in which the institution adopts CECL from the amount of the institution's retained earnings as of the closing of the fiscal year-end immediately prior to the institution's adoption of CECL.
- *DTA transitional amount* means the difference in the amount of an institution's DTAs arising from temporary differences as of the beginning of the fiscal year in which the institution adopts CECL from the amount of the institution's DTAs arising from temporary differences as of the closing of the fiscal year-end immediately prior to the institution's adoption of CECL.

<sup>1</sup> Section 4014 allows an institution to delay the adoption of Accounting Standards Update No. 2016-13, "Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), i.e., CECL, until the earlier of (1) December 31, 2020, or (2) the termination of the national emergency concerning the coronavirus disease declared by the President on March 13, 2020, under the National Emergencies Act.

<sup>2</sup> Six quarters of the initial transition followed by 12 quarters of the phase-out of the transition.

- AACL transitional amount means the difference in the amount of an institution's AACL as of the beginning of the fiscal year in which the institution adopts CECL and the amount of the institution's ALLL as of the closing of the fiscal year-end immediately prior to the institution's adoption of CECL.
- Eligible credit reserves transitional amount means the difference in the amount of an advanced approaches institution's eligible credit reserves as of the beginning of the fiscal year in which the institution adopts CECL from the amount of the institution's eligible credit reserves as of the closing of the fiscal year-end immediately prior to the institution's adoption of CECL.

In addition, institutions that elect the 5-year 2020 CECL transition provision must calculate the following amounts:

- Modified CECL transitional amount means:
  - During the first two years of the transition period, the difference between the AACL as reported in the most recent Call Report, and the AACL as of the beginning of the fiscal year in which the institution adopts CECL, multiplied by 0.25, plus the CECL transitional amount, and
  - During the last three years of the transition period, the difference between the AACL as reported in the Call 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 institution adopts CECL, multiplied by 0.25, plus the CECL transitional amount.
- Modified AACL transitional amount means:
  - During the first two years of the transition period, the difference between the AACL as reported in the most recent Call Report, and the AACL as of the beginning of the fiscal year in which the institution adopts CECL, multiplied by 0.25, plus the AACL transitional amount, and
  - During the last three years of the transition period, the difference between the AACL as reported in the Call 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 institution adopts CECL, multiplied by 0.25, plus the AACL transitional amount.

A 3-year or 5-year CECL electing advanced approaches institution (1) that has completed the parallel run process and has received notification from its primary federal regulator pursuant to section 121(d) under subpart E of the regulatory capital rules, (2) whose amount of expected credit loss exceeded its eligible credit reserves immediately prior to the adoption of CECL, and (3) would have an increase in common equity tier 1 capital as of the beginning of the fiscal year in which it adopts CECL after including the first year portion of the CECL transitional amount or modified CECL transitional amount, as applicable, must decrease its CECL transitional amount or modified CECL transitional amount, as applicable, by its DTA transitional amount.

#### Example and a Worksheet Calculation for the 3-year CECL Transition Provision –

##### Assumptions:

- For example, consider an institution that elects to apply the 3-year CECL transition and has a CECL effective date of January 1, 2020, and a 21 percent tax rate.
- On the closing balance sheet date immediately prior to adopting CECL (i.e., December 31, 2019), the 3-year CECL electing institution has \$10 million in retained earnings and \$1 million in the allowance for loan and lease losses. On the opening balance sheet date immediately after adopting CECL (i.e., January 1, 2020), the 3-year CECL electing institution has \$1.2 million in allowances for credit losses (ACL), which also equals \$1.2 million of AACL, as defined in the regulatory capital rules.
- The 3-year CECL electing institution recognizes the effect of the adoption of CECL as of January 1, 2020, by recording an increase in its ACL of \$200,000 (credit), with an offsetting increase in temporary difference DTAs of \$42,000 (debit) and a reduction in beginning retained earnings of \$158,000 (debit).
- For each of the quarterly reporting periods in year 1 of the transition period (i.e., 2020), the 3-year CECL electing institution increases both retained earnings and average total consolidated assets by \$118,500 (\$158,000 x 75 percent), decreases temporary difference DTAs by \$31,500 (\$42,000 x 75 percent), and decreases AACL by \$150,000 (\$200,000 x 75 percent) for purposes of calculating its

regulatory capital ratios. The remainder of the 3-year CECL transition provision of the 3-year CECL electing institution is transitioned into regulatory capital according to the schedule provided in Table 1 below.

**Table 1 – Example of a 3-Year CECL Transition Provision Schedule**

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

Example of Application of the 5-Year CECL Transition Provision for Third Quarter 2020 –

As an example, assume an institution is required under U.S. GAAP to adopt CECL on January 1, 2020. This institution chose not to delay adoption of CECL for Call Report purposes under the provisions of Section 4014 of the CARES Act, and elected to use the 5-year 2020 CECL transition provision in the March 31, 2020, Call Report. This institution's 5-year 2020 CECL transition period begins on January 1, 2020.

The institution's December 31, 2019, Call Report reflected the following amounts:

- ALLL: \$120
- Temporary Difference DTAs: \$20
- Retained earnings: \$200
- Eligible credit reserves (advanced approaches institutions only): \$110

On January 1, 2020, the institution 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 institutions only): \$140
- Eligible credit reserves transitional amount (advanced approaches institutions only) =  $\$140 - \$110 = \$30$   
(Eligible credit reserves on 1/1/20 – eligible credit reserves on 12/31/19)

On September 30, 2020, the institution reflected the following amounts:

- AACL: \$170
- Modified AACL transitional amount =  $(\$170 - \$150) * 0.25 + \$30 = \$35$   
(AACL on 9/30/20 – AACL on 1/1/20)\*0.25 + AACL transitional amount)
- Modified CECL transitional amount =  $(\$170 - \$150) * 0.25 + \$20 = \$25$   
(AACL on 9/30/20 – AACL on 1/1/20)\*0.25 + CECL transitional amount)

The institution would adjust the following items in its September 30, 2020, Call Report, Schedule RC-R:

- Part I, Item 2 (Retained earnings): Add \$25 (modified CECL transitional amount)
- Part I, Item 15, 15.a, or 15.b, as applicable (temporary difference DTAs): Subtract \$10 (DTA transitional amount) when calculating temporary difference DTAs subject to deduction
- Part I, Item 27 (Average total consolidated assets): Add \$25 (modified CECL transitional amount)

An institution that is not electing the CBLR framework in its September 30, 2020, Call Report, would make these additional Schedule RC-R adjustments:

- Part I, Item 42 (Allowances in tier 2 capital): Subtract \$35 (modified AACL transitional amount)
- Part II, Item 8 (All other assets): Subtract \$10 (DTA transitional amount)

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**Item Instructions for Schedule RC-R, Part I.****Item No.   Caption and Instructions****Common Equity Tier 1 Capital**

- 1**        **Common stock plus related surplus, net of treasury stock and unearned employee stock ownership plan (ESOP) shares.** Report the sum of Schedule RC, items 24, 25, and 26.c, as follows:
- (1) Common stock: Report the amount of common stock reported in Schedule RC, item 24, provided it meets the criteria for common equity tier 1 capital based on the regulatory capital rules of the institution's primary federal supervisor. Include capital instruments issued by mutual banking organizations that meet the criteria for common equity tier 1 capital.
- (2) Related surplus: Adjust the amount reported in Schedule RC, item 25 as follows: include the net amount formally transferred to the surplus account, including capital contributions, and any amount received for common stock in excess of its par or stated value on or before the report date; exclude adjustments arising from treasury stock transactions.
- (3) Treasury stock, unearned ESOP shares, and any other contra-equity components: Report the amount of contra-equity components reported in Schedule RC, item 26.c. Because contra-equity components reduce equity capital, the amount reported in Schedule RC, item 26.c, is a negative amount.
- 2**        **Retained earnings.** Report the amount of the institution's retained earnings as reported in Schedule RC, item 26.a.

An institution that has adopted FASB [Accounting Standards Update No. 2016-13](#) (ASU 2016-13), which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), and has elected to apply the 3-year CECL transition provision (3-year CECL electing institution) should also include in this item its applicable CECL transitional amount, in accordance with section 301 of the regulatory capital rules. Specifically, a 3-year CECL electing institution **should increase retained earnings by includes** 75 percent of its CECL transitional amount during the first year of the transition period, 50 percent of its CECL transitional amount during the second year of the transition period, and 25 percent of its CECL transitional amount during the third year of the transition period.

**An institution that has adopted ASU 2016-13, and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing institution) should also include in this item its applicable modified CECL transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing institution should increase retained earnings by 100 percent of its modified CECL transitional amount during the first and second years of the transition period, 75 percent of its modified CECL transitional amount during the third year of the transition period, 50 percent of its modified CECL transitional amount during the fourth year of the transition period, and 25 percent of its modified CECL transitional amount during the fifth year of the transition period.**

**For further information on the 3-year and 5-year CECL transition provisions, see the General Instructions for Schedule RC-R, Part I.**

***Example and a worksheet calculation for the 3-year CECL transition provision:***

***Assumptions:***

- ~~For example, consider an institution that elects to apply the 3-year CECL transition and has a CECL effective date of January 1, 2020, and a 21 percent tax rate.~~



- ~~On the closing balance sheet date immediately prior to adopting CECL (i.e., December 31, 2019), the 3-year CECL electing institution has \$10 million in retained earnings and \$1 million in the allowance for loan and lease losses. On the opening balance sheet date immediately after adopting CECL (i.e., January 1, 2020), the CECL electing institution has \$1.2 million in allowances for credit losses (ACL), which also equals \$1.2 million of adjusted allowances for credit losses (AACL), as defined in the regulatory capital rules.~~
- ~~The 3-year CECL electing institution recognizes the effect of the adoption of CECL as of January 1, 2020, by recording an increase in its ACL of \$200,000 (credit), with an offsetting increase in temporary difference deferred tax assets (DTAs) of \$42,000 (debit) and a reduction in beginning retained earnings of \$158,000 (debit).~~

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**Part I. (cont.)****Item No.    Caption and Instructions**

- 2** (cont.) • For each of the quarterly reporting periods in year 1 of the transition period (i.e., 2020), the 3-year CECL electing institution increases both retained earnings and average total consolidated assets by \$118,500 (\$158,000 x 75 percent), decreases temporary difference DTAs by \$31,500 (\$42,000 x 75 percent), and decreases AACL by \$150,000 (\$200,000 x 75 percent) for purposes of calculating its regulatory capital ratios. The remainder of the 3-year CECL transition provision of the 3-year CECL electing institution is transitioned into regulatory capital according to the schedule provided in Table 1 below.

**Table 1— Example of a 3-Year CECL Transition Provision Schedule**

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

**2.a    To be completed only by institutions that have adopted ASU 2016-13: Does your institution have a CECL transition election in effect as of the quarter-end report date?**

An institution may make a one-time election to use the 3-year CECL transition provision (a 3-year CECL electing institution) or the 5-year 2020 CECL transition provision (a 5-year CECL electing institution), as described in section 301 of the regulatory capital rules and in the General Instructions for Schedule RC-R, Part I. Such an institution is required to begin applying the CECL transition provision as of the institution's CECL adoption date. An institution must indicate its election to use the CECL transition provision beginning in the quarter that it first reports its credit loss allowances in the Call Report as measured under CECL.

An institution that is required to use CECL for regulatory reporting purposes and intends to use the 3-year or the 5-year 2020 CECL transition provision must elect to use the 3-year or the 5-year 2020 CECL transition provision in the first Call Report the institution files that includes CECL after the institution is required to use CECL for regulatory reporting purposes. An institution that does not elect to use the 3-year or the 5-year 2020 CECL transition provision in the quarter that it first reports its credit loss allowances in as of the first Call Report the institution files that includes as measured under CECL after the institution is required to use CECL for regulatory reporting purposes would not be permitted to make an election to use the 3-year or the 5-year 2020 CECL transition provision in

<sup>1</sup> An institution that did not make a 5-year 2020 CECL transition provision election because it did not record a reduction in retained earnings due to the adoption of CECL as of the beginning of the fiscal year in which the institution adopted CECL may use the 5-year 2020 CECL transition provision if it has a positive modified CECL transitional amount during any quarter ending in 2020 and makes the election in the Call Report filed for the same quarter.



**Part I. (cont.)****Item No. Caption and Instructions**

**2.a** subsequent reporting periods.<sup>1</sup> For example, an institution that adopts CECL as of January 1, 2020 (i.e., does not delay adoption of CECL under Section 4014 of the Coronavirus Aid, Relief, and Economic Security Act), records a reduction in retained earnings due to the adoption of CECL, and does not elect to use the CECL transition provision in its Call Report for the March 31, 2020, report date would not be permitted to use the 3-year or the 5-year 2020 CECL transition provision in any subsequent reporting period.

(cont.)

An institution that has adopted CECL and has elected to apply the 3-year CECL transition provision must enter “1” for “Yes with a 3-year CECL transition election” in item 2.a for each quarter in which the institution uses the transition provisions. An institution that has adopted CECL and has elected to apply the 5-year 2020 CECL transition provision must enter “2” for “Yes with a 5-year 2020 CECL transition election” in item 2.a for each quarter in which the institution uses the transition provision. An institution that has adopted CECL and has elected not to use ~~the~~ CECL transition provision must enter a “0” for “No” in item 2.a. An institution that has not adopted CECL should leave item 2.a blank.

Each institution should complete item 2.a beginning in the quarter that it first reports its credit loss allowances in the Call Report as measured under CECL and in each subsequent Call Report thereafter until item 2.a is removed from the report. Effective December 31, 2026, item 2.a, will be removed from Schedule RC-R, Part I, because the optional ~~three~~3-year ~~and 5-year 2020 transition phase-in~~ period will have ended for all CECL electing institutions. If an individual CECL electing institution’s ~~three~~3-year ~~or 5-year 2020 transition phase-in~~ period ends before item 2.a is removed (e.g., its ~~phase-in~~transition period ends December 31, 2022), the institution would report “0” in item 2.a to indicate that it no longer has a CECL transition election in effect.

**Part I. (cont.)****Item No.    Caption and Instructions****14            *Example and a worksheet calculation:***  
(cont.)***Assumptions:***

For example, assume that an institution:

- Has \$20 of MSAs, net of associated DTLs; and
- Has total common equity tier 1 capital subtotal (reported in Schedule RC-R, Part I, item 12) of \$60.

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

**15            LESS: DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs, that exceed 25 percent of item 12.**

- (1) Determine the amount of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of associated DTLs (for example, DTAs resulting from the institution's allowance for loan and lease losses (ALLL) or allowances for credit losses (ACL), as applicable).
- (2) If the amount in (1) is greater than 25 percent of Schedule RC-R, Part I, item 12, report the difference in this item 15.
- (3) If the amount in (1) is less than or equal to 25 percent of Schedule RC-R, Part I, item 12, enter zero in this item 15.

DTAs arising from temporary differences that could be realized through net operating loss carrybacks are not subject to deduction, and instead must be assigned to a 100 percent risk-weight category, except for institutions that have a community bank leverage ratio (CBLR) framework election in effect as of the quarter-end report date. For an institution that is a member of a consolidated group for tax purposes, the amount of DTAs that could be realized through net operating loss carrybacks may not exceed the amount that the institution could reasonably expect to have refunded by its parent holding company.

All institutions must apply a 250 percent risk-weight to DTAs arising from temporary differences that could not be realized through net operating loss carrybacks that are not deducted from common equity tier 1 capital, without regard to any associated DTLs, except for institutions that have ~~asubject to the~~ CBLR framework election in effect as of the quarter-end report date.

An institution that has adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), and has elected to apply the 3-year CECL transition provision (3-year CECL electing institution) should decrease its DTAs arising from temporary differences by the applicable DTA transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 3-year CECL electing institution should reduce the amount of its DTAs arising from temporary differences by 75 percent of its DTA transitional amount during the first year of the transition period, 50 percent of its DTA transitional amount during the second year of the transition period, and 25 percent of its DTA transitional amount during the third year of the transition period (see Table 1 in the instructions for Schedule RC-R, Part I, item 2).

An institution that has adopted ASU 2016-13 and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing institution) should decrease its DTAs arising from temporary differences by the applicable DTA transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing institution should reduce the amount of its DTAs arising from temporary differences by 100 percent of its DTA transitional amount during the first and second years of the transition period, 75 percent of its DTA transitional amount during the third year of the transition period, 50 percent of its DTA transitional amount during the fourth year of the transition period, and 25 percent of its DTA transitional amount during the fifth year of the transition period (see Example of Application of the 5-Year 2020 CECL Transition Provision for Second Quarter 2020 in the instructions for Schedule RC-R, Part I, item 2).

**Example and a worksheet calculation:**

*Assumptions:*

For example, assume that an institution:

- Has \$20 of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowances and net of associated DTLs; and
- Has total common equity tier 1 capital subtotal (reported in RC-R, Part I, item 12) of \$60.

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**Part I. (cont.)****Item No.    Caption and Instructions**

- 25        Additional tier 1 capital.** Report the greater of Schedule RC-R, Part I, item 23 minus item 24, or zero.

**Tier 1 Capital**

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

**Total Assets for the Leverage Ratio**

- 27        Average total consolidated assets.** All institutions must report the amount of average total consolidated assets as reported in Schedule RC-K, item 9.

An institution that has adopted [FASB Accounting Standards Update No. 2016-13](#), which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), and has elected to apply the 3-year CECL transition provision (3-year CECL electing institution) should increase its average total consolidated assets by its applicable CECL transitional amount, in accordance with section 301~~(e)(1)(iv)~~ of the regulatory capital rules. ~~For example~~**Specifically**, a 3-year CECL electing institution should increase its average total consolidated assets as reported on the Call Report for purposes of the leverage ratio by 75 percent of its CECL transitional amount during the first year of the transition period, 50 percent of its CECL transitional amount during the second year of the transition period, and 25 percent of its CECL transitional amount during the third year of the transition period (see Table 1 in the instructions for Schedule RC-R, Part I, item 2).

An institution that has adopted ASU 2016-13 and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing institution) should increase its average total consolidated assets by its applicable modified CECL transitional amount, in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing institution should increase its average total consolidated assets as reported on the Call Report for purposes of the leverage ratio by 100 percent of its modified CECL transitional amount during the first and second years of the transition period, 75 percent of its modified CECL transitional amount during the third year of the transition period, 50 percent of its modified CECL transitional amount during the fourth year of the transition period, and 25 percent of its modified CECL transitional amount during the fifth year of the transition period (see Example of Application of the 5-Year 2020 CECL Transition Provision for Second Quarter 2020 in the instructions for Schedule RC-R, Part I, item 2).

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

Report the sum of the amounts deducted from common equity tier 1 capital and additional tier 1 capital in Schedule RC-R, Part I, items 6, 7, 8, 10.b, 13 through 15, 17, and 24. Also exclude the amount reported in Schedule RC-R, Part I, item 17, that is due to insufficient amounts of additional tier 1 capital, and which is included in the amount reported in Schedule RC-R, Part I, item 24. (This is to avoid double counting.)

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

Include as a deduction the quarterly average amount of Paycheck Protection Program (PPP) loans pledged to the PPP Liquidity Facility (PPPLF). This quarterly average should be consistent with and calculated using the same averaging method used for calculating the quarterly average for “Total assets” reported in Schedule RC-K, item 9. Institutions also should report in Schedule RC-M, item 17.e, the quarterly average amount of PPP loans pledged to the PPPLF that are included as a deduction in this item 29.

Include as a deduction the quarterly average amount of assets purchased under the Money Market Mutual Fund Liquidity Facility (MMLF). This quarterly average should be consistent with and calculated using the same averaging method used for calculating the quarterly average for “Total assets” reported in Schedule RC-K, item 9. Institutions also should report in Schedule RC-M, item 18.b, the quarterly average amount of assets purchased under the MMLF that are included as a deduction in this item 29.

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

If the reporting institution sponsors a single-employer defined benefit postretirement plan, such as a pension plan or health care plan, accounted for in accordance with ASC Topic 715, Compensation-Retirement Benefits (formerly FASB Statement No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans”), the institution should adjust total assets for leverage ratio purposes for any amounts included in Schedule RC, item 26.b, “Accumulated other comprehensive income” (AOCI), affecting assets as a result of the initial and subsequent application of ASC Topic 715. The adjustment also should take into account subsequent amortization of these amounts from

**Part I. (cont.)****Item No.    Caption and Instructions**41  
(cont.)

|     |   |  |
|-----|---|--|
| (1) | Tier 1 capital after deductions and before minority interest + tier 2 capital instruments before minority interest + allowance for loan and lease losses (ALLL) or adjusted allowances for credit losses (AACL), as applicable, for regulatory capital purposes that is includable in tier 2 capital - tier 2 capital deductions = Schedule RC-R, Part I, sum of items 26, 39, 40, and 42.a, minus item 45.   | $\$101 + \$20 - \$2 = \$119$   |
| (2) | Multiply step (1) by 10 percent. This is the maximum includable total capital minority interest from all subsidiaries.  | $\$119 \times 10\% = \$11.9$   |
| (3) | Determine the lower of (2) or the total capital minority interest from all subsidiaries.  | <i>Minimum of (\$11.9 from Step 2 or \$38 from the assumptions) = \$11.9</i> |
| (4) | From (3), subtract out the includable common equity tier 1 minority interest reported in Schedule RC-R, Part I, item 4, and includable tier 1 minority interest that is not included in common equity tier 1 minority interest reported in Schedule RC-R, Part I, item 22. This is the “total capital minority interest not included in tier 1 minority interest includable at the reporting institution’s level” to be included in Schedule RC-R, Part I, item 41. | $\$11.9 - \$9 - \$1.1 = \$1.8$   |

**42    Allowance for loan and lease losses includable in tier 2 capital.** Report the portion of the institution’s allowance for loan and lease losses (ALLL) or adjusted allowances for credit losses (AACL), as applicable, for regulatory capital purposes that is includable in tier 2 capital. None of the institution’s allocated transfer risk reserve, if any, is includable in tier 2 capital.

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

For an institution that has adopted ASU 2016-13, the institution’s AACL for regulatory capital purposes equals Schedule RI-B, Part II, item 7, columns A and B, “Balance end of current period” for loans and leases held for investment and held-to-maturity debt securities, respectively; plus Schedule RI-B, Part II, Memorandum item 6, “Allowance for credit losses on other financial assets measured at amortized cost (not included in item 7, above)”;

less Schedule RC-R, Part II, sum of Memorandum items 4.a, 4.b, and 4.c, “Amount of allowances for credit losses on purchased credit-deteriorated assets” for loans and leases held for investment, held-to-maturity debt securities, and other financial assets measured at amortized cost, respectively; less any allocated transfer risk reserve included in Schedule RI-B, Part II, item 7, columns A and B, and Memorandum item 6; plus Schedule RC-G, item 3, “Allowance for credit losses on off-balance sheet credit exposures.”

An institution that has adopted ASU 2016-13 and has elected to apply the 3-year CECL transition provision (3-year CECL electing institution) should decrease its [AACL by the](#) applicable AACL transitional amount

**Part I. (cont.)****Item No.    Caption and Instructions**

**42**            in accordance with section 301 of the regulatory capital rules. Specifically, a 3-year CECL  
(cont.)        electing institution should reduce the amount of its AACL ~~includable in tier 2 capital~~ by  
75 percent of its AACL transitional amount during the first year of the transition period,  
50 percent of its AACL transitional amount during the second year of the transition period,  
and 25 percent of its AACL transitional amount during the third year of the transition period  
(see Table 1 in the instructions for Schedule RC-R, Part I, item 2).

An institution that has adopted ASU 2016-13 and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing institution) should decrease its AACL by the applicable modified AACL transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing institution should reduce the amount of its AACL by 100 percent of its modified AACL transitional amount during the first and second years of the transition period, 75 percent of its modified AACL transitional amount during the third year of the transition period, 50 percent of its modified AACL transitional amount during the fourth year of the transition period, and 25 percent of its modified AACL transitional amount during the fifth year of the transition period (see Example of Application of the 5-Year 2020 CECL Transition Provision for Second Quarter 2020 in the instructions for Schedule RC-R, Part I, item 2).

The amount to be reported in this item is the lesser of (1) the institution's ALLL or AACL, as applicable, for regulatory capital purposes, as defined above, or (2) 1.25 percent of the institution's risk-weighted assets base for the ALLL or AACL calculation, as applicable, as reported in Schedule RC-R, Part II, item 26. In calculating the risk-weighted assets base for this purpose, an institution would not include items that are deducted from capital under section 22(a). However, an institution would include risk-weighted asset amounts of items deducted from capital under sections 22(c) through (f) of the regulatory capital rule. While amounts deducted from capital under sections 22(c) through (f) are included in the risk-weighted assets base for the ALLL or AACL calculation, as applicable, such amounts are excluded from standardized total risk-weighted assets used in the denominator of the risk-based capital ratios.

The amount, if any, by which an institution's ALLL or AACL, as applicable, for regulatory capital purposes exceeds 1.25 percent of the institution's risk-weighted assets base for the ALLL or AACL calculation (as reported in Schedule RC-R, Part II, item 26), as applicable, should be reported in Schedule RC-R, Part II, item 29, "LESS: Excess allowance for loan and lease losses." For an institution that has not adopted ASU 2016-13, the sum of the amount of ALLL includable in tier 2 capital reported in Schedule RC-R, Part I, item 42, plus the amount of excess ALLL reported in Schedule RC-R, Part II, item 29, must equal Schedule RC, item 4.c, less any allocated transfer risk reserve included in Schedule RC, item 4.c, plus Schedule RC-G, item 3.

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

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



**Part I. (cont.)****Capital Buffer****Item No.    Caption and Instructions**

- 52        Institution-specific capital conservation buffer necessary to avoid limitations on distributions and discretionary bonus payments.** In order to avoid limitations on distributions, including dividend payments, and certain discretionary bonus payments to executive officers, an institution must hold a capital conservation buffer above its minimum risk-based capital requirements.

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

For example, the capital conservation buffer to be reported in this item 52 for the June 30, 2020, report date would be based on the capital ratios reported in Schedule RC-R, Part I, of the Call Report for June 30, 2020.

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

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

**NOTE: Institutions must complete Schedule RC-R, Part I, item 53, only if the amount reported in Schedule RC-R, Part I, item 52, above, is less than or equal to 2.5000 percent.**

**Item No.    Caption and Instructions**

- 53        Eligible retained income.** Report the amount of eligible retained income as the greater of (1) the reporting institution's net income attributable to the institution for the four preceding calendar quarters preceding the current calendar quarter, net of any distributions and associated tax effects not already reflected in net income and (2) the average of the reporting institution's net income over the four preceding calendar quarters. (See the instructions for Schedule RC-R, Part I, item 54, for the definition of "distributions" from section 2 of the regulatory capital rules.)

For purposes of this item 53, the four preceding calendar quarters refers to the calendar quarter ending on the last day of the current reporting period and the three preceding calendar quarters as illustrated in the example below. The average of an institution's net income over the four preceding calendar quarters refers to the average of three-month net income for the calendar quarter ending on the last day of the current reporting period and the three-month net income for the three preceding calendar quarters as illustrated in the example below.

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



This net income amount would next be reduced by any distributions and associated tax effects not already reflected in net income; the resulting amount would be the eligible retained income to be reported in this item 53. Thus, if the institution had declared dividends on its

**Example and a worksheet calculation:**

Assumptions:

- Eligible retained income is calculated for the Call Report date of March 31, 2020.
- The institution reported the following on its Call Reports in Schedule RI, Income Statement, item 14, “Net income (loss) attributable to bank (item 12 minus item 13)”:

| <u>Call Report Date</u>   | <u>Amount Reported in Item 14</u> | <u>Three-Month Net Income</u> |
|---------------------------|-----------------------------------|-------------------------------|
| <u>March 31, 2019</u>     | <u>\$400 (A)</u>                  | <u>\$400</u>                  |
| <u>June 30, 2019</u>      | <u>\$900 (B)</u>                  | <u>\$500 (B-A)</u>            |
| <u>September 30, 2019</u> | <u>\$1,500 (C)</u>                | <u>\$600 (C-B)</u>            |
| <u>December 31, 2019</u>  | <u>\$1,900 (D)</u>                | <u>\$400 (D-C)</u>            |
| <u>March 31, 2020</u>     | <u>\$200 (E)</u>                  | <u>\$200 (E)</u>              |

- The distributions and associated tax effects not already reflected in net income (e.g., dividends declared on the institution’s common stock between April 1, 2019, and March 31, 2020) in this example are \$400 in each of the four preceding calendar quarters.

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

|            |   |   |
|------------|---|---|
| <u>(1)</u> | <u>Calculate an institution’s net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income.</u> | <u>\$100 + \$200 + \$0 + (\$200) = \$100</u>        |
| <u>(2)</u> | <u>Calculate the average of an institution’s three-month net income over the four preceding calendar quarters.</u>  | <u>(\$500 + \$600 + \$400 + \$200) / 4 = \$425*</u> |
| <u>(3)</u> | <u>Take the greater of step (1) and step (2) and report the amount in Schedule RC-R, Part I, item 53.</u>   | <u>\$425</u>  |

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

**Part I. (cont.)****Item No.    Caption and Instructions**

~~53~~ common stock during each calendar quarter in 2019 and had no other distributions during (cont.) 2019, the institution would reduce its net income amount by the total amount of the dividends declared in 2019 and report the resulting amount as its eligible net income in this item 53.

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

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

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

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

**NOTE: Institutions must complete Schedule RC-R, Part I, item 54, only if the amount reported in Schedule RC-R, Part I, item 52, in the Call Report for the previous calendar quarter-end report date was less than or equal to 2.5000 percent.**

**Item No.    Caption and Instructions**

**54    Distributions and discretionary bonus payments during the quarter.** An institution must complete this item only if the amount of its capital conservation buffer, as reported as of the previous calendar quarter-end report date, was less than its applicable required buffer percentage on that previous calendar quarter-end report date. For an institution that must complete this item 54, report the amount of distributions and discretionary bonus payments during the calendar quarter ending on the report date.

For example, an institution must report the amount of distributions and discretionary bonus payments made during the calendar quarter ending June 30, 2020, in this item 54 in its June 30, 2020, Call Report only if the amount of its capital conservation buffer as reported in Schedule RC-R, Part I, item 52, in its March 31, 2020, Call Report was less than or equal to 2.5000 percent.

As defined in section 2 of the regulatory capital rules, “distribution” means:

- (1) A reduction of tier 1 capital through the repurchase of a tier 1 capital instrument or by other means, except when an institution, within the same quarter when the repurchase is announced, fully replaces a tier 1 capital instrument it has repurchased by issuing another capital instrument that meets the eligibility criteria for:
  - (i) A common equity tier 1 capital instrument if the instrument being repurchased was part of the institution's common equity tier 1 capital, or
  - (ii) A common equity tier 1 or additional tier 1 capital instrument if the instrument being repurchased was part of the institution's tier 1 capital;

**Part II. Risk-Weighted Assets**

~~These instructions exclude updates pertaining to the regulatory capital-related interim final rules (IFRs) issued by the banking agencies from March through June 2020. See the separate standalone June 2020 COVID-19 Related Supplemental Instructions (Call Report) for instructional changes related to these IFRs.~~

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**Part II. (cont.)****Community Bank Leverage Ratio Framework**

A qualifying community banking organization that decides to opt into the community bank leverage ratio (CBLR) framework (i.e., has a CBLR framework election in effect as of the quarter-end report date, as reported in Schedule RC-R, Part I, item 31.a) should not complete Schedule RC-R, Part II. All other institutions should complete Schedule RC-R, Part II. A qualifying institution can opt out of the community bank leverage ratio framework by completing Schedule RC-R, Parts I and II, excluding Schedule RC-R, Part I, items 32 through 38.c. Please refer to the General Instructions for Schedule RC-R, Part I, for information on the reporting requirements that apply when an institution ceases to meet the applicable have a leverage ratio requirement under the CBLR framework greater than 9 percent or fails to meet any of the other CBLR qualifying criteria and is no longer in the grace period.

**General Instructions for Schedule RC-R, Part II.**

NOTE: Schedule RC-R, Part II, items 1 through 25, columns A through U, as applicable, are to be completed semiannually in the June and December reports only. Items 26 through 31 are to be completed quarterly.

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

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

**Part II. (cont.)****Item Instructions for Schedule RC-R, Part II.****Balance Sheet Asset Categories****Item No.    Caption and Instructions**

NOTE: Schedule RC-R, Part II, items 1 through 8.b, columns A through S, as applicable, are to be completed semiannually in the June and December reports only.

- 1        Cash and balances due from depository institutions.** Report in column A the amount of cash and balances due from depository institutions reported in Schedule RC, sum of items 1.a and 1.b, excluding those balances due from depository institutions that qualify as securitization exposures as defined in §.2 of the regulatory capital rules.
- The amount of those balances due from depository institutions reported in Schedule RC, items 1.a and 1.b, that qualify as securitization exposures must be reported in Schedule RC-R, Part II, item 9.d, column A.
- *In column C—0% risk weight, include:*
    - The amount of currency and coin reported in Schedule RC, item 1.a;
    - Any balances due from Federal Reserve Banks reported in Schedule RC, item 1.b; ~~and~~
    - The insured portions of deposits in FDIC-insured depository institutions and NCUA-insured credit unions reported in Schedule RC, items 1.a and 1.b. ; and
    - The amount of negotiable certificates of deposit purchased through the Money Market Mutual Fund Liquidity Facility.
  - *In column G—20% risk weight, include:*
    - Any balances due from depository institutions and credit unions that are organized under the laws of the United States or a U.S. state reported in Schedule RC, items 1.a and 1.b, in excess of any applicable FDIC or NCUA deposit insurance limits for deposit exposures or where the depository institutions are not insured by either the FDIC or the NCUA;
    - Any balances due from Federal Home Loan Banks reported in Schedule RC, items 1.a and 1.b; and
    - The amount of cash items in the process of collection reported in Schedule RC, item 1.a.
  - *In column I—100% risk weight, include all other amounts that are not reported in columns C through H and J.*
  - For balances due from foreign banks and foreign central banks that must be risk weighted according to the Country Risk Classification (CRC) methodology, assign these exposures to risk-weight categories based on the CRC methodology described in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

If the reporting bank is the correspondent bank in a pass-through reserve balance relationship, report in column C the amount of its own reserves as well as those reserve balances actually passed through to a Federal Reserve Bank on behalf of its respondent depository institutions.

If the reporting bank is the respondent bank in a pass-through reserve balance relationship, report in column C the amount of the bank's reserve balances due from its correspondent bank that its correspondent has actually passed through to a Federal Reserve Bank on the reporting bank's behalf, i.e., for purposes of this item, treat these balances as balances due from a Federal Reserve Bank. This risk-based capital treatment differs from the required reporting described in the Glossary entry for "pass-through reserve balances," which, for

**Part II. (cont.)****Item No.    Caption and Instructions**

**2.a**  
(cont.)    Statement No. 115, “Accounting for Certain Investments in Debt and Equity Securities”). Thus, for an HTM security with such an unrealized gain (loss), report in column B any difference between the carrying value of the security reported in column A of this item and its exposure amount reported under the appropriate risk weighting column C through J.

- *In column B*, include the amount of:
  - Investments in tier 2 capital of unconsolidated financial institutions that are reported in Schedule RC, item 2.a, and have been deducted from capital in Schedule RC-R, Part I, item 45.

For an institution that has adopted the current expected credit losses methodology (CECL), include as a negative number in column B:

- The portion of Schedule RI-B, Part II, item 7, column B, “Balance end of current period” for HTM debt securities that relates to HTM securities reported in column A of this item, less
- The portion of Schedule RC-R, Part II, Memorandum item 4.b, “Amount of allowances for credit losses on purchased credit-deteriorated assets” for HTM debt securities that relates to purchased credit-deteriorated HTM securities reported in column A of this item.

For example, if an institution reports \$100 in Schedule RI-B, Part II, item 7, column B, and \$10 in Schedule RC-R, Part II, Memorandum item 4.b, the institution would report (\$90) in this column B.

- *In column C—0% risk weight.* The zero percent risk weight applies to exposures to the U.S. government, a U.S. government agency, or a Federal Reserve Bank, and those exposures otherwise unconditionally guaranteed by the U.S. government. Include exposures to or unconditionally guaranteed by the FDIC or the NCUA. Certain foreign government exposures and certain entities listed in §.32 of the regulatory capital rules may also qualify for the zero percent risk weight. Also include the exposure amount of HTM debt securities purchased through the Money Market Mutual Fund Liquidity Facility. Include the exposure amounts of securities reported in Schedule RC-B, column A, that do not qualify as securitization exposures that qualify for the zero percent risk weight. Such securities may include portions of, but may not be limited to:
  - Item 1, “U.S. Treasury securities,”
  - Item 2, those obligations issued by U.S. Government agencies,
  - Item 4.a.(1), those residential mortgage pass-through securities guaranteed by GNMA,
  - Item 4.b.(1), those other residential mortgage-backed securities issued or guaranteed by U.S. Government agencies, such as GNMA exposures,
  - Item 4.c.(1)(a), those commercial mortgage-backed securities (MBS) “Issued or guaranteed by FNMA, FHLMC, or GNMA” that represent GNMA securities, and
  - Item 4.c.(2)(a), those commercial MBS “Issued or guaranteed by U.S. Government agencies or sponsored agencies” that represent GNMA securities.
  - The portion of any exposure reported in Schedule RC, item 2.a, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight.
- *In column G—20% risk weight.* The 20 percent risk weight applies to general obligations of U.S. states, municipalities, and U.S. public sector entities. It also applies to exposures to U.S. depository institutions and credit unions, exposures conditionally guaranteed by



**Part II. (cont.)****Item No.    Caption and Instructions****2.b**  
(cont.)

Example: A bank reports an AFS debt security that is not a securitization exposure on its balance sheet in Schedule RC, item 2.b, at a carrying value (i.e., fair value) of \$105. The amortized cost of the debt security is \$100. The bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a. The AFS debt security has a \$5 unrealized gain that is included in AOCI. In Schedule RC-R, Part II, item 2.b, the bank would report in Schedule RC-R, Part II, item 2.b:

- a. \$105 in column A. This is the carrying value of the AFS debt security on the bank's balance sheet.
  - b. \$5 in column B. This is the difference between the carrying value (i.e., fair value) of the debt security and its exposure amount that is subject to risk weighting. For a bank that has made the AOCI opt-out election, column B will typically represent the amount of the unrealized gain or unrealized loss on the security. Gains are reported as positive numbers; losses as negative numbers. (Note: If the bank has not made or cannot make the opt-out election, there will be no adjustment to be reported in column B.)
  - c. \$100 is the exposure amount subject to risk weighting. This amount will be reported under the appropriate risk weight associated with the exposure (columns C through J). For a bank that has made the opt-out election, the exposure amount typically will be the carrying value (i.e., fair value) of the debt security excluding any unrealized gain or loss.
- *In column B*, for a bank that has made the AOCI opt-out election and is required to have adopted ASU 2016-01, no amount should be included for equity securities and preferred stock classified as an equity under GAAP with readily determinable fair values that are reported in Schedule RC-R, Part II, item 2.b, column A.
  - *In column B*, include the amount of:
    - Investments in the capital of unconsolidated financial institutions that are reported in Schedule RC, item 2.b (for a bank that is not yet required to adopt ASU 2016-01) or item 2.c (for a bank that is required to have adopted ASU 2016-01), and have been deducted from capital in Schedule RC-R, Part I, item 13, item 24, and item 45.
  - *In column C—0% risk weight*, the zero percent risk weight applies to exposures to the U.S. government, a U.S. government agency, or a Federal Reserve Bank, and those exposures otherwise unconditionally guaranteed by the U.S. government. Include exposures to or unconditionally guaranteed by the FDIC or the NCUA. Certain foreign government exposures and certain entities listed in §.32 of the regulatory capital rules may also qualify for zero percent risk weight. Also include the exposure amount of AFS debt securities purchased through the Money Market Mutual Fund Liquidity Facility. Include the exposure amounts of those debt securities reported in Schedule RC-B, column C, that do not qualify as securitization

**Part II. (cont.)****Item No.    Caption and Instructions**

- 4.a**            Exclude from this item:
- (cont.)        •    HFS loans secured by multifamily residential properties included in Schedule RC-C, Part I, item 1.d, that do not meet the definition of a *residential mortgage exposure* or a *statutory multifamily mortgage* and are not securitization exposures, and
- HFS 1-4 family residential construction loans reported in Schedule RC-C, Part I, item 1.a.(1), that are not securitization exposures.
- These HFS loans should be reported in Schedule RC-R, Part II, item 4.c, if they are past due 90 days or more or on nonaccrual. Otherwise, these HFS loans should be reported in Schedule RC-R, Part II, item 4.d.
- *In column C—0% risk weight*, include the portion of any exposure that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.a, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include loans collateralized by deposits at the reporting institution.
  - *In column G—20% risk weight*, include the carrying value of the guaranteed portion of HFS Federal Housing Administration (FHA) and Veterans Administration (VA) mortgage loans included in Schedule RC-C, Part I, item 1.c.(2)(a). Also include the portion of any exposure that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.a, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of such an exposure covered by an FDIC loss-sharing agreement.
  - *In column H—50% risk weight*, include the carrying value of HFS loans secured by 1-4 family residential properties included in Schedule RC-C, Part I, item 1.c.(1) (only include qualifying first mortgage loans); qualifying loans from Schedule RC-C, Part I, items 1.c.(2)(a) and 1.d; and those loans that meet the definition of a *residential mortgage exposure* and qualify for 50 percent risk weight under §.32(g) of the regulatory capital rules. For residential mortgage exposures, the loans must be prudently underwritten, be fully secured by first liens on 1-4 family residential properties (regardless of the original and outstanding amount of the loan) or multifamily residential properties (with an original and outstanding amount of \$1 million or less), not 90 days or more past due or in nonaccrual status, and have not been restructured or modified (unless modified or restructured (1) solely pursuant to the U.S. Treasury’s Home Affordable Mortgage Program (HAMP) or (2) consistent with the agencies’ April 7, 2020, interagency statement,<sup>1</sup> solely due to short-term modifications of 1-4 family residential mortgages made on a good faith basis in response to the Coronavirus Disease 2019 (COVID-19), provided that the loans are prudently underwritten and not 90 days or more past due or carried in nonaccrual status). Also include loans that meet the definition of *statutory multifamily mortgage* in §.2 of the regulatory capital rules. Also include the portion of any exposure that meets the definition of *residential mortgage exposure* reported in Schedule RC, item 4.a, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

<sup>1</sup> As discussed in the [April 7, 2020, Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus \(Revised\)](#), Section 4013 of the [Coronavirus Aid, Relief, and Economic Security Act provides financial institutions the option to temporarily suspend certain requirements under U.S. generally accepted accounting principles related to troubled debt restructurings for a limited period of time to account for the effects of COVID-19.](#)



*Notes:*

1. Refer to the definition of “residential mortgage exposure” in §.2 of the regulatory capital rules, and refer to the requirements for risk weighting residential mortgage loans in §.32 of the regulatory capital rules.

2. A residential mortgage loan may receive a 50 percent risk weight if it meets the qualifying criteria in §.32(g) of the regulatory capital rules:

- A property is owner-occupied or rented;
- The loan is prudently underwritten including the loan amount as a percentage of the appraised value of the real estate collateral.
- The loan is not 90 days or more past due or on nonaccrual;
- The loan is not restructured or modified (except for loans restructured (1) solely pursuant to the U.S. Treasury’s HAMP) or (2) solely due to a short-term modification made on a good faith basis in response to COVID-19, provided that the loan is prudently underwritten and not 90 days or more past due or carried in nonaccrual status).

DRAFT

**Part II. (cont.)****Item No.    Caption and Instructions**

- 4.b**  
(cont.)
- *In column C–0% risk weight*, include the portion of any HVCRE exposure included in loans and leases HFS that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of HVCRE exposures collateralized by deposits at the reporting institution.
  - *In column G–20% risk weight*, include the portion of any HVCRE exposure included in loans and leases HFS that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of any HVCRE exposure covered by an FDIC loss-sharing agreement.
  - *In column H–50% risk weight*, include the portion of any HVCRE exposure included in loans and leases HFS that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.
  - *In column I–100% risk weight*, include the portion of any HVCRE exposure included in loans and leases HFS that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.
  - *In column J–150% risk weight*, include the carrying value of HVCRE exposures, as defined in §.2 of the regulatory capital rules, included in Schedule RC, item 4.a, excluding those portions of the carrying value that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.
  - *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any HVCRE exposure included in loans and leases HFS reported in Schedule RC, item 4.a, that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent. For information on the reporting of such HFS exposures in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 4.b, in the instructions for the [FFIEC 031](#) and [FFIEC 041](#) Call Reports.
- 4.c**
- Exposures past due 90 days or more or on nonaccrual.** Report in column A the carrying value of loans and leases held for sale (HFS) reported in Schedule RC, item 4.a., that are 90 days or more past due or in nonaccrual status according to the requirements set forth in §.32(k) of the regulatory capital rules. Do not include HFS sovereign exposures or HFS residential mortgage exposures, as described in §.32(a) and §.32(g), respectively, that are 90 days or more past due or in nonaccrual status (report such past due and nonaccrual exposures in Schedule RC-R, Part II, item 4.d and item 4.a, respectively). Also do not include HFS high volatility commercial real estate exposures that are 90 days or more past due or in nonaccrual status (report such exposures in Schedule RC-R, Part II, item 4.b).
- *In column C–0% risk weight*, include the portion of loans and leases HFS included in Schedule RC, item 4.a, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include [U.S. Small Business Administration Paycheck Protection Program loans and](#) the portion of loans and leases HFS collateralized by deposits at the reporting institution.

**Part II. (cont.)****Item No.    Caption and Instructions**

- 4.c**  
(cont.)
- *In columns R and S—Application of Other Risk-Weighting Approaches*, include the portion of any loans and leases HFS included in Schedule RC, item 4.a, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent. For information on the reporting of such HFS exposures in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 4.c, in the instructions for the [FFIEC 031](#) and [FFIEC 041](#) Call Reports.
- 4.d**
- All other exposures.** Report in column A the carrying value of loans and leases held for sale (HFS) reported in Schedule RC, item 4.a, that are not reported in Schedule RC-R, Part II, items 4.a through 4.c above.
- *In column C—0% risk weight*, include the carrying value of the unconditionally guaranteed portion of HFS Small Business Administration (SBA) “Guaranteed Interest Certificates” purchased in the secondary market that are included in Schedule RC-C, Part I. Also include the portion of any loans and leases HFS that are not reported in Schedule RC-R, Part II, items 4.a through 4.c above, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include include U.S. Small Business Administration Paycheck Protection Program loans and the portion of loans and leases HFS collateralized by deposits at the reporting institution.
  - *In column G—20% risk weight*, include the carrying value of HFS loans to and acceptances of other U.S. depository institutions that are reported in Schedule RC-C, Part I, item 2, plus the carrying value of the guaranteed portion of HFS SBA loans originated and held by the reporting bank included in Schedule RC-C, Part I, and the carrying value of the portion of HFS student loans reinsured by the U.S. Department of Education included in Schedule RC-C, Part I, item 6.d, “Other consumer loans.” Also include the portion of any loans and leases HFS that are not reported in Schedule RC-R, Part II, items 4.a through 4.c above, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of loans and leases HFS covered by FDIC loss-sharing agreements.
  - *In column H—50% risk weight*, include the carrying value of HFS loans that meet the definition of *presold construction loan* in §.2 of the regulatory capital rules that qualify for the 50 percent risk weight. Also include the portion of any loans and leases HFS that are not reported in Schedule RC-R, Part II, items 4.a through 4.c above, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.
  - *In column I—100% risk weight*, include the carrying value of HFS loans and leases reported in Schedule RC, item 4.a, that are not included in columns C through H, J, or R. This item would include 1-4 family construction loans reported in Schedule RC-C, Part I, item 1.a.(1) and loans secured by multifamily residential properties reported in Schedule RC-C, Part I, item 1.d, with an original amount of more than \$1 million. Also include the carrying value of HFS loans that meet the definition of *presold construction loan* in §.2 of the regulatory capital rules that qualify for the 100 percent risk weight. Also include the portion of any loans and leases HFS that are not reported in Schedule RC-R, Part II, items 4.a through 4.c above, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

**Part II. (cont.)****Item No.    Caption and Instructions**

- 5.a**            These loans should be reported in Schedule RC-R, Part II, item 5.c, if they are past due  
(cont.)            90 days or more or on nonaccrual. Otherwise, these HFI loans should be reported in  
Schedule RC-R, Part II, item 5.d.
- *In column B*, an institution that has adopted the current expected credit losses methodology (CECL) should include as a positive number the portion of Schedule RC-R, Part II, Memorandum item 4.a, “Amount of allowances for credit losses on purchased credit-deteriorated assets” for loans and leases held for investment that are applicable to purchased credit-deteriorated residential mortgage exposures.
  - *In column C—0% risk weight*, include the portion of any HFI exposure that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.b, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include loans and leases HFI collateralized by deposits at the reporting institution.
  - *In column G—20% risk weight*, include the carrying value of the guaranteed portion of FHA and VA mortgage loans HFI included in Schedule RC-C, Part I, item 1.c.(2)(a). Also include the portion of any loan HFI which meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.b, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of loans HFI covered by an FDIC loss-sharing agreement.
  - *In column H—50% risk weight*, include the carrying value of loans HFI secured by 1-4 family residential properties included in Schedule RC-C, Part I, item 1.c.(1) (only include qualifying first mortgage loans); qualifying loans from Schedule RC-C, Part I, items 1.c.(2)(a) and 1.d; and those loans that meet the definition of a *residential mortgage exposure* and qualify for 50 percent risk weight under §.32(g) of the regulatory capital rules. For residential mortgage exposures, the loans must be prudently underwritten, be fully secured by first liens on 1-4 family residential properties (regardless of the original and outstanding amount of the loan) or multifamily residential properties (with an original and outstanding amount of \$1 million or less), not 90 days or more past due or in nonaccrual status, and have not been restructured or modified (unless modified or restructured (1) solely pursuant to the U.S. Treasury’s Home Affordable Mortgage Program (HAMP) or (2) consistent with the agencies’ April 7, 2020, interagency statement,<sup>2</sup> solely due to short-term modifications of 1-4 family residential mortgages made on a good faith basis in response to the Coronavirus Disease 2019 (COVID-19), provided that the loans are prudently underwritten and not 90 days or more past due or carried in nonaccrual status). Also include loans HFI that meet the definition of *statutory multifamily mortgage* in §.2 of the regulatory capital rules. Also include the portion of any loan HFI which meets the definition of *residential mortgage exposure* reported in Schedule RC, item 4.b, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

<sup>2</sup> As discussed in the [April 7, 2020, Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus \(Revised\)](#), Section 4013 of the [Coronavirus Aid, Relief, and Economic Security Act](#) provides financial institutions the option to temporarily suspend certain requirements under U.S. generally accepted accounting principles related to troubled debt restructurings for a limited period of time to account for the effects of COVID-19.

Notes:

1. Refer to the definition of “residential mortgage exposure” in §.2 of the regulatory capital rules, and refer to the requirements for risk weighting residential mortgage loans in §.32 of the regulatory capital rules.
2. A residential mortgage loan may receive a 50 percent risk weight if it meets the qualifying criteria in §.32(g) of the regulatory capital rules:
  - A property is owner-occupied or rented;
  - The loan is prudently underwritten including the loan amount as a percentage of the appraised value of the real estate collateral.
  - The loan is not 90 days or more past due or on nonaccrual;
- The loan is not restructured or modified (except for loans restructured (1) solely pursuant to the U.S. Treasury’s HAMP) or (2) solely due to a short-term modification made on a good faith basis in response to COVID-19, provided that the loan is prudently underwritten and not 90 days or more past due or carried in nonaccrual status).

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**Part II. (cont.)****Item No.    Caption and Instructions**

- 5.b**  
(cont.)
- *In column G—20% risk weight*, include the portion of any HVCRE exposure included in loans and leases HFI which is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of any HVCRE exposure covered by an FDIC loss-sharing agreement.
  - *In column H—50% risk weight*, include the portion of any HVCRE exposure included in loans and leases HFI which is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.
  - *In column I—100% risk weight*, include the portion of any HVCRE exposure included in loans and leases HFI which is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.
  - *In column J—150% risk weight*, include the carrying value of HVCRE exposures, as defined in §.2 of the regulatory capital rules, included in Schedule RC, item 4.b, excluding those portions of the carrying value that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.
  - *In columns R and S—Application of Other Risk-Weighting Approaches*, include the portion of any HVCRE exposure included in loans and leases HFI reported in Schedule RC, item 4.b, that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent. For information on the reporting of such HFI exposures in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 5.b, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.
- 5.c**
- Exposures past due 90 days or more or on nonaccrual.** Report in column A the carrying value of loans and leases HFI reported in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status according to the requirements set forth in §.32(k) of the regulatory capital rules. Do not include sovereign exposures or residential mortgage exposures, as described in §.32(a) and §.32(g), respectively, that are 90 days or more past due or in nonaccrual status (report such past due and nonaccrual exposures in Schedule RC-R, Part II, items 5.d and 5.a, respectively). Also do not include high volatility commercial real estate exposures that are 90 days or more past due or in nonaccrual status (report such exposures in Schedule RC-R, Part II, item 5.b).
- *In column B*, an institution that has adopted the current expected credit losses methodology (CECL) should include as a positive number the portion of Schedule RC-R, Part II, Memorandum item 4.a, “Amount of allowances for credit losses on purchased credit-deteriorated assets” for loans and leases held for investment that are applicable to purchased credit-deteriorated exposures past due 90 days or more or on nonaccrual.
  - *In column C—0% risk weight*, include the portion of loans and leases HFI included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include [U.S. Small Business Administration Paycheck Protection Program loans](#) and the portion of loans and leases HFI collateralized by deposits at the reporting institution.



**Part II. (cont.)****Item No.    Caption and Instructions**

- 5.c** (cont.)
- *In column G—20% risk weight*, include the portion of loans and leases HFI included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of loans and leases HFI covered by an FDIC loss-sharing agreement.
  - *In column H—50% risk weight*, include the portion of loans and leases HFI included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.
  - *In column I—100% risk weight*, include the portion of loans and leases HFI, included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.
  - *In column J—150% risk weight*, include the carrying value of loans and leases HFI included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.
  - *In columns R and S—Application of Other Risk-Weighting Approaches*, include the portion of any loans and leases HFI included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent. For information on the reporting of such HFI exposures in columns R and S, refer to the instructions for Schedule RC-R, Part II, item 5.c, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.
- 5.d**
- All other exposures.** Report in column A the carrying value of loans and leases HFI reported in Schedule RC, item 4.b, that are not reported in items 5.a through 5.c above.
- *In column B*, an institution that has adopted the current expected credit losses methodology (CECL) should include as a positive number the portion of Schedule RC-R, Part II, Memorandum item 4.a, “Amount of allowances for credit losses on purchased credit-deteriorated assets” for loans and leases held for investment that are applicable to all purchased credit-deteriorated exposures not reported in items 5.a through 5.c above.
  - *In column C—0% risk weight*, include the carrying value of the unconditionally guaranteed portion of HFI SBA “Guaranteed Interest Certificates” purchased in the secondary market that are included in Schedule RC-C, Part I. Also include the portion of any loans and leases HFI not reported in Schedule RC-R, Part II, items 5.a through 5.c above, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include [U.S. Small Business Administration Paycheck Protection Program loans and](#) the portion of loans and leases HFI collateralized by deposits at the reporting institution.

**Part II. (cont.)****Item No.    Caption and Instructions**

- 7**  
(cont.)
- Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of trading assets collateralized by deposits at the reporting institution.
  - *In column G—20% risk weight,*
    - include the portion of the amount reported in Schedule RC, item 5, that qualifies for the 20 percent risk weight and are not securitization exposures, which may include the fair value of securities issued by U.S. Government-sponsored agencies; general obligations issued by states and political subdivisions in the United States; MBS issued by FNMA and FHLMC; and asset-backed securities, structured financial products, other debt securities, loans and acceptances, and certificates of deposit that represent exposures to U.S. depository institutions.
    - Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of trading assets covered by FDIC loss-sharing agreements.
  - *In column H—50% risk weight,*
    - include the portion of the amount reported in Schedule RC, item 5, that qualifies for the 50 percent risk weight and are not securitization exposures, which may include the fair value of revenue obligations issued by states and political subdivisions in the United States and MBS.
    - Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.
  - *In column I—100% risk weight,* include the portion of the amount reported in Schedule RC, item 5, that qualifies for the 100 percent risk weight and are not securitization exposures, which may include the fair value of MBS and other debt securities that represent exposures to corporate entities and special purpose vehicles (SPVs).
    - Also include the fair value of publicly traded and not publicly traded equity exposures and equity exposures to investment funds (including mutual funds) reported in Schedule RC, item 5, to the extent that the aggregate carrying value of the bank's equity exposures does not exceed 10 percent of total capital. If the bank's aggregate carrying value of equity exposures is greater than 10 percent of total capital, the bank must report its trading equity exposures in columns L, M, or N, as appropriate.
    - Also include the fair value of trading assets reported in Schedule RC, item 5, that is not included in columns C through H, J through N, and R. Exclude those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures and report them in Schedule RC-R, Part II, item 9.c.
    - Include the fair value of assets purchased through the Money Market Mutual Fund Liquidity Facility that are held for trading.
    - Also include U.S. Small Business Administration Paycheck Protection Program loans held for trading and the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.
  - *In column J—150% risk weight,* include:
    - The exposure amounts of trading assets reported in Schedule RC, item 5, that are past due 90 days or more or in nonaccrual status (except sovereign exposures), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.
    - The fair value of high volatility commercial real estate exposures, as defined in §.2 of the regulatory capital rules, included in Schedule RC, item 5, excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.



**Part II. (cont.)****Item No.    Caption and Instructions**

- 8**  
(cont.)
- Items subject to the 25 percent common equity tier 1 capital threshold limitations that have been deducted for risk-based capital purposes in Schedule RC-R, Part I, items 13 through 15. These excess amounts pertain to three items:
    - Investments in the capital of unconsolidated financial institutions;
    - MSAs; and
    - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances; and
  - Unsettled transactions (failed trades) that are reported as “Other assets” in Schedule RC, item 11. For purposes of risk weighting, unsettled transactions are to be reported in Schedule RC-R, Part II, item 22.

An institution that has adopted the current expected credit losses methodology (CECL) should report as a negative number in column B:

- The portion of Schedule RI-B, Part II, Memorandum item 6, “Allowance for credit losses on other financial assets measured at amortized cost,” that relates to assets reported in column A of this item, less
- The portion of Schedule RC-R, Part II, Memorandum item 4.c, “Amount of allowances for credit losses on purchased credit-deteriorated assets” for other financial assets measured at amortized cost that relates to assets reported in column A of this item.

For example, if an institution reports \$100 in Schedule RI-B, Part II, Memorandum item 6 (and the entire amount relates to assets reported in this item 8, column A), and \$10 in Schedule RC-R, Part II, Memorandum item 4.c (and the entire amount relates to assets reported in this item 8, column A), the institution would report (\$90) in this column B.

An institution that has adopted CECL and has elected to apply the 3-year CECL transition provision (3-year CECL electing institution) should report as a positive number in column B the amount by which it has decreased its DTAs arising from temporary differences for its applicable DTA transitional amount from temporary difference DTAs, in accordance with section 301 of the regulatory capital rules. Specifically, a 3-year CECL electing institution reduces its temporary difference DTAs by 75 percent of its DTA transitional amount during the first year of the transition period, 50 percent of its DTA transitional amount during the second year of the transition period, and 25 percent of its DTA transitional amount during the third year of the transition period.

An institution that has adopted CECL and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing institution) should report as a positive number in column B the amount by which it has decreased its DTAs arising from temporary differences for its applicable DTA transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing institution reduces its temporary difference DTAs by 100 percent of its DTA transitional amount during the first and second years of the transition period, 75 percent of its DTA transitional amount during the third year of the transition period, 50 percent of its DTA transitional amount during the fourth year of the transition period, and 25 percent of its DTA transitional amount during the fifth year of the transition period.

Report as a negative number in column B the amount of default fund contributions in the form of commitments made by a clearing member to a central counterparty’s mutualized loss-sharing arrangement.

- *In column C—0% risk weight*, include:
  - The carrying value of Federal Reserve Bank stock included in Schedule RC-F, item 4;
  - Accrued interest receivable on assets included in the zero percent risk weight category (column C of Schedule RC-R, Part II, items 1 through 7);

- The carrying value of gold bullion not held for trading that is held in the bank's own vault or in another bank's vault on an allocated basis, and exposures that arise from the settlement of cash transactions (such as equities, fixed income, spot foreign exchange, and spot commodities) with a central counterparty where there is no assumption of ongoing credit risk by the central counterparty after settlement of the trade and associated default fund contributions;
- The carrying value of assets purchased through the Money Market Mutual Fund Liquidity Facility that are reported in Schedule RC, item 11; and
- The portion of assets reported in Schedule RC, items 6 through 11, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of these assets collateralized by deposits in the reporting institution.

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Note: The changes to the instructions for Schedule RC-C, Part I; Schedule RC-E; and Schedule RC-M, on pages 44 through 57 are effective as of the June 30, 2020, report date.

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**Schedule RC-C, Part I, Loans and Leases, Memoranda Items 17.a and 17.b**

| <b><u>Item No.</u></b> | <b><u>Caption and Instructions</u></b>   |
|------------------------|--|
| 17                     | <p data-bbox="380 317 1438 621"><b><u>Eligible loan modifications under Section 4013, Temporary Relief from Troubled Debt Restructurings, of the 2020 Coronavirus Aid, Relief, and Economic Security Act.</u></b> As provided for under the 2020 Coronavirus Aid, Relief, and Economic Security Act, a financial institution may elect to account for an eligible loan modification under Section 4013 of that Act (Section 4013 loan). If a loan modification is not eligible under Section 4013, or if the institution elects not to account for an eligible loan modification under Section 4013, the institution should <u>not</u> report the loan in Memorandum items 17.a and 17.b and should instead evaluate whether the modified loan is a troubled debt restructuring (TDR) under ASC Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors.</p> <p data-bbox="380 653 1438 835">To be an eligible loan modification under Section 4013, a loan modification must be (1) related to the Coronavirus Disease 2019 (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 or (B) December 31, 2020.</p> <p data-bbox="380 867 1438 989">Institutions accounting for eligible loan modifications under Section 4013 are not required to apply ASC Subtopic 310-40 to the Section 4013 loans for the term of the loan modification. Financial institutions do not have to report Section 4013 loans as TDRs in regulatory reports.</p> <p data-bbox="380 1020 1438 1171">However, consistent with the statute, the agencies are collecting information on a fully consolidated basis about the volume of Section 4013 loans, including the number of Section 4013 loans outstanding (Memorandum item 17.a) and the outstanding balance of Section 4013 loans (Memorandum item 17.b). These two items are collected on a confidential basis at the institution level.</p> <p data-bbox="380 1203 1438 1352">For further information on loan modifications, including those that may not be eligible under Section 4013 or for which an institution elects not to apply Section 4013, institutions may refer to the <a href="#">Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised)</a>, issued April 7, 2020.</p> |
| 17.a                   | <p data-bbox="380 1383 1438 1505"><b><u>Number of Section 4013 loans outstanding.</u></b> Report the number of Section 4013 loans outstanding held by the reporting institution as of the report date whose outstanding balances are included in the amount reported in Schedule RC-C, Part I, Memoranda item 17.b, below.</p>   |
| 17.b                   | <p data-bbox="380 1537 1438 1652"><b><u>Outstanding balance of Section 4013 loans.</u></b> Report the aggregate amount at which Section 4013 loans held for investment and held for sale are included in Schedule RC-C, Part I, and Section 4013 loans held for trading are included in Schedule RC, item 5, as of the report date.</p>  |

**Definitions (cont.)**

charged to the control accounts of the various deposit categories on the general ledger, should be credited to (added back to) the appropriate deposit control totals and reported in Schedule RC-F, item 6, "All other assets."

The Monetary Control Act of 1980 and the resulting revision to [Federal Reserve Regulation D, "Reserve Requirements of Depository Institutions,"](#) established, for purposes of federal reserve requirements on deposit liabilities, a category of deposits designated as "transaction accounts." The distinction between transaction and nontransaction accounts is discussed in detail in the Glossary entry for "deposits."

~~NOTE: Money market deposit accounts (MMDAs) are regarded as savings deposits and are specifically excluded from the "transaction account" classification.~~

**Summary of Transaction Account Classifications** (See the Glossary entry for "deposits" for detailed definitions and further information.)

~~A. Always regarded as transaction accounts:~~

- ~~1. Demand deposits.~~
- ~~2. NOW accounts.~~
- ~~3. ATS accounts.~~
- ~~4. Accounts (other than savings deposits) from which payments may be made to third parties by means of an automated teller machine (ATM), a remote service unit (RSU), or another electronic device, including by debit card.~~
- ~~5. Accounts (other than savings deposits) that permit third party payments through use of checks, drafts, negotiable instruments, or other similar instruments.~~

~~B. Deposits or accounts that are regarded as transaction accounts if the following specified conditions exist:~~

- ~~1. Accounts that otherwise meet the definition of savings deposits but that authorize or permit the depositor to exceed the transfer and withdrawal rules for a savings deposit.~~
- ~~2. Any deposit or account that otherwise meets the definition of a time deposit but that allows withdrawals within the first six days after the date of deposit and that does not require an early withdrawal penalty of at least seven days' simple interest on amounts withdrawn within those first six days, unless the deposit or account meets the definition of a savings deposit. Any such deposit or account that meets the definition of a savings deposit shall be reported as a savings deposit, otherwise it shall be reported as a demand deposit, which is a transaction account.~~
- ~~3. The remaining balance of a time deposit from which a partial early withdrawal is made, unless the remaining balance either (a) is subject to additional early withdrawal penalties of at least seven days' simple interest on amounts withdrawn within six days after each partial withdrawal (in which case the deposit or account continues to be reported as a time deposit) or (b) is placed in an account that meets the definition of a savings deposit (in which case the deposit or account shall be reported as a savings deposit). Otherwise, the deposit or account shall be reported as a demand deposit, which is a transaction account.~~

**Summary of Transaction Account Classifications (cont.)****C. Not regarded as transaction accounts (unless specified above):**

- ~~1. Savings deposits (including accounts commonly known as money market deposit accounts (MMDAs)).~~
- ~~2. Accounts that permit telephone or preauthorized transfers or transfers by ATMs or RSUs to repay loans made or serviced by the same depository institution.~~
- ~~3. Accounts that permit telephone or preauthorized withdrawals where the proceeds are to be mailed to or picked up by the depositor.~~
- ~~4. Accounts that permit transfers to other accounts of the depositor at the same institution through ATMs or RSUs.~~

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**Deposits (cont.):**

- (4) outstanding draft (including advice or authorization to charge a bank's or a savings association's balance in another bank or savings association), cashier's check, money order, or other officer's check issued in the usual course of business for any purpose, including without being limited to those issued in payment for services, dividends, or purchases, and
- (5) such other obligations of a bank or savings association as the Board of Directors [of the Federal Deposit Insurance Corporation], after consultation with the Comptroller of the Currency and the Board of Governors of the Federal Reserve System, shall find and prescribe by regulation to be deposit liabilities by general usage, except that the following shall not be a deposit for any of the purposes of this Act or be included as part of the total deposits or of an insured deposit:
  - (A) any obligation of a depository institution which is carried on the books and records of an office of such bank or savings association located outside of any State, unless –
    - (i) such obligation would be a deposit if it were carried on the books and records of the depository institution, and would be payable at, an office located in any State; and
    - (ii) the contract evidencing the obligation provides by express terms, and not by implication, for payment at an office of the depository institution located in any State; and
  - (B) any international banking facility deposit, including an international banking facility time deposit, as such term is from time to time defined by the Board of Governors of the Federal Reserve System in [regulation D](#) or any successor regulation issued by the Board of Governors of the Federal Reserve System; and
  - (C) any liability of an insured depository institution that arises under an annuity contract, the income of which is tax deferred under [section 72 of title 26](#) [the Internal Revenue Code].
- (II) Transaction-nontransaction deposit distinction – The Monetary Control Act of 1980 and the current [Federal Reserve Regulation D, "Reserve Requirements of Depository Institutions,"](#) establish, for purposes of federal reserve requirements on deposit liabilities, a category of deposits designated as "transaction accounts." All deposits that are not transaction accounts are "nontransaction accounts."
  - (1) Transaction accounts – With the exceptions noted below, a "transaction account," as defined in [Regulation D](#) and in these instructions, is a deposit or account from which the depositor or account holder is permitted to make transfers or withdrawals by negotiable or transferable instruments, payment orders of withdrawal, telephone transfers, or other similar devices for the purpose of making payments or transfers to third persons or others or from which the depositor may make third party payments at an automated teller machine (ATM), a remote service unit (RSU), or another electronic device, including by debit card.

Excluded from transaction accounts are savings deposits (both money market deposit accounts (MMDAs) and other savings deposits) as defined below in the nontransaction account category, ~~even though such deposits permit some third party transfers. However, an account that otherwise meets the definition of a savings deposit but that authorizes or permits the depositor to exceed the transfer limitations specified for that account shall be reported as a transaction account. (Please refer to the definition of savings deposits for further detail.)~~

**Deposits (cont.):**

**NOTE:** Under the Federal Reserve's current [Regulation D](#), no transaction account, regardless of its other characteristics, is classified either as a savings deposit or as a time deposit. Thus, those transaction accounts that are not demand deposits – NOW accounts, ATS (Automatic Transfer Service) accounts, and telephone and preauthorized transfer accounts – are excluded from [Regulation D](#) time and savings deposits. For all items in the Consolidated Reports of Condition and Income involving time or savings deposits, a strict distinction, based on [Regulation D](#) definitions, is to be maintained between transaction accounts and time and savings accounts.

Transaction accounts consist of the following types of deposits: (a) demand deposits; (b) NOW accounts; (c) ATS accounts; and (d) telephone and preauthorized transfer accounts, all as defined below. Interest that is paid by the crediting of transaction accounts is also included in transaction accounts.

- (a) Demand deposits are deposits that are payable immediately on demand, or that are issued with an original maturity or required notice period of less than seven days, or that represent funds for which the depository institution does not reserve the right to require at least seven days' written notice of an intended withdrawal. Demand deposits include any matured time deposits without automatic renewal provisions, unless the deposit agreement provides for the funds to be transferred at maturity to another type of account. Effective July 21, 2011, demand deposits may be interest-bearing or noninterest-bearing. Demand deposits do not include: (i) money market deposit accounts (MMDAs) or (ii) NOW accounts, as defined below in this entry.
- (b) NOW accounts are interest-bearing deposits (i) on which the depository institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account and (ii) that can be withdrawn or transferred to third parties by issuance of a negotiable or transferable instrument.

NOW accounts, as authorized by federal law, are limited to accounts held by:

- (i) Individuals or sole proprietorships;
- (ii) Organizations that are operated primarily for religious, philanthropic, charitable, educational, or other similar purposes and that are not operated for profit. These include organizations, partnerships, corporations, or associations that are not organized for profit and are described in [section 501\(c\)\(3\) through \(13\) and \(19\)](#) and [section 528 of the Internal Revenue Code](#), such as church organizations; professional associations; trade associations; labor unions; fraternities, sororities and similar social organizations; and nonprofit recreational clubs; or
- (iii) Governmental units including the federal government and its agencies and instrumentalities; state governments; county and municipal governments and their political subdivisions; the District of Columbia; the Commonwealth of Puerto Rico, American Samoa, Guam, and any territory or possession of the United States and their political subdivisions.

Also included are the balances of all NOW accounts of certain other nonprofit organizations that may not fall within the above description but that had established NOW accounts with the reporting institution prior to September 1, 1981.

**Deposits (cont.):**

**NOTE:** There are no regulatory requirements with respect to minimum balances to be maintained in a NOW account or to the amount of interest that may be paid on a NOW account.

- (c) ATS accounts are deposits or accounts of individuals or sole proprietorships on which the depository institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account and from which, pursuant to written agreement arranged in advance between the reporting institution and the depositor, withdrawals may be made automatically through payment to the depository institution itself or through transfer of credit to a demand deposit or other account in order to cover checks or drafts drawn upon the institution or to maintain a specified balance in, or to make periodic transfers to, such other accounts.

~~Some institutions may have entered into agreements with their customers providing that in the event the customer should overdraw a demand deposit (checking) or NOW account, the institution will transfer from that customer's savings account an amount sufficient to cover the overdraft. The availability of the overdraft protection plan would not in and of itself require that such a savings account be regarded as a transaction account provided that the overall transfer and withdrawal restrictions of a savings deposit are not exceeded. Please refer to the definition of savings deposit for further detail.~~

- (d) Telephone or preauthorized transfer accounts consist of deposits or accounts, other than savings deposits, (1) in which the entire beneficial interest is held by a party eligible to hold a NOW account, (2) on which the reporting institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account, and (3) ~~under the terms of which, or by practice of the reporting institution, the depositor is permitted or authorized to make more than six withdrawals per month or statement cycle (or similar period) of at least four weeks for purposes of transferring funds to another account of the depositor at the same institution (including a transaction account) or for making payment to a third party by means of preauthorized transfer, or telephonic (including data transmission) agreement, order or instruction. An account that permits or authorizes more than six such withdrawals in a "month" (a calendar month or any period approximating a month that is at least four weeks long, such as a statement cycle) is a transaction account whether or not more than six such withdrawals actually are made in the "month."~~

A "preauthorized transfer" includes any arrangement by the reporting institution to pay a third party from the account of a depositor (1) upon written or oral instruction (including an order received through an automated clearing house (ACH)), or (2) at a predetermined time or on a fixed schedule.

Telephone and preauthorized transfer accounts also include:

- (i) Deposits or accounts maintained in connection with an arrangement that permits the depositor to obtain credit directly or indirectly through the drawing of a negotiable or nonnegotiable check, draft, order or instruction or other similar device (including telephone or electronic order or instruction) on the issuing institution that can be used for the purpose of making payments or transfers to third parties or others, or to another deposit account of the depositor.

**Deposits (cont.):**

- (ii) The balance of deposits or accounts that otherwise meet the definition of time deposits, but from which payments may be made to third parties by means of a debit card, an automated teller machine, remote service unit or other electronic device, regardless of the number of payments made.

~~However, an account is not a transaction account merely by virtue of arrangements that permit the following types of transfers or withdrawals, regardless of the number:~~

- (i) ~~Transfers for the purpose of repaying loans and associated expenses at the same depository institution (as originator or servicer).~~
- (ii) ~~Transfers of funds from this account to another account of the same depositor at the same depository institution when made by mail, messenger, automated teller machine, or in person.~~
- (iii) ~~Withdrawals for payment directly to the depositor when made by mail, messenger, automated teller machine, in person, or by telephone (via check mailed to the depositor).~~
- (2) Nontransaction accounts – All deposits that are not transaction accounts (as defined above) are nontransaction accounts. Nontransaction accounts include: (a) savings deposits ((i) money market deposit accounts (MMDAs) and (ii) other savings deposits) and (b) time deposits ((i) time certificates of deposit and (ii) time deposits, open account). [Regulation D](#) no longer distinguishes between money market deposit accounts (MMDAs) and other savings deposits. However, these two types of accounts are defined below for purposes of these reports, which call for separate data on each in Schedule RC-E, (part I,) Memorandum items 2.a.(1) and (2).

NOTE: Under the [Federal Reserve's current Regulation D](#), no transaction accounts, regardless of other characteristics, are defined as savings or time deposits. Thus, savings deposits as defined here, under the heading nontransaction accounts, constitute the entire savings deposit category. Likewise, time deposits, also defined here under nontransaction accounts, constitute the entire time deposits category.

- (a) Savings deposits are deposits with respect to which the depositor is not required by the deposit contract but may at any time be required by the depository institution to give written notice of an intended withdrawal not less than seven days before withdrawal is made, and that is not payable on a specified date or at the expiration of a specified time after the date of deposit.

The term savings deposit also means a deposit or account, such as an account commonly known as a passbook savings account, a statement savings account, or a money market deposit account (MMDA), that otherwise meets the requirements of the preceding paragraph. ~~and from which, under the terms of the deposit contract or by practice of the depository institution, the depositor is permitted or authorized to make no more than six transfers and withdrawals, or a combination of such transfers and withdrawals, per calendar month or statement cycle (or similar period) of at least four weeks, to another account (including a transaction account) of the depositor at the same institution or to a third party by means of a preauthorized or automatic transfer, or~~

**Deposits (cont.):**

~~telephonic (including data transmission) agreement, order, or instruction; or by check, draft, debit card, or similar order made by the depositor and payable to third parties. Transfers from savings deposits for purposes of covering overdrafts (overdraft protection plans) are included under the withdrawal limits specified for savings deposits.~~

~~There are no regulatory restrictions on the following types of transfers or withdrawals from a savings deposit account, regardless of the number:~~

- ~~(1) Transfers for the purpose of repaying loans and associated expenses at the same depository institution (as originator or servicer).~~
- ~~(2) Transfers of funds from this account to another account of the same depositor at the same institution when made by mail, messenger, automated teller machine, or in person.~~
- ~~(3) Withdrawals for payment directly to the depositor when made by mail, messenger, automated teller machine, in person, or by telephone (via check mailed to the depositor).~~

Further, for a savings deposit account, no minimum balance is required by regulation, there is no regulatory limitation on the amount of interest that may be paid, and no minimum maturity is required (although depository institutions must reserve the right to require at least seven days' written notice prior to withdrawal as stipulated above for a savings deposit).

Any depository institution may place restrictions and requirements on savings deposits in addition to those stipulated above. In the case of such further restrictions, the account would still be reported as a savings deposit.

Insert 1

~~On the other hand, an account that otherwise meets the definition of a savings deposit but that authorizes or permits the depositor to exceed the six transfer/withdrawal rule shall be reported as a transaction account, as follows:~~

- ~~(1) If the depositor is ineligible to hold a NOW account, such an account is considered a demand deposit.~~
- ~~(2) If the depositor is eligible to hold a NOW account, the account will be considered either a NOW account, a telephone or preauthorized transfer account, or an ATS account:
 
  - ~~(a) If withdrawals or transfers by check, draft, or similar instrument are permitted or authorized, the account is considered a NOW account.~~
  - ~~(b) If withdrawals or transfers by check, draft, or similar instrument are not permitted or authorized, the account is considered either an ATS account or a telephone or preauthorized transfer account.~~~~

[Regulation D](#) no longer distinguishes between money market deposit accounts (MMDAs) and other savings deposits. However, these two types of accounts are defined as follows for purposes of these reports, which call for separate data on each.

*Treatment of Accounts where Reporting Institutions Have Suspended Enforcement of the Six Transfer Limit per Regulation D*

Where the reporting institution has suspended the enforcement of the six transfer limit rule on an account that meets the definition of a savings deposit, the reporting institution may continue to report such deposits as a savings account, or may choose to report them as transaction accounts based on an assessment of the characteristics of the account as indicated below:

- 1) If the reporting institution does not retain the reservation of right to require at *least* seven days' written notice before an intended withdrawal, report the account as a demand deposit.
- 2) If the reporting institution does retain the reservation of right to require at *least* seven days' written notice before an intended withdrawal and the depositor is eligible to hold a NOW account, report the account as either an ATS account, NOW account, or a telephone and preauthorized transfer account.
- 3) If the reporting institution does retain the reservation of right to require at *least* seven days' written notice before an intended withdrawal and the depositor is ineligible to hold a NOW account, the account should continue to be reported as a savings deposit.

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**Deposits (cont.):**

unlimited  
transfers

- (1) Money market deposit accounts (MMDAs) are deposits or accounts that meet the above definition of a savings deposit and that permit ~~up to (but no more than) six allowable transfers~~ to be made by check, draft, debit card or similar order made by the depositor and payable to third parties.
- (2) Other savings deposits are deposits or accounts that meet the above definition of a savings deposit but that permit no transfers by check, draft, debit card, or similar order made by the depositor and payable to third parties. Other savings deposits are commonly known as passbook savings or statement savings accounts.

Examples illustrating distinctions between MMDAs and other savings deposits for purposes of these reports are provided at the end of this Glossary entry.

- (b) Time deposits are deposits that the depositor does not have a right, and is not permitted, to make withdrawals from within six days after the date of deposit unless the deposit is subject to an early withdrawal penalty of at least seven days' simple interest on amounts withdrawn within the first six days after deposit. A time deposit from which partial early withdrawals are permitted must impose additional early withdrawal penalties of at least seven days' simple interest on amounts withdrawn within six days after each partial withdrawal. If such additional early withdrawal penalties are not imposed, the account ceases to be a time deposit. The account may become a savings deposit if it meets the requirements for a savings deposit; otherwise it becomes a demand deposit.

**NOTE:** The above prescribed penalties are the minimum required by [Federal Reserve Regulation D](#). Institutions may choose to require penalties for early withdrawal in excess of the regulatory minimums.

Time deposits take two forms:

- (i) Time certificates of deposit (including rollover certificates of deposit) are deposits evidenced by a negotiable or nonnegotiable instrument, or a deposit in book entry form evidenced by a receipt or similar acknowledgement issued by the bank, that provides, on its face, that the amount of such deposit is payable to the bearer, to any specified person, or to the order of a specified person, as follows:
- (1) on a certain date not less than seven days after the date of deposit,
  - (2) at the expiration of a specified period not less than seven days after the date of the deposit, or
  - (3) upon written notice to the bank which is to be given not less than seven days before the date of withdrawal.
- (ii) Time deposits, open account are deposits (other than time certificates of deposit) for which there is in force a written contract with the depositor that neither the whole nor any part of such deposit may be withdrawn prior to:
- (1) the date of maturity which shall be not less than seven days after the date of the deposit, or
  - (2) the expiration of a specified period of written notice of not less than seven days.

**Deposits (cont.):**

- (b) Noninterest-bearing deposit accounts consist of deposit accounts on which the issuing depository institution makes no payment to or for the account of any depositor as compensation for the use of funds constituting a deposit. An institution's absorption of expenses incident to providing a normal banking function or its forbearance from charging a fee in connection with such a service is not considered a payment of interest.

Noninterest-bearing deposit accounts include (i) matured time deposits that are not automatically renewable (unless the deposit agreement provides for the funds to be transferred at maturity to another type of account) and (ii) deposits with a zero percent stated interest rate that are issued at face value.

See also "brokered deposits" and "hypothecated deposits."

Examples Illustrating Distinctions Between  
MONEY MARKET DEPOSIT ACCOUNTS (MMDAs) and OTHER SAVINGS DEPOSITS

Example 1

A savings deposit account permits no transfers of any type to other accounts or to third parties. Report this account as an other savings deposit.

Example 2

unlimited

A savings deposit permits ~~up to six, but no more than six~~, "preauthorized, automatic, or telephonic" transfers to other accounts or to third parties. None of the third-party payments may be made by check, draft, or similar order (including debit card).

Report this account as an other savings deposit.

Example 3

unlimited

A savings deposit permits ~~no more than six~~ "preauthorized, automatic, or telephonic" transfers to other accounts or to third parties, any or all which may be by check, draft, debit card or similar order made by the depositor and payable to third parties.

Report this account as an MMDA.

**Derivative Contracts:** Banks commonly use derivative instruments for managing (positioning or hedging) their exposure to market risk (including interest rate risk and foreign exchange risk), cash flow risk, and other risks in their operations and for trading. The accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities are set forth in ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended), which banks must follow for purposes of these reports. ASC Topic 815 requires all derivatives to be recognized on the balance sheet as either assets or liabilities at their fair value. A summary of the principal provisions of ASC Topic 815 follows. For further information, see ASC Topic 815, which includes the implementation guidance issued by the FASB's Derivatives Implementation Group.

## SCHEDULE RC-M – MEMORANDA

### Item No.    Caption and Instructions

- 1**    **Extensions of credit by the reporting bank to its executive officers, directors, principal shareholders, and their related interests as of the report date.** For purposes of this item, the terms "extension of credit," "executive officer," "director," "principal shareholder," and "related interest" are as defined in [Federal Reserve Board Regulation O](#) and [12 U.S.C. 375b\(9\)\(D\)](#).

An "extension of credit" is a making or renewal of any loan, a granting of a line of credit, or an extending of credit in any manner whatsoever. Extensions of credit include, among others, loans, overdrafts, cash items, standby letters of credit, and securities purchased under agreements to resell. For lines of credit, the amount to be reported as an extension of credit is normally the total amount of the line of credit extended to the insider, not just the current balance of the funds that have been advanced to the insider under the line of credit. An extension of credit also includes having a credit exposure arising from a derivative transaction, repurchase agreement, reverse repurchase agreement, securities lending transaction, or securities borrowing transaction. See [Section 215.3 of Regulation O](#) and [12 U.S.C. 375b\(9\)\(D\)\(i\)](#) for further details.

Loans that are guaranteed under the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) are excepted from the requirements of section 22(h) of the Federal Reserve Act and the corresponding provisions of Regulation O if they are not prohibited by SBA lending restrictions. Accordingly, such PPP loans should not be reported in Schedule RC-M, items 1.a and 1.b, below. See Section 215.3(b)(8) of Regulation O for further details.

An "executive officer" of the reporting bank generally means a person who participates or has authority to participate (other than in the capacity of a director) in major policymaking functions of the reporting bank, an executive officer of a bank holding company of which the bank is a subsidiary, and (unless properly excluded by the bank's board of directors or bylaws) an executive officer of any other subsidiary of that bank holding company. See [Section 215.2\(e\) of Regulation O](#) for further details.

A "director" of the reporting bank generally means a person who is a director of a bank, whether or not receiving compensation, a director of a bank holding company of which the bank is a subsidiary, and (unless properly excluded by the bank's board of directors or bylaws) a director of any other subsidiary of that bank holding company. See [Section 215.2\(d\) of Regulation O](#) for further details.

A "principal shareholder" of the reporting bank generally means an individual or a company (other than an insured bank or foreign bank) that directly or indirectly owns, controls, or has the power to vote more than ten percent of any class of voting securities of the reporting bank. See [Section 215.2\(m\) of Regulation O](#) for further details.

A "related interest" means (1) a company (other than an insured bank or a foreign bank) that is controlled by an executive officer, director, or principal shareholder or (2) a political or campaign committee that is controlled by or the funds or services of which will benefit an executive officer, director, or principal shareholder. See [Section 215.2\(n\) of Regulation O](#).

- 1.a**    **Aggregate amount of all extensions of credit to all executive officers, directors, principal shareholders, and their related interests.** Report the aggregate amount outstanding as of the report date of all extensions of credit by the reporting bank to all of its executive officers, directors, and principal shareholders, and to all of the related interests of its executive officers, directors, and principal shareholders.

- | <u>Item No.</u> | <u>Caption and Instructions</u>  |
|-----------------|--|
| 17              | <p><b><u>U.S. Small Business Administration Paycheck Protection Program (PPP) loans and the Federal Reserve PPP Liquidity Facility (PPPLF).</u></b> The PPP was established by Section 1102 of the 2020 Coronavirus Aid, Relief, and Economic Security Act, which was enacted on March 27, 2020 and amended on June 5, 2020. PPP covered loans (PPP loans) are fully guaranteed as to principal and accrued interest by the U.S. Small Business Administration (SBA).</p> <p>The PPPLF was authorized by the Board of Governors of the Federal Reserve System on April 8, 2020, under Section 13(3) of the Federal Reserve Act (12 U.S.C. 343(3)). Under the PPPLF, the Federal Reserve Banks will extend non-recourse loans to eligible lenders, with the extensions of credit secured by SBA-guaranteed PPP loans that the lenders have originated or purchased.</p> <p>Items 17.a through 17.e should be completed on a fully consolidated basis.</p>   |
| 17.a            | <p><b><u>Number of PPP loans outstanding.</u></b> Report the number of PPP loans outstanding held by the reporting institution as of the report date whose outstanding balances are included in the amount reported in Schedule RC-M, Memoranda item 17.b, below.</p>  |
| 17.b            | <p><b><u>Outstanding balance of PPP loans.</u></b> Report the aggregate amount at which PPP loans held for investment and held for sale are included in Schedule RC-C, Part I, and PPP loans held for trading are included in Schedule RC, item 5, as of the report date.</p>  |
| 17.c            | <p><b><u>Outstanding balance of PPP loans pledged to the PPPLF.</u></b> For PPP loans pledged to the PPPLF, report the aggregate amount at which such PPP loans held for investment and held for sale are included in Schedule RC-C, Part I, and such PPP loans held for trading are included in Schedule RC, item 5, as of the report date.</p> <p>Pledged PPP loans held for investment or held for sale that should be included in this item will also have been included in Schedule RC-C, Part I, Memorandum item 14, "Pledged loans and leases." On the FFIEC 031, pledged PPP loans held for trading that should be included in this item will also have been included in Schedule RC-D, Memorandum item 4.b, "Pledged loans."</p>  |
| 17.d            | <p><b><u>Outstanding balance of borrowings from Federal Reserve Banks under the PPPLF with a remaining maturity of.</u></b> Report in the appropriate subitem the specified information about the outstanding amount of borrowings from Federal Reserve Banks under the PPPLF reported in Schedule RC, item 16. The maturity date of an extension of credit under the PPPLF equals the maturity date of the PPP loan pledged to secure the extension of credit, which is either two or five years from origination of the PPP loan. However, the maturity date of the extension of credit will be accelerated and the institution is required to repay the extension of credit under the PPPLF prior to its maturity date when the institution has been reimbursed by the SBA for a PPP loan forgiveness (to the extent of the forgiveness), has received payment from the SBA representing exercise of the PPP loan guarantee, or has received payment from the PPP borrower of the underlying PPP loan (to the extent of the payment received).</p> <p>The remaining maturity is the amount of time remaining from the report date until the final contractual maturity of the borrowing without regard to the borrowing's repayment schedule, if any.</p> |
| 17.d.(1)        | <p><b><u>One year or less.</u></b> Report the outstanding amount as of the report date of borrowings by the reporting institution from a Federal Reserve Bank under the PPPLF with a remaining maturity of one year or less.</p>   |

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

The borrowings that should be included in this item will also have been included in (1) Schedule RC-M, item 5.b.(1)(a), Other borrowings with a remaining “maturity or next repricing date of “One year or less,” (2) Schedule RC-M, item 5.b.(2), “Other borrowings with a remaining maturity of one year or less,” and (3) Schedule RC-M, item 10.b, “Amount of ‘Other borrowings’ that are secured.”

- 17.d.(2)**    **More than one year.** Report the outstanding amount as of the report date of borrowings by the reporting institution from a Federal Reserve Bank under the PPPLF with a remaining maturity of more than one year.

The borrowings that should be included in this item will also have been included in (1) Schedule RC-M, item 5.b.(1)(b), Other borrowings with a remaining maturity or next repricing date of “Over one year through three years,” or Schedule RC-M, item 5.b.(1)(c), “Over three years through five years,” as appropriate, and (2) Schedule RC-M, item 10.b, “Amount of ‘Other borrowings’ that are secured.”

- 17.e**    **Quarterly average amount of PPP loans pledged to the PPPLF and excluded from “Total assets for the leverage ratio” reported in Schedule RC-R, Part I, item 30.**  
Report the quarterly average amount of PPP loans pledged to the PPPLF that are included as a deduction in Schedule RC-R, Part I, item 29, “LESS: Other deductions from (additions to) assets for leverage ratio purposes,” and thus excluded from “Total assets for the leverage ratio” reported in Schedule RC-R, Part I, item 30.

This quarterly average should be consistent with and calculated using the same averaging method used for calculating the quarterly average for “Total assets” reported in Schedule RC-K, item 9.

- 18**    **Money Market Mutual Fund Liquidity Facility (MMLF).** To prevent the disruption in the money markets from destabilizing the financial system, the Board of Governors of the Federal Reserve System authorized the Federal Reserve Bank of Boston on March 19, 2020, to establish the MMLF pursuant to Section 13(3) of the Federal Reserve Act (12 U.S.C. 343(3)). Under the MMLF, the Federal Reserve Bank of Boston will extend non-recourse loans to eligible borrowers to purchase eligible assets from money market mutual funds, which will be posted as collateral to the Federal Reserve Bank of Boston.

- 18.a**    **Outstanding balance of assets purchased under the MMLF.** Report on a fully consolidated basis the aggregate amount at which the reporting institution’s holdings of assets purchased under the MMLF are included in Schedule RC, item 1.b, “Interest-bearing balances” due from depository institutions; item 2.a, “Held-to-maturity securities;” item 2.b, “Available-for-sale securities;” item 5, “Trading assets;” and item 11, “Other assets;” as appropriate, as of the report date.

- 18.b**    **Quarterly average amount of assets purchased under the MMLF and excluded from “Total assets for the leverage ratio” reported in Schedule RC-R, Part I, item 30.**  
Report the quarterly average amount of assets purchased under the MMLF that are included as a deduction in Schedule RC-R, Part I, item 29, “LESS: Other deductions from (additions to) assets for leverage ratio purposes,” and thus excluded from “Total assets for the leverage ratio” reported in Schedule RC-R, Part I, item 30.

This quarterly average should be consistent with and calculated using the same averaging method used for calculating the quarterly average for “Total assets” reported in Schedule RC-K, item 9.

Note: The proposed revisions to the instructions for Schedule RI; Schedule RI-B, Part II; Schedule RC-E; Schedule RC-M; and Schedule RC-N, on pages 59 through 84 are proposed to be effective as of the March 31, 2021, report date.

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**Item No.    Caption and Instructions**

**2.c**        "Subordinated notes and debentures." Include interest expense incurred on other borrowed money and subordinated notes and debentures reported at fair value under a fair value option. (cont.)

Include amortization of debt issuance costs associated with other borrowed money and subordinated notes and debentures (unless these liabilities are reported at fair value under a fair value option, in which case issuance costs should be expensed as incurred).

Exclude dividends declared or paid on limited-life preferred stock (report dividends declared in Schedule RI-A, item 8).

**2.d**        Not applicable.

**2.e**        **Total interest expense.** Report the sum of Schedule RI, items 2.a through 2.c.

**3**        **Net interest income.** Report the difference between Schedule RI, item 2.e, "Total interest expense," and Schedule RI, item 1.h, "Total interest income." If the amount is negative, report it with a minus (-) sign.

**4**        **Provision for loan and lease losses.** Institutions that have not adopted FASB [Accounting Standards Update No. 2016-13](#) (ASU 2016-13), which governs the accounting for credit losses, should report the amount needed to make the allowance for loan and lease losses, as reported in Schedule RC, item 4.c, adequate to absorb estimated credit losses, based upon management's evaluation of the reporting institution's loans and leases held for investment, excluding such loans and leases reported at fair value under a fair value option. Loans and leases held for investment are those that the reporting institution has the intent and ability to hold for the foreseeable future or until maturity or payoff. Also include in this item any provision for allocated transfer risk related to loans and leases. The amount reported in this item must equal Schedule RI-B, Part II, item 5, column A, "Provision for credit losses." Report negative amounts with a minus (-) sign.

Institutions that have adopted ASU 2016-13 should report amounts expensed as provisions for credit losses (or reversals of provisions) during the calendar year to date on all financial assets and off-balance-sheet credit exposures within the scope of the ASU, i.e., financial assets within the scope of the ASU include those measured at amortized cost (including loans held for investment and held-to-maturity debt securities), net investments in leases, and available-for-sale debt securities. Provisions for credit losses (or reversals of provisions) on financial assets measured at amortized cost and net investments in leases represent the amounts necessary to adjust the related allowances for credit losses at the quarter-end report date for management's current estimate of expected credit losses on these assets.

Provisions for credit losses (or reversals of provisions) on available-for-sale debt securities represent changes during the calendar year to date in the amount of impairment related to credit losses on individual available-for-sale debt securities. Provisions for credit losses (or reversals of provisions) on off-balance-sheet credit exposures represent the amounts necessary to adjust the related allowance for credit losses at the quarter-end report date for management's current estimate of expected credit losses on these exposures. Exclude the initial allowance gross-up amounts established upon the purchase of credit-deteriorated financial assets, which are recorded at the date of acquisition as an addition to the purchase price to determine the initial amortized cost basis of the assets. The amount reported in this item must equal the sum of Schedule RI-B, Part II, item 5, columns A through C, plus Schedule RI-B, Part II, Memorandum items 5 and 7. Report negative amounts with a minus (-) sign.

Exclude any provision for credit losses on off-balance sheet credit exposures, which should be reported in Schedule RI, item 7.d, "Other noninterest expense."

The amount reported here may differ from the bad debt expense deduction taken for federal income tax purposes.

Refer to the Glossary entries for "allowance for loan and lease losses," ~~and~~ "loan impairment," and "allowance for credit losses," as applicable, for additional information.

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**Item No.    Caption and Instructions**

- 7.d**  
(cont.)
- (31) Expenses (except salaries) related to handling credit card or charge sales received from merchants when the bank does not carry the related loan accounts on its books. Banks are also permitted to net these expenses against their charges to merchants for the bank's handling of these sales in Schedule RI, item 5.l.
- (32) Expenses related to the testing and training of officers and employees.
- (33) The cost of bank newspapers and magazines prepared for distribution to bank officers and employees or to others.
- (34) Depreciation expense of furniture and equipment rented to others under operating leases.
- (35) Cost of checks provided to depositors.
- (36) Amortization expense of purchased computer software and of the costs of computer software to be sold, leased, or otherwise marketed capitalized in accordance with the provisions of ASC Subtopic 985-20, Software – Costs of Software to Be Sold, Leased or Marketed (formerly FASB Statement No. 86, "Accounting for the Cost of Computer Software to Be Sold, Leased, or Otherwise Marketed").
- (37) For institutions that have not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses, provisions for credit losses on off-balance sheet credit exposures. For institutions that have adopted ASU 2016-13, exclude provisions for credit losses on off-balance-sheet credit exposures from this item 7.d; report these provisions in Schedule RI-B, Part II, Memorandum item 7, and include them in Schedule RI, item 4, "Provision for loan and lease losses."
- (38) Net losses (gains) from the extinguishment of liabilities (debt), including losses resulting from the payment of prepayment penalties on borrowings such as Federal Home Loan Bank advances. However, if a bank's debt extinguishments normally result in net gains over time, then the bank should consistently report its net gains (losses) in Schedule RI, item 5.l, "Other noninterest income."
- (39) Automated teller machine (ATM) and interchange expenses from bank card and credit card transactions. (Report the amount of such expenses in Schedule RI-E, item 2.j, if this amount is greater than \$100,000 and exceeds 7 percent of the amount reported in Schedule RI, item 7.d.)
- (40) For institutions that have adopted [Accounting Standards Update No. 2017-07](#), "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" (ASU 2017-17),<sup>1</sup> the cost components of net benefit cost of defined benefit pension plans and other postretirement plans other than the service cost component of such plans. (Report the service cost component of such plans in Schedule RI, item 7.a, "Salaries and employee benefits.")

Exclude from other noninterest expense:

- (1) Material expenses incurred in the issuance of subordinated notes and debentures (capitalize such expenses and amortize them over the life of the related notes and debentures using the effective interest method and report the expense in Schedule RI, item 2.c, "Other interest expense"). For further information, see the Glossary entry for "Debt issuance costs."

**Part II. (cont.)****Item No.    Caption and Instructions**

**5**  
(cont.) For an institution that has adopted ASU 2016-13, report in columns A, B, and C the amounts ~~columns A, B, and C the amounts~~ expensed as provisions for credit losses (or reversals of provisions) on loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities, respectively, during the calendar year-to-date. Provisions for credit losses (or reversals of provisions) on loans and leases held for investment and held-to-maturity debt securities represent the amounts necessary to adjust the related allowances for credit losses at the quarter-end report date for management's current estimate of expected credit losses on these assets. Provisions for credit losses (or reversals of provisions) on available-for-sale debt securities represent changes during the calendar year to date in the amount of impairment related to credit losses on individual available-for-sale debt securities. The sum of the amounts reported in item 5, columns A through C, plus Schedule RI-B, Part II, Memorandum items 5, "Provisions for credit losses on other financial assets measured at amortized cost," and 7, "Provisions for credit losses on off-balance-sheet credit exposures," must equal Schedule RI, item 4. If the amount reported in column A, B, or C for this item is negative, report it with a minus (-) sign.

**6**        **Adjustments.** Report all activity in the allowance for loan and lease losses or the allowances for credit losses, as applicable, that cannot be properly reported in Schedule RI-B, Part II, items 2 through 5, above.

If the reporting institution was acquired in a transaction that became effective during the year-to-date reporting period, retained its separate corporate existence, and elected to apply pushdown accounting in its separate financial statements (including its Consolidated Reports of Condition and Income):

- A reporting institution that has not adopted ASU 2016-13 should report in column A of this item as a negative amount the balance of the allowance for loan and lease losses most recently reported for the end of the previous calendar year, as reported in Schedule RI-B, Part II, item 1, column A, above.
- A reporting institution that has adopted ASU 2016-13 should report as negative amounts in columns A, B, and C of this item the balances of the allowances for credit losses on loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities, respectively, most recently reported for the end of the previous calendar year in Schedule RI-B, Part II, item 1, columns A, B, and C, above. In addition, when applying pushdown accounting, for those financial assets that management has determined to be purchased credit-deteriorated as of the institution's acquisition date, the institution should report as positive amounts in columns A, B, and C of this item, as appropriate, the initial allowance gross-up amounts established as of the acquisition date, which are recorded as an addition to the acquisition-date fair values of these purchased credit-deteriorated assets to determine their initial amortized cost basis.

If the reporting institution was involved in a transaction between entities under common control that became effective during the year-to-date reporting period and has been accounted for in a manner similar to a pooling of interests:

- A reporting institution that has not adopted ASU 2016-13 should report in column A of this item the balance as of the end of the previous calendar year of the allowance for loan and lease losses of the institution or other business that combined with the reporting institution in the common control transaction.
- A reporting institution that has adopted ASU 2016-13 should report in columns A, B, and C of this item the balances as of the end of the previous calendar year of the allowances for credit losses on loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities, respectively, of the institution or other business that combined with the reporting institution in the common control transaction.

**Part II. (cont.)****Memoranda****Item No.    Caption and Instructions**

1-4        Not applicable.

NOTE: Memorandum items 5 ~~and~~, 6, 7, and 8, are to be completed only by institutions that have adopted FASB [Accounting Standards Update No. 2016-13](#), which governs the accounting for credit losses.

**5        Provisions for credit losses on other financial assets measured at amortized cost (not included in item 5, above).** Report in this item the year-to-date amount of provisions for credit losses (or reversals of provisions) included in Schedule RI, item 4, on financial assets measured at amortized cost other than loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities. Provisions for credit losses (or reversals of provisions) on these other financial assets measured at amortized cost represent the amounts necessary to adjust the related allowances for credit losses at the quarter-end report date for management's current estimate of expected credit losses on these assets.

Exclude provisions for credit losses on off-balance-sheet credit exposures, which are reported in [Schedule RI-B, Part II, Memorandum item 7, below](#). ~~Schedule RI, item 7.d, "Other noninterest expense."~~

**6        Allowances for credit losses on other financial assets measured at amortized cost (not included in item 7, above).** Report in this item the total amount of allowances for credit losses on financial assets measured at amortized cost other than loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities. The allowances to be included in this item are associated with the provisions for credit losses reported in Memorandum item 5, above.

Exclude the allowance for credit losses on off-balance sheet credit exposures, which is reported in Schedule RC-G, item 3.

**7        Provisions for credit losses on off-balance-sheet credit exposures.** Report in this item the year-to-date amount of provisions for credit losses (or reversals of provisions) on off-balance-sheet credit exposures included in the amount reported in Schedule RI, item 4. Provisions for credit losses (or reversals of provisions) on off-balance-sheet credit exposures represent the amounts necessary to adjust the related allowance for credit losses at the quarter-end report date for management's current estimate of expected credit losses on these exposures.

**Acquisition, Development, or Construction (ADC) Arrangements:** An ADC arrangement is an arrangement in which a bank provides financing for real estate acquisition, development, or construction purposes and participates in the expected residual profit resulting from the ultimate sale or other use of the property. ADC arrangements should be reported as loans, real estate joint ventures, or direct investments in real estate in accordance with ASC Subtopic 310-10, Receivables - Overall.

[12 USC 29](#) limits the authority of national banks to hold real estate. National banks should review real estate ADC arrangements carefully for compliance. State member banks are not authorized to invest in real estate except with the prior approval of the Federal Reserve Board under [Federal Reserve Regulation H \(12 CFR Part 208\)](#). In certain states, nonmember banks may invest in real estate.

Under the agencies' regulatory capital rules, the term high volatility commercial real estate (HVCRE) exposure is defined, in part, to mean a credit facility that, prior to conversion to permanent financing, finances or has financed the acquisition, development, or construction of real property. (See §.2 of the regulatory capital rules and the instructions for Schedule RC-R, Part II, item 4.b.) Institutions should note that the meaning of the term ADC as used in the definition of HVCRE exposure in the regulatory capital rules differs from the meaning of ADC arrangement for accounting purposes in ASC Subtopic 310-10 as described above in this Glossary entry. For example, an institution's participation in the expected residual profit from a property is part of the accounting definition of an ADC arrangement, but whether the institution participates in the expected residual profit is not a consideration for purposes of determining whether a credit facility is an HVCRE exposure for regulatory capital purposes. Thus, a loan can be treated as an HVCRE exposure for regulatory capital purposes even though it does not provide for the institution to participate in the property's expected residual profit.

**Agreement Corporation:** See "Edge and Agreement corporation."

**Allowance for Credit Losses:** This entry applies to institutions that have adopted ASC Topic 326 (introduced by Accounting Standards Update No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13)). Institutions that have not adopted ASC Topic 326 should continue to refer to the Glossary entry for "allowance for loan and lease losses." For more information on the allowance for credit losses (ACL), institutions should also refer to the [Interagency Policy Statement on Allowances for Credit Losses](#) issued in May 2020.

Standards for accounting for an ACL for financial assets measured at amortized cost and net investments in leases (hereafter referred to collectively as financial assets measured at amortized cost), as well as certain off-balance sheet credit exposures, are set forth in ASC Subtopic 326-20, Financial Instruments-Credit Losses-Measured at Amortized Cost. For financial assets measured at amortized cost, the ACL is a valuation account that is deducted from, or added to, the amortized cost basis of financial assets to present the net amount expected to be collected over the contractual term of the financial assets.

For institutions that have adopted ASC Topic 326, standards for measuring credit losses on available-for-sale (AFS) debt securities are set forth in ASC Subtopic 326-30, Financial Instruments—Credit Losses—Available-for-Sale Debt Securities. See the Glossary entry for "securities activities" for guidance on allowances for credit losses on AFS debt securities.

The following sections of this Glossary entry apply to financial assets measured at amortized cost and also to off-balance sheet credit exposures within the scope of ASC Subtopic 326-20.

**Measurement-**An ACL shall be established upon the origination or acquisition of a financial asset(s) measured at amortized cost. A separate ACL shall be reported for each type of financial asset measured at amortized cost (e.g., loans and leases held for investment, held-to-maturity (HTM) debt securities, and receivables that relate to repurchase agreements and securities lending agreements) as of the end of each reporting period.



**Allowance for Credit Losses (cont.):**

As of the end of each quarter, or more frequently if warranted, each institution must evaluate the collectability of its financial assets measured at amortized cost, including, if applicable, any recorded accrued interest receivable (i.e., not already reversed or charged off, as applicable), and make adjusting entries to maintain the balance of each of the separate ACLs reported on the balance sheet at an appropriate level.

An institution shall measure expected credit losses on a collective or pool basis when financial assets share similar risk characteristics. If a financial asset does not share similar risk characteristics with other assets, expected credit losses for that asset should be evaluated individually. Individually evaluated assets should not be included in a collective assessment of expected credit losses. If a financial asset ceases to share similar risk characteristics with other assets in its pool, it should be moved to a different pool with assets sharing similar risk characteristics, if such a pool exists.

ASC Subtopic 326-20 does not require the use of a specific loss estimation method for purposes of determining ACLs. Various methods may be used to estimate the expected collectability of financial assets measured at amortized cost, with those methods generally applied consistently over time. The same loss estimation method does not need to be applied to all financial assets. An institution is not precluded from selecting a different method when it determines the method will result in a better estimate of ACLs.

ASC Subtopic 326-20 requires an institution to measure estimated expected credit losses over the contractual term of its financial assets, considering expected prepayments. Renewals, extensions, and modifications are excluded from the contractual term of a financial asset for purposes of estimating the ACL unless there is a reasonable expectation of executing a troubled debt restructuring or the renewal and extension options are part of the original or modified contract and are not unconditionally cancellable by the institution. If such renewal or extension options are present, an institution must evaluate the likelihood of a borrower exercising those options when determining the contractual term.

In estimating the net amount expected to be collected on financial assets measured at amortized cost, an institution should consider the effects of past events, current conditions, and reasonable and supportable forecasts on the collectability of the institution's financial assets. Under ASC Subtopic 326-20, an institution is required to use relevant forward-looking information and expectations drawn from reasonable and supportable forecasts when estimating expected credit losses.

Expected recoveries, prior to collection, are a component of management's estimate of the net amount expected to be collected for a financial asset. Expected recoveries of amounts previously charged off or expected to be charged off that are included in ACLs may not exceed the aggregate amounts previously charged off or expected to be charged off. All assumptions related to expected recoveries should be appropriately documented and supported. When estimating expected recoveries, management may conclude that amounts previously charged off are not collectible.

Changes in the ACL - Additions to, or reductions of, the ACL to adjust its level to management's current estimate of expected credit losses are to be made through charges or credits to the "provision for credit losses on financial assets" (provision) in item 4 of Schedule RI, Income Statement, except for changes to adjust the level of the ACL for off-balance-sheet credit exposures. When available information confirms that specific financial assets measured at amortized cost, or portions thereof, are uncollectible, these amounts should be promptly charged off against the related ACL in the period in which the financial assets are deemed uncollectible. Under no circumstances can expected credit losses on financial assets measured at amortized cost be charged directly to "Retained earnings" after the initial adoption of ASC Topic 326, for which the change from the incurred loss to the current expected credit losses methodology is required to be recorded through a cumulative-effect adjustment to retained earnings. This cumulative-effect adjustment is reported in Schedule RI-A, item 2, "Cumulative effect of changes in accounting principles and corrections of material accounting errors," and disclosed in Schedule RI-E, item 4.a, "Effect of adoption of current expected credit losses methodology - ASU 2016-13."



**Item No.    Caption and Instructions**

NOTE: Items 16.a and, if appropriate, items 16.b.(1) through 16.b.(3) are to be completed by all institutions annually in the December report only.

**16**        **International remittance transfers offered to consumers.** Report in Schedule RC-M, item 16.a and, if appropriate, items 16.b.(1) through 16.b.(3), information about international electronic transfers of funds offered to consumers in the United States that:

- (1) Are “remittance transfers” as defined by Subpart B of Regulation E (12 CFR § 1005.30(e)), or
- (2) Would qualify as “remittance transfers” under Subpart B of Regulation E (12 CFR § 1005.30(e)), but are excluded from that definition only because the provider is not providing those transfers in the normal course of its business. See 12 CFR § 1005.30(f).

For purposes of items 16.a and 16.b.(1) through 16.b.(3), such transfers are referred to as international remittance transfers.

Under Subpart B of Regulation E, which took effect on October 28, 2013, and was most recently amended effective July 21, 2020, a “remittance transfer” is an electronic transfer of funds requested by a sender to a designated recipient that is sent by a remittance transfer provider. The term applies regardless of whether the sender holds an account with the remittance transfer provider, and regardless of whether the transaction is also an “electronic fund transfer,” as defined in Regulation E. See 12 CFR § 1005.30(e).

A “sender” is a consumer in a State who primarily for personal, family, or household purposes requests a remittance transfer provider to send a remittance transfer to a designated recipient. See 12 CFR § 1005.30(g).

A “designated recipient” is any person specified by the sender as the authorized recipient of a remittance transfer to be received at a location in a foreign country. See 12 CFR § 1005.30(c).

A “remittance transfer provider” is any person that provides remittance transfers for a consumer in the normal course of its business, regardless of whether the consumer holds an account with such person. See 12 CFR § 1005.30(f).

Examples of “remittance transfers” include the following (see Regulation E, Subpart B, comment 30(e)-3.i):

- (1) Transfers where the sender provides cash or another method of payment to a money transmitter or financial institution and requests that funds be sent to a specified location or account in a foreign country.
- (2) Consumer wire transfers, where a financial institution executes a payment order upon a sender’s request to wire money from the sender’s account to a designated recipient.
- (3) An addition of funds to a prepaid card by a participant in a prepaid card program, such as a prepaid card issuer or its agent, that is directly engaged with the sender to add these funds, where the prepaid card is sent or was previously sent by a participant in the prepaid card program to a person in a foreign country, even if a person located in a State (including a sender) retains the ability to withdraw such funds.
- (4) International automated clearing house (ACH) transactions sent by the sender’s financial institution at the sender’s request.
- (5) Online bill payments and other electronic transfers that a sender schedules in advance, including preauthorized remittance transfers, made by the sender’s financial institution at the sender’s request to a designated recipient.

**Item No.    Caption and Instructions**

**16**            Under Subpart B of Regulation E, the term “remittance transfer” does not include,  
(cont.)            for example:

- (1) Small value transactions, i.e., transfer amounts, as described in 12 CFR § 1005.31(b)(1)(i), of \$15 or less. See 12 CFR § 1005.30(e)(2)(i).
- (2) Securities and commodities transfers that are excluded from the definition of electronic fund transfer under 12 CFR § 1005.3(c)(4). See 12 CFR § 1005.30(e)(2)(ii).
- (3) A consumer’s provision of a debit, credit or prepaid card, directly to a foreign merchant as payment for goods or services because the issuer is not directly engaged with the sender to send an electronic transfer of funds to the foreign merchant when the issuer provides payment to the merchant. See Regulation E, Subpart B, comment 30(e)-3.ii.A.
- (4) A consumer’s deposit of funds to a checking or savings account located in a State, because there has not been a transfer of funds to a designated recipient. See Regulation E, Subpart B, comment 30(e)-3.ii.B.
- (5) Online bill payments and other electronic transfers that senders can schedule in advance, including preauthorized transfers, made through the Web site of a merchant located in a foreign country and via direct provision of a checking account, credit card, debit card or prepaid card number to the merchant, because the financial institution is not directly engaged with the sender to send an electronic transfer of funds to the foreign merchant when the institution provides payment to the merchant. See Regulation E, Subpart B, comment 30(e)-3.ii.C.

**Estimates:** For purposes of items 16.a and, if appropriate, items 16.b.(1) through 16.b.(3), estimates should be based on a reasonable and supportable methodology. Estimated figures should include only international remittance transfers for which your institution was the provider. Do not count transfers for which another entity was the provider and your institution sent the transfer as a correspondent bank or agent for the other provider. An international remittance transfer should be counted as of the date of the transfer.

**16.a            Estimated number of international remittance transfers provided by your institution during the calendar year ending on the report date.** Report the estimated number of international remittance transfers that your institution provided during the calendar year ending on the report date. Estimates should be based on a reasonable and supportable methodology.

NOTE: Items 16.b.(1) through 16.b.(3) are to be completed by institutions that reported 501 or more international remittance transfers in item 16.a in either or both of the current report or the most recent prior report in which item 16.a was required to be completed. For the December 31, 2021, report date, your institution should complete Schedule RC-M, items 16.b.(1) through 16.b.(3), only if it reports 501 or more international remittance transfers in Schedule RC-M, item 16.a, in the December 31, 2021, Call Report or if it reported a combined total of 501 or more international remittance transfers in Schedule RC-M, item 16.d.(1), in the June 30 and December 31, 2020, Call Reports

**16.b            Estimated dollar value of remittance transfers provided by your institution and usage of regulatory exceptions during the calendar year ending on the report date:**

**16.b.(1)        Estimated dollar value of international remittance transfers.** Report the estimated dollar value of international remittance transfers that your institution provided during the calendar year ending on the report date. The dollar value is not required to be estimated in thousands of dollars. In other words, if an estimate is in the millions of dollars, the institution may report zeros for the thousands of dollars.

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

- 16.b.(2)**    **Estimated number of international remittance transfers for which your institution applied the permanent exchange rate exception.** Report the estimated number of international remittance transfers that your institution provided during the calendar year ending on the report date for which your institution applied the permanent exchange rate exception set forth in 12 CFR § 1005.32(b)(4).
- 16.b.(3)**    **Estimated number of international remittance transfers for which your institution applied the permanent covered third-party fee exception.** Report the estimated number of international remittance transfers that your institution provided during the calendar year ending on the report date for which your institution applied the permanent covered third-party fee exception set forth in 12 CFR § 1005.32(b)(5).

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## Definitions

**Past Due** – The past due status of a loan or other asset should be determined in accordance with its contractual repayment terms. For purposes of this schedule, grace periods allowed by the bank after a loan or other asset technically has become past due but before the imposition of late charges are not to be taken into account in determining past due status. Furthermore, loans, leases, debt securities, and other assets are to be reported as past due when either interest or principal is unpaid in the following circumstances:

- (1) Closed-end installment loans, amortizing loans secured by real estate, and any other loans and lease financing receivables with payments scheduled monthly are to be reported as past due when the borrower is in arrears two or more monthly payments. (At a bank's option, loans and leases with payments scheduled monthly may be reported as past due when one scheduled payment is due and unpaid for 30 days or more.) Other multipayment obligations with payments scheduled other than monthly are to be reported as past due when one scheduled payment is due and unpaid for 30 days or more.
- (2) Open-end credit such as credit cards, check credit, and other revolving credit plans are to be reported as past due when the customer has not made the minimum payment for two or more billing cycles.
- (3) Single payment and demand notes, debt securities, and other assets providing for the payment of interest at stated intervals are to be reported as past due after one interest payment is due and unpaid for 30 days or more.
- (4) Single payment notes, debt securities, and other assets providing for the payment of interest at maturity are to be reported as past due after maturity if interest or principal remains unpaid for 30 days or more.
- (5) Unplanned overdrafts are to be reported as past due if the account remains continuously overdrawn for 30 days or more.

For purposes of this schedule, banks should use one of two methods to recognize partial payments on "retail credit," i.e., open-end and closed-end credit extended to individuals for household, family, and other personal expenditures, including consumer loans and credit cards, and loans to individuals secured by their personal residence, including home equity and home improvement loans. A payment equivalent to 90 percent or more of the contractual payment may be considered a full payment in computing delinquency. Alternatively, a bank may aggregate payments and give credit for any partial payment received. For example, if a regular monthly installment is \$300 and the borrower makes payments of only \$150 per month for a six-month period, the loan would be \$900 (\$150 shortage times six payments), or three monthly payments past due. A bank may use either or both methods for its retail credit, but may not use both methods simultaneously with a single loan.

For institutions that have not adopted ASU 2016-13, when accrual of income on a purchased credit-impaired (PCI) loan accounted for individually or a ~~purchased credit-impaired~~PCI debt security is appropriate, the delinquency status of the individual asset should be determined in accordance with its contractual repayment terms for purposes of reporting the amount of the loan or debt security as past due in the appropriate items of Schedule RC-N, column A or B. When accrual of income on a pool of ~~purchased credit-impaired~~PCI loans with common risk characteristics is appropriate, delinquency status should be determined individually for each loan in the pool in accordance with the individual loan's contractual repayment terms for purposes of reporting the amount of individual loans within the pool as past due in the appropriate items of Schedule RC-N, column A or B. For further information, see the Glossary entry for "purchased credit-impaired loans and debt securities."

For institutions that have adopted ASU 2016-13, any ~~purchased credit-impaired~~PCI loans and debt securities held as of the adoption date of the standard should prospectively be accounted for as purchased credit-deteriorated (PCD) assets. As of the adoption date of the standard, the remaining noncredit discount or premium on a ~~purchased credit-deteriorated~~PCD asset, after the adjustment for the allowance for credit

**Definitions (cont.)**

losses, should be accreted to interest income at the new effective interest rate on the asset, if the asset is not required to be placed on nonaccrual. ~~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 an institution. For a PCD loan, debt security, or other financial asset within the scope of ASU 2016-13 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 (fair value for a PCD available-for-sale debt security) as past due in Schedule RC-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 was previously PCI, but 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. For further information, see the Glossary entry for "purchased credit-deteriorated assets."~~

**Nonaccrual** – For purposes of this schedule, an asset is to be reported as being in nonaccrual status if:

- (1) It is maintained on a cash basis because of deterioration in the financial condition of the borrower,
- (2) Payment in full of principal or interest is not expected, or
- (3) Principal or interest has been in default for a period of 90 days or more unless the asset is both well secured and in the process of collection.

An asset is "well secured" if it is secured (1) by collateral in the form of liens on or pledges of real or personal property, including securities, that have a realizable value sufficient to discharge the debt (including accrued interest) in full, or (2) by the guarantee of a financially responsible party. An asset is "in the process of collection" if collection of the asset is proceeding in due course either (1) through legal action, including judgment enforcement procedures, or, (2) in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status in the near future.

For purposes of applying the third test for nonaccrual status listed above, the date on which an asset reaches nonaccrual status is determined by its contractual terms. If the principal or interest on an asset becomes due and unpaid for 90 days or more on a date that falls between report dates, the asset should be placed in nonaccrual status as of the date it becomes 90 days past due and it should remain in nonaccrual status until it meets the criteria for restoration to accrual status described below.

In the following situations, an asset need not be placed in nonaccrual status:

~~(1) The criteria for accrual of income under the interest method specified in ASC Subtopic 310-30, Receivables—Loans and Debt Securities Acquired with Deteriorated Credit Quality (formerly AICPA Statement of Position 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer"); are met for a purchased credit impaired loan, pool of loans, or debt security accounted for in accordance with that Subtopic, regardless of whether the loan, the loans in the pool, or debt security had been maintained in nonaccrual status by its seller. (For purchased credit impaired loans with common risk characteristics that are aggregated and accounted for as a pool, the determination of nonaccrual or accrual status should be made at the pool level, not at the individual loan level.) For further information, see the Glossary entry for "purchased credit impaired loans and debt securities."~~

(2) The asset upon which principal or interest is due and unpaid for 90 days or more is a consumer loan (as defined for Schedule RC-C, Part I, item 6, "Loans to individuals for household, family, and other personal expenditures") or a loan secured by a 1-to-4 family residential property (as defined for Schedule RC-C, Part I, item 1.c, Loans "Secured by 1-4 family residential properties"). Nevertheless,

such loans should be subject to other alternative methods of evaluation to assure that the bank's net income is not materially overstated. To the extent that the bank has elected to carry such a loan in nonaccrual status on its books, the loan must be reported as nonaccrual in this schedule.

- (2) For an institution that has not adopted ASU 2016-13, the criteria for accrual of income under the interest method specified in ASC Subtopic 310-30, Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality, are met for a PCI loan, pool of loans, or debt security accounted for in accordance with that Subtopic, regardless of whether the loan, the loans in the pool, or debt security had been maintained in nonaccrual status by its seller. (For PCI loans with common risk characteristics that are aggregated and accounted for as a pool, the determination of nonaccrual or accrual status should be made at the pool level, not at the individual loan level.) For further information, see the Glossary entry for "purchased credit-impaired loans and debt securities."
- (3) For an institution that has adopted ASU 2016-13, the following criteria are met for 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"):
- (a) The institution reasonably estimates the timing and amounts of cash flows expected to be collected, and
  - (b) The institution did not acquire the asset primarily for the rewards of ownership of the underlying collateral, such as use of collateral in operations of the institution 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 institution's net income is not materially overstated. Further, regardless of whether a PCD asset is in nonaccrual or accrual status, an institution is not permitted to accrete the credit-related discount embedded in the purchase price of such an 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 an institution 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 (fair value for a PCD available-for-sale debt security) in Schedule RC-N, column C. (For PCD assets for which the institution has made a policy election to maintain previously existing pools of PCI loans upon 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 further information, see the Glossary entry for "purchased credit-deteriorated assets."

As a general rule, a nonaccrual asset may be restored to accrual status when:

- (1) None of its principal and interest is due and unpaid, and the bank expects repayment of the remaining contractual principal and interest; or
- (2) When it otherwise becomes well secured and in the process of collection.

#### **Definitions (cont.)**

For purposes of meeting the first test for restoration to accrual status, the bank must have received repayment of the past due principal and interest unless, as discussed in the Glossary entry for "nonaccrual status":

- (1) The asset has been restructured in a troubled debt restructuring and qualifies for accrual status;
- (2) The asset is a purchased credit-impaired loan, pool of loans, or debt security accounted for in accordance with ASC Subtopic 310-30 and it meets the criteria for accrual of income under the interest method specified in that Subtopic; or
- (3) The borrower has resumed paying the full amount of the scheduled contractual interest and principal payments on a loan that is past due and in nonaccrual status, even though the loan has not been brought fully current, and certain repayment criteria are met.



For further information, see the Glossary entry for "nonaccrual status."

Restructured in Troubled Debt Restructurings – A troubled debt restructuring is a restructuring of a loan in which a bank, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. For purposes of this schedule, the concession consists of a modification of terms, such as a reduction of the loan's stated interest rate, principal, or accrued interest or an extension of the loan's maturity date at a stated interest rate lower than the current market rate for new debt with similar risk, regardless of whether the loan is secured or unsecured and regardless of whether the loan is guaranteed by the government or by others.

Once an obligation has been restructured in a troubled debt restructuring, it continues to be considered a troubled debt restructuring until paid in full or otherwise settled, sold, or charged off (or meets the conditions discussed under "Accounting for a Subsequent Restructuring of a Troubled Debt Restructuring" in the Glossary entry for "troubled debt restructurings). However, if a restructured obligation is in compliance with its modified terms and the restructuring agreement specifies an interest rate that at the time of the restructuring is greater than or equal to the rate that the bank was willing to accept for a new extension of credit with comparable risk, the loan need not continue to be reported as a troubled debt restructuring in calendar years after the year in which the restructuring took place. A loan extended or renewed at a stated interest rate equal to the current interest rate for new debt with similar risk is not considered a troubled debt restructuring. Also, a loan to a third party purchaser of "other real estate owned" by the reporting bank for the purpose of facilitating the disposal of such real estate is not considered a troubled debt restructuring.

For further information, see the Glossary entry for "troubled debt restructurings."



**Nonaccrual Status:** This entry covers, for purposes of these reports, the criteria for placing assets in nonaccrual status (presented in the general rule below) and related exceptions, the reversal of previously accrued but uncollected interest, the treatment of cash payments received on nonaccrual assets and the criteria for cash basis income recognition, the restoration of a nonaccrual asset to accrual status, and the treatment of multiple extensions of credit to one borrower.

General rule – Banks shall not accrue interest, amortize deferred net loan fees or costs, or accrete discount on any asset (1) which is maintained on a cash basis because of deterioration in the financial condition of the borrower, (2) for which payment in full of principal or interest is not expected, or (3) upon which principal or interest has been in default for a period of 90 days or more unless the asset is both well secured and in the process of collection.

An asset is "well secured" if it is secured (1) by collateral in the form of liens on or pledges of real or personal property, including securities, that have a realizable value sufficient to discharge the debt (including accrued interest) in full, or (2) by the guarantee of a financially responsible party. An asset is "in the process of collection" if collection of the asset is proceeding in due course either (1) through legal action, including judgment enforcement procedures, or, (2) in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status in the near future.

For purposes of applying the third test for nonaccrual status listed above, the date on which an asset reaches nonaccrual status is determined by its contractual terms. If the principal or interest on an asset becomes due and unpaid for 90 days or more on a date that falls between report dates, the asset should be placed in nonaccrual status as of the date it becomes 90 days past due and it should remain in nonaccrual status until it meets the criteria for restoration to accrual status described below.

Any state statute, regulation, or rule that imposes more stringent standards for nonaccrual of interest takes precedence over this instruction.

Exceptions to the general rule – In the following situations, an asset need not be placed in nonaccrual status:

~~(1) The criteria for accrual of income under the interest method specified in ASC Subtopic 310-30, Receivables—Loans and Debt Securities Acquired with Deteriorated Credit Quality (formerly AICPA Statement of Position 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer"), are met for a purchased credit-impaired loan, pool of loans, or debt security accounted for in accordance with that Subtopic, regardless of whether the loan, the loans in the pool, or debt security had been maintained in nonaccrual status by its seller. (For purchased credit-impaired loans with common risk characteristics that are aggregated and accounted for as a pool, the determination of nonaccrual or accrual status should be made at the pool level, not at the individual loan level.) For further information, see the Glossary entry for "purchased credit-impaired loans and debt securities." For institutions that have adopted ASC Topic 326, Financial Instruments—Credit Losses, as discussed in the "Definitions" section of the instructions for Schedule RC-N, this exception is no longer available.~~

~~(2) The asset upon which principal or interest is due and unpaid for 90 days or more is a consumer loan (as defined for Schedule RC-C, part I, item 6, "Loans to individuals for household, family, and other personal expenditures") or a loan secured by a 1-to-4 family residential property (as defined for Schedule RC-C, part I, item 1.c, Loans "Secured by 1-4 family residential properties"). Nevertheless, such loans should be subject to other alternative methods of evaluation to assure that the bank's net income is not materially overstated. However, to the extent that the bank has elected to carry such a loan in nonaccrual status on its books, the loan must be reported as nonaccrual in Schedule RC-N, column C.~~

~~(2) For an institution that has not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses, the criteria for accrual of income under the interest method specified in ASC Subtopic 310-30, Receivables – Loans and Debt~~

Securities Acquired with Deteriorated Credit Quality, are met for a purchased credit-impaired (PCI) loan, pool of loans, or debt security accounted for in accordance with that Subtopic, regardless of whether the loan, the loans in the pool, or debt security had been maintained in nonaccrual status by its seller. (For PCI loans with common risk characteristics that are aggregated and accounted for as a pool, the determination of nonaccrual or accrual status should be made at the pool level, not at the individual loan level.) For further information, see the Glossary entry for "purchased credit-impaired loans and debt securities."

(3) For an institution that has adopted ASU 2016-13, the following criteria are met for a purchased credit-deteriorated (PCD) asset, including a PCD asset that was previously a PCI asset or part of a pool of PCI loans, that would otherwise be required to be placed in nonaccrual status under the general rule:

- (a) The institution reasonably estimates the timing and amounts of cash flows expected to be collected, and
- (b) The institution did not acquire the asset primarily for the rewards of ownership of the underlying collateral, such as use of collateral in operations of the institution 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 institution's net income is not materially overstated. If an institution 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 RC-N, column C. (For PCD loans for which the institution has made a policy election to maintain previously existing pools of PCI loans upon 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 further information, see the Glossary entry for "purchased credit-deteriorated assets."

Treatment of previously accrued interest – The reversal of previously accrued but uncollected interest applicable to any asset placed in nonaccrual status should be handled in accordance with generally accepted accounting principles. Acceptable accounting treatment includes a reversal of all previously accrued but uncollected interest applicable to assets placed in a nonaccrual status against appropriate income and balance sheet accounts.

For example, for institutions that have not adopted ASC Topic 326, one acceptable method of accounting for such uncollected interest on a loan placed in nonaccrual status is (1) to reverse all of the unpaid interest by crediting the "accrued interest receivable" account on the balance sheet, (2) to reverse the uncollected interest that has been accrued during the calendar year-to-date by debiting the appropriate "interest and fee income on loans" account on the income statement, and (3) to reverse any uncollected interest that had been accrued during previous calendar years by debiting the "allowance for loan and lease losses" account on the balance sheet. The use of this method presumes that bank management's additions to the allowance through charges to the "provision for loan and lease losses" on the income statement have been based on an evaluation of the collectability of the loan and lease portfolios and the "accrued interest receivable" account.

Institutions that have adopted ASC Topic 326 should refer to the Glossary entry for "accrued interest receivable" for information on the treatment of previously accrued interest.

Treatment of cash payments and criteria for the cash basis recognition of income – When doubt exists as to the collectability of the remaining recorded investment in a nonaccrual asset (or the amortized cost basis of a nonaccrual asset, if the institution has adopted ASC Topic 326), any payments received must be applied to reduce the recorded investment in, or the amortized cost basis of, the asset, as applicable, to the extent necessary to eliminate such doubt. Placing an asset in nonaccrual status does not, in and of itself, require a charge-off, in whole or in part, of the asset's recorded investment or amortized cost basis, as applicable. However, any identified losses must be charged off.

While an asset is in nonaccrual status, some or all of the cash interest payments received may be treated as interest income on a cash basis as long as the remaining recorded investment in, or the

**Nonaccrual Status (cont.):**

amortized cost basis of, the asset, as applicable, (i.e., after charge-off of identified losses, if any) is deemed to be fully collectible.<sup>3</sup> A bank's determination as to the ultimate collectibility of the asset's remaining recorded investment, or amortized cost basis, as applicable, must be supported by a current, well documented credit evaluation of the borrower's financial condition and prospects for repayment, including consideration of the borrower's historical repayment performance and other relevant factors.

When recognition of interest income on a cash basis is appropriate, it should be handled in accordance with generally accepted accounting principles. One acceptable accounting practice involves allocating contractual interest payments among interest income, reduction of the recorded investment in, or the amortized cost basis of, the asset, as applicable, and recovery of prior charge-offs. If this method is used, the amount of income that is recognized would be equal to that which would have been accrued on the asset's remaining recorded investment at the contractual rate. A bank may also choose to account for the contractual interest in its entirety either as income, reduction of the recorded investment in, or the amortized cost basis of, the asset, as applicable, or recovery of prior charge-offs, depending on the condition of the asset, consistent with its accounting policies for other financial reporting purposes.

Restoration to accrual status – As a general rule, a nonaccrual asset may be restored to accrual status when (1) none of its principal and interest is due and unpaid, and the bank expects repayment of the remaining contractual principal and interest, or (2) when it otherwise becomes well secured and in the process of collection. If any interest payments received while the asset was in nonaccrual status were applied to reduce the recorded investment in, or the amortized cost basis of, the asset, as applicable, as discussed in the preceding section of this entry, the application of these payments to the asset's recorded investment or amortized cost basis, as applicable, should not be reversed (and interest income should not be credited) when the asset is returned to accrual status.

For purposes of meeting the first test, the bank must have received repayment of the past due principal and interest unless: ~~as discussed below,~~

- ~~(1) The asset has been formally restructured and qualifies for accrual status, as discussed below;~~
- ~~(2) For an institution that has not adopted ASU 2016-13, the asset is a purchased credit impaired PCI loan, pool of loans, or debt security accounted for in accordance with ASC Subtopic 310-30 and it meets the criteria for accrual of income under the interest method specified therein; or~~
- ~~(3) For an institution that has adopted ASU 2016-13, the asset is a PCD asset and it meets the two criteria specified in the third exception to the general rule discussed above; or~~
- ~~(4) The borrower has resumed paying the full amount of the scheduled contractual interest and principal payments on a loan that is past due and in nonaccrual status, even though the loan has not been brought fully current, and the following two criteria are met. These criteria are, first, that all principal and interest amounts contractually due (including arrearages) are reasonably assured of repayment within a reasonable period and, second, that there is a sustained period of repayment performance (generally a minimum of six months) by the borrower in accordance with the contractual terms involving payments of cash or cash equivalents. A loan that meets these two criteria may be restored to accrual status, but must continue to be disclosed as past due in Schedule RC-N until it has been brought fully current or until it later must be placed in nonaccrual status. For institutions that have adopted ASC Topic 326, the second exception above, which applies to purchased credit impaired assets, is no longer available.~~

A loan or other debt instrument that has been formally restructured in a troubled debt restructuring so as to be reasonably assured of repayment (of principal and interest) and of performance according to its modified terms need not be maintained in nonaccrual status, provided the restructuring and any charge-off taken on the asset are supported by a current, well documented credit evaluation of the borrower's financial condition and prospects for repayment under the revised terms. Otherwise, the

<sup>3</sup> An asset in nonaccrual status that is subject to the cost recovery method required by ASC Subtopic 325-40, Investments-Other – Beneficial Interests in Securitized Financial Assets (formerly Emerging Issues Task Force Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial

Interests That Continue to Be Held by a Transferor in Securitized Financial Assets"), should follow that method for reporting purposes. In addition, when a ~~PCI~~~~purchased credit impaired~~ loan, pool of loans, or debt security that is accounted for in accordance with ASC Subtopic 310-30 (or when a ~~PCD~~~~purchased credit deteriorated~~ asset that is accounted for in accordance with ASC Subtopic 326-20, if the institution has adopted ASC Topic 326) has been placed ~~o~~~~i~~n nonaccrual status, the cost recovery method should be used, when appropriate.

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**Nonaccrual Status (cont.):**

restructured asset must remain in nonaccrual status. The evaluation must include consideration of the borrower's sustained historical repayment performance for a reasonable period prior to the date on which the loan or other debt instrument is returned to accrual status. A sustained period of repayment performance generally would be a minimum of six months and would involve payments of cash or cash equivalents. (In returning the asset to accrual status, sustained historical repayment performance for a reasonable time prior to the restructuring may be taken into account.) Such a restructuring must improve the collectability of the loan or other debt instrument in accordance with a reasonable repayment schedule and does not relieve the bank from the responsibility to promptly charge off all identified losses.

A troubled debt restructuring may involve a multiple note structure in which, for example, a troubled loan is restructured into two notes. The first or "A" note represents the portion of the original loan principal amount that is expected to be fully collected along with contractual interest. The second or "B" note represents the portion of the original loan that has been charged off and, because it is not reflected as an asset and is unlikely to be collected, could be viewed as a contingent receivable. For a troubled debt restructuring of a collateral-dependent loan involving a multiple note structure, the amount of the "A" note should be determined using the fair value of the collateral. The "A" note may be returned to accrual status provided the conditions in the preceding paragraph are met and: (1) there is economic substance to the restructuring and it qualifies as a troubled debt restructuring under generally accepted accounting principles, (2) the portion of the original loan represented by the "B" note has been charged off before or at the time of the restructuring, and (3) the "A" note is reasonably assured of repayment and of performance in accordance with the modified terms.

Until the restructured asset is restored to accrual status, if ever, cash payments received must be treated in accordance with the criteria stated above in the preceding section of this entry. In addition, after a formal restructuring, if a restructured asset that has been returned to accrual status later meets the criteria for placement in nonaccrual status as a result of past due status based on its modified terms or for any other reasons, the asset must be placed in nonaccrual status.

For further information on formally restructured assets, see the Glossary entry for "troubled debt restructurings."

Treatment of multiple extensions of credit to one borrower – As a general principle, nonaccrual status for an asset should be determined based on an assessment of the individual asset's collectability and payment ability and performance. Thus, when one loan to a borrower is placed in nonaccrual status, a bank does not automatically have to place all other extensions of credit to that borrower in nonaccrual status. When a bank has multiple loans or other extensions of credit outstanding to a single borrower, and one loan meets the criteria for nonaccrual status, the bank should evaluate its other extensions of credit to that borrower to determine whether one or more of these other assets should also be placed in nonaccrual status.

**Noninterest-Bearing Account:** See "deposits."

**Nontransaction Account:** See "deposits."

**NOW Account:** See "deposits."

**Offsetting:** Offsetting is the reporting of assets and liabilities on a net basis in the balance sheet. Banks are permitted to offset assets and liabilities recognized in the Consolidated Report of Condition when a "right of setoff" exists. Under ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts"), a right of setoff exists when all of the following conditions are met:

- (1) Each of two parties owes the other determinable amounts. Thus, only bilateral netting is permitted.

**Public Business Entity (cont.):**

With respect to the second condition under the fifth criterion, an insured depository institution with \$500 million or more in total assets as of the beginning of its fiscal year is required by Section 36 of the Federal Deposit Insurance Act and Part 363 of the FDIC's regulations, "Annual Independent Audits and Reporting Requirements," to prepare and make publicly available audited annual U.S. GAAP financial statements. In certain circumstances, an insured depository institution with \$500 million or more in total assets that is a subsidiary of a holding company may choose to satisfy this annual financial statement requirement at a holding company level rather than at the institution level. An insured depository institution of this size that satisfies the financial statement requirement of Section 36 and Part 363 at either the institution level or the holding company level would meet the fifth criterion's second condition.

**Purchase Acquisition:** See "business combinations."

**Purchased Credit-Deteriorated Assets:** This Glossary entry applies to institutions that have adopted ASC Topic 326, Financial Instruments—Credit Losses. Institutions that have not adopted ASC Topic 326 should continue to refer to the Glossary entry for "purchased credit-impaired loans and debt securities."

Purchased credit-deteriorated (PCD) assets are acquired financial assets that, at acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination, as determined by an acquirer's assessment.

In accordance with ASC Topic 326, institutions are required to estimate and record an allowance for credit losses (ACL) for PCD assets at the time of purchase. This acquisition date ACL is added to the purchase price of the financial assets rather than recording these losses through provisions for credit losses. This establishes the initial amortized cost basis of the PCD assets. An institution may use either a discounted or an undiscounted cash flow method at acquisition to determine this ACL. Subsequent ACL measurements for acquired financial assets with more-than-insignificant credit deterioration since origination are to be measured under ASC Topic 326 as with (1) originated financial assets and (2) purchased financial assets that do not have a more-than-insignificant deterioration in credit quality at acquisition.

Institutions that measure expected credit losses for PCD assets on a pool basis shall continue to evaluate whether financial assets in the pool continue to share similar risk characteristics with the other financial assets in the pool. If there have been changes in credit risk, borrower circumstances, recognition of a charge-off, or cash collections of interest applied to principal while the asset is in nonaccrual status, an institution may determine that either the financial asset has similar risk characteristics with another pool or the credit loss measurement should be performed on an individual financial asset basis because the financial asset does not share risk characteristics with other financial assets. Institutions that measure the ACL on a collective basis shall allocate the ACL and any noncredit discount or premium to the individual PCD assets unless the institution elected the transition option to account for existing purchased credit-impaired (PCI) financial-asset-loan pools as PCD pools upon adoption of ASC Topic 326.

Any difference between the unpaid principal balance of the PCD asset and the amortized cost basis of the asset as of the acquisition date is the noncredit discount or premium. Provided the asset remains in accrual status, the noncredit discount or premium recorded at acquisition is accreted into interest income over the remaining life of the PCD asset on a level-yield basis. In contrast, regardless of whether a PCD asset is in nonaccrual or accrual status, an institution is not permitted to accrete the credit-related discount embedded in the purchase price of the 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). In addition, 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.

ASC Subtopic 310-10, Receivables – Overall, does not prohibit an institution from placing a PCD asset in nonaccrual status. Because a PCD asset is an acquired financial asset that, at acquisition, has



experienced a more-than-insignificant deterioration in credit quality since origination, as determined by an acquiring institution's assessment, the acquiring institution must determine upon acquisition whether it is appropriate to place the PCD asset in accrual status, including accreting the noncredit discount or premium.

For purposes of these reports, if an institution has a PCD asset, including a PCD asset that was previously a PCI asset or part of a pool of PCI loans, that would otherwise be required to be placed in nonaccrual status (see the Glossary entry for "nonaccrual status"), the institution may elect to accrue interest income on the PCD asset and not report the PCD asset as being in nonaccrual status if the following criteria are met:

- (a) The institution reasonably estimates the timing and amounts of cash flows expected to be collected, and
- (b) The institution did not acquire the asset primarily for the rewards of ownership of the underlying collateral, such as use of collateral in operations of the institution 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 institution's net income is not materially overstated. If an institution 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 (fair value for a PCD available-for-sale debt security) in Schedule RC-N, column C.

For PCD assets for which the institution has made a policy election to maintain previously existing pools of PCI loans upon 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 (fair value for a PCD available-for-sale debt security) as past due in Schedule RC-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 was previously PCI, but 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.

For further information on the reporting of interest income on PCD assets, institutions should refer ~~to~~ the Glossary entry for "nonaccrual status" and ASC Subtopic 310-10, ~~Receivables—Overall~~.

Deferred Tax Asset Considerations – An institution's provisions for credit losses that increase the amount of the ACL also increase the amount of the deductible temporary difference associated with the



**Deposits (cont.):**

~~telephonic (including data transmission) agreement, order, or instruction; or by check, draft, debit card, or similar order made by the depositor and payable to third parties. Transfers from savings deposits for purposes of covering overdrafts (overdraft protection plans) are included under the withdrawal limits specified for savings deposits.~~

~~There are no regulatory restrictions on the following types of transfers or withdrawals from a savings deposit account, regardless of the number:~~

- ~~(1) Transfers for the purpose of repaying loans and associated expenses at the same depository institution (as originator or servicer).~~
- ~~(2) Transfers of funds from this account to another account of the same depositor at the same institution when made by mail, messenger, automated teller machine, or in person.~~
- ~~(3) Withdrawals for payment directly to the depositor when made by mail, messenger, automated teller machine, in person, or by telephone (via check mailed to the depositor).~~

Further, for a savings deposit account, no minimum balance is required by regulation, there is no regulatory limitation on the amount of interest that may be paid, and no minimum maturity is required (although depository institutions must reserve the right to require at least seven days' written notice prior to withdrawal as stipulated above for a savings deposit).

Any depository institution may place restrictions and requirements on savings deposits in addition to those stipulated above. In the case of such further restrictions, the account would still be reported as a savings deposit.

Insert 2

~~On the other hand, an account that otherwise meets the definition of a savings deposit but that authorizes or permits the depositor to exceed the six transfer/withdrawal rule shall be reported as a transaction account, as follows:~~

- ~~(1) If the depositor is ineligible to hold a NOW account, such an account is considered a demand deposit.~~
- ~~(2) If the depositor is eligible to hold a NOW account, the account will be considered either a NOW account, a telephone or preauthorized transfer account, or an ATS account:
 
  - ~~(a) If withdrawals or transfers by check, draft, or similar instrument are permitted or authorized, the account is considered a NOW account.~~
  - ~~(b) If withdrawals or transfers by check, draft, or similar instrument are not permitted or authorized, the account is considered either an ATS account or a telephone or preauthorized transfer account.~~~~

[Regulation D](#) no longer distinguishes between money market deposit accounts (MMDAs) and other savings deposits. However, these two types of accounts are defined as follows for purposes of these reports, which call for separate data on each.

## Insert 2

### *Treatment of Accounts where Reporting Institutions Have Suspended Enforcement of the Six Transfer Limit per Regulation D*

Where the reporting institution has suspended the enforcement of the six transfer limit rule on an account that meets the definition of a savings deposit, the reporting institution is required to report such deposits as a savings account or a transaction account based on an assessment of the characteristics of the account as indicated below:

- 1) If the reporting institution does not retain the reservation of right to require at *least* seven days' written notice before an intended withdrawal, report the account as a demand deposit (and as a "transaction account").
- 2) If the reporting institution does retain the reservation of right to require at *least* seven days' written notice before an intended withdrawal, report the account as either a NOW<sup>1</sup> account (and as a "transaction account") or as a savings deposit (and as a nontransaction account).

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<sup>1</sup> The option to report as a NOW account (and a transaction account) is only applicable to institutions that offer NOW accounts. Institutions that do not offer NOW accounts should continue to report such deposits as a savings deposit (and as a nontransaction account).

**Deposits (cont.):**

These deposits include those club accounts, such as Christmas club and vacation club accounts, that are made under written contracts that provide that no withdrawal shall be made until a certain number of periodic deposits has been made during a period of not less than three months, even though some of the deposits are made within six days of the end of such period.

Time deposits do not include the following categories of liabilities even if they have an original maturity of seven days or more:

- (1) Any deposit or account that otherwise meets the definition of a time deposit but that allows withdrawals within the first six days after deposit and that does not require an early withdrawal penalty of at least seven days' simple interest on amounts withdrawn within those first six days. Such deposits or accounts that meet the definition of a savings deposit shall be reported as savings deposits; otherwise they shall be reported as demand deposits.
- (2) The remaining balance of a time deposit if a partial early withdrawal is made and the remaining balance is not subject to additional early withdrawal penalties of at least seven days' simple interest on amounts withdrawn within six days after each partial withdrawal. Such time deposits that meet the definition of a savings deposit shall be reported as savings deposits; otherwise they shall be reported as demand deposits.

Insert 3 →

~~Reporting of Retail Sweep Arrangements Affecting Transaction and Nontransaction Accounts~~  
~~In an effort to reduce their reserve requirements, some banks have established "retail sweep arrangements" or "retail sweep programs." In a retail sweep arrangement, a depository institution transfers funds between a customer's transaction account(s) and that customer's nontransaction account(s) (usually savings deposit account(s)) by means of preauthorized or automatic transfers, typically in order to reduce transaction account reserve requirements while providing the customer with unlimited access to the funds.~~

~~There are three key criteria for retail sweep programs to comply with the [Federal Reserve Regulation D](#) definitions of "transaction account" and "savings deposit:"~~

- (1) ~~A depository institution must establish by agreement with its transaction account customer two legally separate accounts: a transaction account (a NOW account or demand deposit account) and a savings deposit account, including those sometimes called a "money market deposit account" or "MMDA";~~
- (2) ~~The swept funds must actually be moved from the customer's transaction account to the customer's savings deposit account on the official books and records of the depository institution as of the close of the business on the day(s) on which the depository institution intends to report the funds in question as savings deposits and not transaction accounts, and vice versa. In addition to actually moving the customer's funds between accounts and reflecting this movement at the account level:~~
  - (a) ~~If the depository institution's general ledger is sufficiently disaggregated to distinguish between transaction and savings deposit accounts, the aforementioned movement of funds between the customer's transaction account and savings deposit account must be reflected on the general ledger.~~

### **Insert 3**

**Reporting of Retail Sweep Arrangements** – When a depository institution establishes a retail sweep program, the depository institution must ensure that its customer account agreements provide for the existence of two distinct accounts rather than a single account and the funds are actually transferred between these two accounts as described in the customer contract.

There are two key criteria for retail sweep programs:

- (1) A depository institution must establish by agreement with its customer two legally separate accounts;
- (2) The swept funds must actually be moved between the customer's two accounts on the official books and records of the depository institution as of the close of the business on the day(s) on which the depository institution intends to report the funds

A retail sweep program may not exist solely in records or on systems that do not constitute official books and records of the depository institution and that are not used for any purpose other than generating its *Report of Transaction Accounts, Other Deposits and Vault Cash* (FR 2900) for submission to the Federal Reserve.

Further, for purposes of the Consolidated Reports of Condition and Income, if all of the criteria above are met, a bank must determine the appropriate reporting of the accounts that are components of a retail sweep program separately when it reports its quarter-end deposit information in Schedules RC, RC-E, and RC-O; its quarterly averages in Schedule RC-K; and its interest expense (if any) in Schedule RI. Thus, when reporting quarterly averages in Schedule RC-K, a bank should include the accounts (excluding noninterest-bearing demand deposits) involved in the retail sweep arrangements each day or each week in the appropriate separate items for average deposits. In addition, if the bank pays interest on accounts involved in retail sweep arrangements, the interest expense reported in Schedule RI should be allocated between both accounts based on the balances in these accounts during the reporting period.

**Deposits (cont.):**

- ~~(b) If the depository institution's general ledger is not sufficiently disaggregated, the distinction may be reflected in supplemental records or systems, but only if such supplemental records or systems constitute official books and records of the institution and are subject to the same prudent managerial oversight and controls as the general ledger.~~

~~A retail sweep program may not exist solely in records or on systems that do not constitute official books and records of the depository institution and that are not used for any purpose other than generating its [Report of Transaction Accounts, Other Deposits and Vault Cash \(FR 2900\)](#) for submission to the Federal Reserve; and~~

- ~~(3) The maximum number of preauthorized or automatic funds transfers ("sweeps") out of a savings deposit account and into a transaction account in a retail sweep program is limited to not more than six per month. Transfers out of the transaction account and into the savings deposit account may be unlimited in number.~~

~~If any of the three criteria is not met, all swept funds must continue to be reported as transaction accounts, both for purposes of these reports and of [FR 2900](#) deposit reports. All three criteria must be met in order to report the nontransaction account component of a retail sweep program as a nonreservable savings deposit account.~~

~~Further, for purposes of the Consolidated Reports of Condition and Income, if all three of the criteria above are met, a bank must report the transaction account and nontransaction account components of a retail sweep program separately when it reports its quarter-end deposit information in Schedules RC, RC-E, and RC-O; its quarterly averages in Schedule RC-K; and its interest expense (if any) in Schedule RI. Thus, when reporting quarterly averages in Schedule RC-K, a bank should include the amounts held in the transaction account (if interest-bearing) and the nontransaction savings account components of retail sweep arrangements each day or each week in the appropriate separate items for average deposits. In addition, if the bank pays interest on accounts involved in retail sweep arrangements, the interest expense reported in Schedule RI should be allocated between the transaction account and the nontransaction (savings) account based on the balances in these accounts during the reporting period.~~

~~For additional information, refer to the Federal Reserve Board staff guidance relating to the requirements for a retail sweep program under [Regulation D](#) at <http://www.federalreserve.gov/boarddocs/legalint/FederalReserveAct/2007/20070501/20070501.pdf>.~~

**(III) Interest-bearing-noninterest-bearing deposit distinction –**

- (a) Interest-bearing deposit accounts consist of deposit accounts on which the issuing depository institution makes any payment to or for the account of any depositor as compensation for the use of funds constituting a deposit. Such compensation may be in the form of cash, merchandise, or property or as a credit to an account. An institution's absorption of expenses incident to providing a normal banking function or its forbearance from charging a fee in connection with such a service is not considered a payment of interest.

Deposits with a zero percent interest rate that are issued on a discount basis are to be treated as interest-bearing. Deposit accounts on which the interest rate is periodically adjusted in response to changes in market interest rates and other factors should be reported as interest-bearing even if the rate has been reduced to zero, provided the interest rate on these accounts can be increased as market conditions change.

Note: The proposed effective date for the proposed revisions to the instructions for Schedule RC-B and Schedule RC-C, Part I, on pages 86 through 89 is TBD.

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**Item No.    Caption and Instructions**

~~NOTE: Item 7 is to be completed only by institutions that have not adopted FASB Accounting Standards Update No. 2016-01 (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investment in mutual funds, and eliminates the concept of available-for-sale equity securities. ASU 2016-01 requires holdings of equity securities with readily determinable fair values (except those accounted for under the equity method or that result in consolidation) to be measured at fair value with changes in the fair value recognized through net income.~~

~~Institutions that have adopted ASU 2016-01 should leave item 7 blank and report their holdings of equity securities with readily determinable fair values not held for trading in Schedule RC, item 2.c.~~

~~For institutions that are public business entities, as defined in U.S. GAAP, ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. For example, an institution with a calendar year fiscal year that is a public business entity must begin to apply ASU 2016-01 in its Call Report for March 31, 2018. For all other institutions, ASU 2016-01 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. For example, an institution with a calendar year fiscal year that is not a public business entity must begin to apply ASU 2016-01 in its Call Report for December 31, 2019. Early application of ASU 2016-01 is permitted for all institutions that are not public business entities as of fiscal years beginning after December 15, 2017, including interim periods within those fiscal years.~~

**7 Unallocated last-of-layer fair value hedge basis adjustments.** Report the total amount of last-of-layer fair value hedge basis adjustments (FVHBA) not allocated to individual AFS debt securities in column C only.

As defined in Accounting Standards Update No. 2017-12, Derivatives and Hedging (Topic 815), "Targeted Improvements to Accounting for Hedging Activities" (ASU 2017-12), the last-of-layer method was added to allow entities to apply hedge accounting to a portfolio of prepayable fixed-rate financial assets or one or more beneficial interests secured by a portfolio of prepayable financial instruments. Under ASU 2017-12, different types of qualifying assets can be grouped together in a last-of-layer hedge.

Due to the aggregation of assets in a last-of-layer closed portfolio, institutions may find it challenging to allocate the last-of-layer FVHBAs to the individual AFS debt security level. As such, an institution that applies the last-of-layer method to a closed portfolio of AFS debt securities is not required to allocate the portfolio-level, last-of-layer FVHBAs to a more granular level and should report these unallocated amounts in this item 7, column C.

If the amount to be reported in this item represents a reduction in the amounts reported in Schedule RC-B, items 1 through 6, column C, report the amount with a minus (-) sign.

**Investments in mutual funds and other equity securities with readily determinable fair values.**

~~Report in columns C and D the historical cost and fair value, respectively, of all investments in mutual funds and other equity securities (as defined in ASC Topic 320, Investments—Debt and Equity Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities")) with readily determinable fair values. Such securities include, but are not limited to, money market mutual funds, mutual funds that invest solely in U.S. Government securities, common stock, and perpetual preferred stock. Perpetual preferred stock does not have a stated maturity date and cannot be redeemed at the option of the investor, although it may be redeemable at the option of the issuer.~~

~~According to ASC Topic 320, the fair value of an equity security is readily determinable if sales prices or bid and asked quotations are currently available on a securities exchange registered with the U.S. Securities and Exchange Commission (SEC) or in the over-the-counter market, provided that those prices or quotations for the over-the-counter market are publicly reported by the National Association of Securities Dealers Automated Quotations systems or by OTC Markets Group Inc. ("Restricted stock" meets that definition if the restriction terminates within one year.) The fair value of an equity security traded only in a foreign market is readily determinable if that foreign market is of a breadth and scope~~



~~comparable to one of the U.S. markets referred to above. The fair value of an investment in a mutual fund is readily determinable if the fair value per share (unit) is determined and published and is the basis for current transactions.~~

~~Investments in mutual funds and other equity securities with readily determinable fair values may have been purchased by the reporting bank or acquired for debts previously contracted.~~

~~Include in this item common stock and perpetual preferred stock of the Federal National Mortgage Association (Fannie Mae), common stock and perpetual preferred stock of the Federal Home Loan Mortgage Corporation (Freddie Mac), Class A voting and Class C non-voting common stock of the Federal Agricultural Mortgage Corporation (Farmer Mac), and common and preferred stock of SLM Corporation (the private sector successor to the Student Loan Marketing Association).~~

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**Item No. — Caption and Instructions**

- ~~7~~ Exclude from investments in mutual funds and other equity securities with readily determinable fair values:
- (cont.)
- ~~(1) Federal Reserve Bank stock (report as an equity security without a readily determinable fair value in Schedule RC-F, item 4).~~
  - ~~(2) Federal Home Loan Bank stock (report as an equity security without a readily determinable fair value in Schedule RC-F, item 4).~~
  - ~~(3) Common and preferred stocks that do not have readily determinable fair values, such as stock of bankers' banks and Class B voting common stock of the Federal Agricultural Mortgage Corporation (Farmer Mac) (report in Schedule RC-F, item 4).~~
  - ~~(4) Preferred stock that by its terms either must be redeemed by the issuing enterprise or is redeemable at the option of the investor (i.e., redeemable or limited-life preferred stock), including trust preferred securities subject to mandatory redemption (report such preferred stock as an other debt security in Schedule RC-B, item 6, above).~~
  - ~~(5) "Restricted stock," i.e., equity securities for which sale is restricted by governmental or contractual requirement (other than in connection with being pledged as collateral), except if that requirement terminates within one year or if the holder has the power by contract or otherwise to cause the requirement to be met within one year (if the restriction does not terminate within one year, report "restricted stock" as an equity security that does not have a readily determinable fair value in Schedule RC-F, item 4).~~
  - ~~(6) Participation certificates issued by a Federal Intermediate Credit Bank, which represent nonvoting stock in the bank (report as an equity security that does not have a readily determinable fair value in Schedule RC-F, item 4).~~
  - ~~(7) Minority interests held by the reporting bank in any companies not meeting the definition of associated company (report as equity securities that do not have a readily determinable fair value in Schedule RC-F, item 4), except minority holdings that indirectly represent bank premises (report in Schedule RC, item 6) or other real estate owned (report in Schedule RC, item 7), provided that the fair value of any capital stock representing the minority interest is not readily determinable. (See the Glossary entry for "subsidiaries" for the definition of associated company.)~~
  - ~~(8) Equity holdings in those corporate joint ventures over which the reporting bank does not exercise significant influence (report as equity securities that do not have a readily determinable fair value in Schedule RC-F, item 4), except equity holdings that indirectly represent bank premises (report in Schedule RC, item 6) or other real estate owned (report in Schedule RC, item 7). (See the Glossary entry for "subsidiaries" for the definition of corporate joint venture.)~~
  - ~~(9) Holdings of capital stock of and investments in unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the reporting bank exercises significant influence (report in Schedule RC, item 8, "Investments in unconsolidated subsidiaries and associated companies").~~

**Part I. (cont.)****Item No.    Caption and Instructions**

- 11    LESS: Any unearned income on loans reflected in items 1-9 above.** To the extent possible, the preferred treatment is to report the specific loan categories net of both unearned income and net unamortized loan fees. A reporting bank should enter unearned income and net unamortized loan fees only to the extent that these amounts are included in (i.e., not deducted from) the various loan items of this schedule (Schedule RC-C, Part I, items 1 through 9). ~~If a bank reports each loan item of this schedule net of both unearned income and net unamortized loan fees, enter a zero in this item.~~

As defined in Accounting Standards Update No. 2017-12, Derivatives and Hedging (Topic 815), "Targeted Improvements to Accounting for Hedging Activities" (ASU 2017-12), the last-of-layer method was added to allow entities to apply hedge accounting to a portfolio of prepayable fixed-rate financial assets or one or more beneficial interests secured by a portfolio of prepayable financial instruments. Under ASU 2017-12, different types of qualifying assets can be grouped together in a last-of-layer hedge.

Due to the aggregation of assets in a last-of-layer closed portfolio, institutions may find it challenging to allocate the last-of-layer fair value hedge basis adjustments (FVHBAs) to the individual loan level. As such, an institution that applies the last-of-layer method to a closed portfolio of loans is not required to allocate the portfolio-level, last-of-layer FVHBAs to a more granular level and should include these unallocated amounts in this item 11.

If an institution reports each loan item in this schedule net of both unearned income and net unamortized loan fees and has no unallocated last-of-layer FVHBAs applicable to loans, enter a zero in this item. If the amount to be reported in this item represents an addition to the amounts reported in Schedule RC-C, Part I, items 1 through 10, because of unallocated last-of-layer FVHBAs, report the amount with a minus (-) sign.

Do not include net unamortized direct loan origination costs in this item; such costs must be added to the related loan balances reported in Schedule RC-C, Part I, items 1 through 9. In addition, do not include unearned income on lease financing receivables in this item. Leases should be reported net of unearned income in Schedule RC-C, Part I, item 10.

- 12    Total loans and leases held for investment and held for sale.** Report the sum of items 1.a.(1) through 10, less item 11.

The amount reported for this item must equal Schedule RC, item 4.a plus item 4.b.

The Call Report instructional clarifications to Schedule RC and Schedule RC-B for pledged equity securities and the Glossary entry for “Accrued Interest Receivable” on pages 91 to 95 would take effect December 31, 2020. The instructional clarifications to Schedule RI for shared fees and commissions from securities-related and insurance activities on pages 96 and 97 would take effect March 31, 2021.

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**Item No.    Caption and Instructions**

- 2.b        Available-for-sale securities.** Report the amount from Schedule RC-B, item 8, column D, "Total fair value."

NOTE: Item 2.c is to be completed only by institutions that have adopted FASB [Accounting Standards Update No. 2016-01](#) (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investment in mutual funds, and eliminates the concept of available-for-sale equity securities. ASU 2016-01 requires holdings of equity securities (except those accounted for under the equity method or that result in consolidation), including other ownership interests (such as partnerships, unincorporated joint ventures, and limited liability companies), to be measured at fair value with changes in the fair value recognized through net income. However, an institution may choose to measure equity securities and other equity investments that do not have readily determinable fair values 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.

Institutions that have not adopted ASU 2016-01 should leave item 2.c blank and report their holdings of equity securities with readily determinable fair values not held for trading as available-for-sale equity securities in Schedule RC-B, item 7, and in Schedule RC, item 2.b.

For institutions that are public business entities, as defined in U.S. GAAP, ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. For example, an institution with a calendar year fiscal year that is a public business entity must begin to apply ASU 2016-01 in its Call Report for March 31, 2018. For all other institutions, ASU 2016-01 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. For example, an institution with a calendar year fiscal year that is not a public business entity must begin to apply ASU 2016-01 in its Call Report for December 31, 2019. Early application of ASU 2016-01 is permitted for all institutions that are not public business entities as of fiscal years beginning after December 15, 2017, including interim periods within those fiscal years.

- 2.c        Equity securities with readily determinable fair values not held for trading.** Report the fair value of all investments in mutual funds and other equity securities (as defined in ASC Topic 321, Investments-Equity Securities) with readily determinable fair values that are not held for trading. Such securities include, but are not limited to, money market mutual funds, mutual funds that invest solely in U.S. Government securities, common stock, and perpetual preferred stock. Perpetual preferred stock does not have a stated maturity date and cannot be redeemed at the option of the investor, although it may be redeemable at the option of the issuer.

Exclude equity securities held for trading from Schedule RC, item 2.c. For purposes of the Call Report balance sheet, trading activities typically include (a) regularly underwriting or dealing in securities; interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts; other financial instruments; and other assets for resale, (b) acquiring or taking positions in such items principally for the purpose of selling in the near term or otherwise with the intent to resell in order to profit from short-term price movements, and (c) acquiring or taking positions in such items as accommodations to customers, provided that acquiring or taking such positions meets the definition of "trading" in ASC Topic 320, Investments—Debt Securities, and ASC Topic 815, Derivatives and Hedging, and the definition of "trading purposes" in ASC Topic 815. When an institution's holdings of equity securities with readily determinable fair values fall within the scope of the preceding description of trading activities, the equity securities should be reported as trading assets in Schedule RC, item 5. Otherwise, the equity securities should be reported in this item 2.c.

According to ASC Topic 321, the fair value of an equity security is readily determinable if sales prices or bid-and-asked quotations are currently available on a securities exchange registered with the U.S. Securities and Exchange Commission (SEC) or in the over-the-counter market, provided that those prices or quotations for the over-the-counter market are publicly reported by the National Association of Securities Dealers Automated Quotations

**Item No.    Caption and Instructions**2.c  
(cont.)

systems or by OTC Markets Group Inc. ("Restricted stock" meets that definition if the restriction terminates within one year.) The fair value of an equity security traded only in a foreign market is readily determinable if that foreign market is of a breadth and scope comparable to one of the U.S. markets referred to above. The fair value of an investment in a mutual fund (or in a structure similar to a mutual fund, i.e., a limited partnership or a venture capital entity) is readily determinable if the fair value per share (unit) is determined and published and is the basis for current transactions.

Investments in mutual funds and other equity securities with readily determinable fair values may have been purchased by the reporting institution or acquired for debts previously contracted.

Include in this item common stock and perpetual preferred stock of the Federal National Mortgage Association (Fannie Mae), common stock and perpetual preferred stock of the Federal Home Loan Mortgage Corporation (Freddie Mac), Class A voting and Class C non-voting common stock of the Federal Agricultural Mortgage Corporation (Farmer Mac), and common and preferred stock of SLM Corporation (the private-sector successor to the Student Loan Marketing Association).

The fair value of pledged equity securities with readily determinable fair values not held for trading reported in Schedule RC, item 2.c should be included in the amount reported in Schedule RC-B, Memorandum item 1.

Exclude from equity securities with readily determinable fair values not held for trading:

- (1) Federal Reserve Bank stock (report as an equity investment without a readily determinable fair value in Schedule RC-F, item 4).
- (2) Federal Home Loan Bank stock (report as an equity investment without a readily determinable fair value in Schedule RC-F, item 4).
- (3) Common and preferred stocks that do not have readily determinable fair values, such as stock of bankers' banks and Class B voting common stock of the Federal Agricultural Mortgage Corporation (Farmer Mac) (report in Schedule RC-F, item 4).
- (4) Preferred stock that by its terms either must be redeemed by the issuing enterprise or is redeemable at the option of the investor (i.e., redeemable or limited-life preferred stock), including trust preferred securities subject to mandatory redemption (report such preferred stock as an other debt security in Schedule RC-B, item 6).
- (5) "Restricted stock," i.e., equity securities for which sale is restricted by governmental or contractual requirement (other than in connection with being pledged as collateral), except if that requirement terminates within one year or if the holder has the power by contract or otherwise to cause the requirement to be met within one year (if the restriction does not terminate within one year, report "restricted stock" as an equity investment without a readily determinable fair value in Schedule RC-F, item 4).
- (6) Participation certificates issued by a Federal Intermediate Credit Bank, which represent nonvoting stock in the bank (report as an equity investment without a readily determinable fair value in Schedule RC-F, item 4).
- (7) Minority interests held by the reporting institution in any companies not meeting the definition of associated company (report as equity investments without readily determinable fair values in Schedule RC-F, item 4), except minority holdings that indirectly represent bank premises (report in Schedule RC, item 6) or other real estate owned (report in Schedule RC, item 7), provided that the fair value of any capital stock representing the minority interest is not readily determinable. (See the Glossary entry for

**Item No.    Caption and Instructions**2.c  
(cont.)

"subsidiaries" for the definition of associated company.)

- (8) Equity holdings in those corporate joint ventures over which the reporting institution does not exercise significant influence (report as equity investments without readily determinable fair value in Schedule RC-F, item 4), except equity holdings that indirectly represent bank premises (report in Schedule RC, item 6) or other real estate owned (report in Schedule RC, item 7). (See the Glossary entry for "subsidiaries" for the definition of corporate joint venture.)
- (9) Holdings of capital stock of and investments in unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the reporting bank exercises significant influence (report in Schedule RC, item 8, "Investments in unconsolidated subsidiaries and associated companies").

**3        Federal funds sold and securities purchased under agreements to resell:**

- 3.a        Federal funds sold.** Report the outstanding amount of federal funds sold, i.e., immediately available funds lent under agreements or contracts that have an original maturity of one business day or roll over under a continuing contract, excluding such funds lent in the form of securities purchased under agreements to resell (which should be reported in Schedule RC, item 3.b) and overnight lending for commercial and industrial purposes (which generally should be reported in Schedule RC, item 4.b). Transactions that are to be reported as federal funds sold may be secured or unsecured or may involve an agreement to resell loans or other instruments that are not securities.

Immediately available funds are funds that the purchasing bank can either use or dispose of on the same business day that the transaction giving rise to the receipt or disposal of the funds is executed. A continuing contract, regardless of the terminology used, is an agreement that remains in effect for more than one business day, but has no specified maturity and does not require advance notice of the lender or the borrower to terminate.

Report federal funds sold on a gross basis; i.e., do not net them against federal funds purchased, except to the extent permitted under ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts"). Include the fair value of federal funds sold that are accounted for at fair value under a fair value option.

Also exclude from federal funds sold:

- (1) Sales of so-called "term federal funds" (as defined in the Glossary entry for "federal funds transactions") (report in Schedule RC, item 4.b, "Loans and leases held for investment").
- (2) Securities resale agreements that have an original maturity of one business day or roll over under a continuing contract, if the agreement requires the bank to resell the identical security purchased or a security that meets the definition of substantially the same in the case of a dollar roll (report in Schedule RC, item 3.b, "Securities purchased under agreements to resell").
- (3) Deposit balances due from a Federal Home Loan Bank (report as balances due from depository institutions in Schedule RC, item 1.a or 1.b, as appropriate).
- (4) Lending transactions in foreign offices involving immediately available funds with an original maturity of one business day or under a continuing contract that are not securities resale agreements (report in Schedule RC, item 4.b, "Loans and leases held for investment").

For further information, see the Glossary entry for "federal funds transactions."



**Memoranda****Item No.    Caption and Instructions**

- 1        **Pledged securities.** Report the amortized cost of all held-to-maturity debt securities, included in Schedule RC-B, column A, above; ~~and~~ the fair value of all available-for-sale debt securities included in Schedule RC-B, column D, above; ~~and~~ the fair value of all equity securities with readily determinable fair values not held for trading included in Schedule RC, item 2.c that are pledged to secure deposits, repurchase transactions, or other borrowings (regardless of the balance of the deposits or other liabilities against which the securities are pledged); as performance bonds under futures or forward contracts; or for any other purpose. Include as pledged securities:
- (1) Held-to-maturity debt securities, ~~and~~ available-for-sale debt securities, and equity securities with readily determinable fair values not held for trading that have been "loaned" in securities borrowing/lending transactions that do not qualify as sales under ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," as amended).
  - (2) Held-to-maturity debt securities, ~~and~~ available-for-sale debt securities, and equity securities with readily determinable fair values not held for trading held by consolidated variable interest entities (VIEs) that can be used only to settle obligations of the same consolidated VIEs (the amounts of which should also be reported in Schedule SU, item 7.a).
  - (3) Held-to-maturity debt securities, ~~and~~ available-for-sale debt securities, and equity securities with readily determinable fair values not held for trading owned by consolidated insurance subsidiaries and held in custodial trusts that are pledged to insurance companies external to the consolidated bank.

- 2        **Maturity and repricing data for debt securities.** Report in the appropriate subitem maturity and repricing data for the bank's holdings of debt securities (reported in Schedule RC-B, items 1 through 6 above). Report the amortized cost of held-to-maturity debt securities and the fair value of available-for-sale debt securities in the appropriate maturity and repricing subitems. Exclude from Memorandum item 2 the bank's holdings of equity securities with readily determinable fair values (reported in Schedule RC-B, item 7, above) (e.g., investments in mutual funds, common stock, preferred stock). Also exclude those debt securities that are reported as "nonaccrual" in Schedule RC-N, item 10, column C.

The sum of Memorandum items 2.a.(1) through 2.c.(2) plus the amount of any nonaccrual debt securities included in Schedule RC-N, item 10, column C, must equal Schedule RC-B, sum of items 1 through 6, columns A and D.

For purposes of this memorandum item, the following definitions apply:

A fixed interest rate is a rate that is specified at the origination of the transaction, is fixed and invariable during the term of the debt security, and is known to both the borrower and the lender. Also treated as a fixed interest rate is a predetermined interest rate which is a rate that changes during the term of the debt security on a predetermined basis, with the exact rate of interest over the life of the debt security known with certainty to both the borrower and the lender when the debt security is acquired.

A floating rate is a rate that varies, or can vary, in relation to an index, to some other interest rate such as the rate on certain U.S. Government securities or the "prime rate," or to some other variable criterion the exact value of which cannot be known in advance. Therefore, the exact rate the debt security carries at any subsequent time cannot be known at the time of origination.

**Accrued Interest Receivable:** Accrued interest receivable is the recorded amount of interest that has been earned in current or prior periods on interest-bearing assets that has not yet been collected.

For institutions that have not adopted ASC Topic 326, Financial Instruments–Credit Losses, refer to the Glossary entry on “nonaccrual status” for the treatment of previously accrued interest. Accrued interest receivable that is not reported elsewhere on Schedule RC, Balance Sheet, as a component of the balance sheet amount of the associated financial asset should be reported in Schedule RC-F, item 1, “Accrued interest receivable.”

For institutions that have adopted ASC Topic 326, ASC Topic 326 permits a series of accounting policy elections related to accrued interest receivable. These elections are made upon adoption of ASC Topic 326 and may differ by class of financing receivable or major security-type level. The available accounting policy elections are:

- (1) Institutions may elect to ~~separately~~ present accrued interest receivable separately from the ~~associated-related~~ financial asset. The accrued interest receivable is presented net of an allowance for credit losses (ACL), if any. An institution that elects to present accrued interest receivable separately from the amount reported for the related financial asset (e.g., loans, leases, debt securities, and other interest-bearing assets) on Schedule RC, Balance Sheet (rather than as a component of the balance sheet amount reported for the related financial asset), should report the accrued interest receivable in Schedule RC-F, item 1, “Accrued interest receivable.”
- (2) Institutions that charge off uncollectible accrued interest receivable in a timely manner, i.e., in accordance with the Glossary entry for “nonaccrual status,” may elect, at the class of financing receivable or the major security-type level, not to ~~not~~ measure an ACL for accrued interest receivable. ~~For purposes of these reports, if an institution makes this policy election, the institution should debit (i.e., reduce) the appropriate category of interest income on Schedule RI, Income Statement, for the amount of uncollectible accrued interest receivable being charged off.~~ If an institution does not make this policy election for a particular class of financing receivable or major security type, the institution should measure an allowance for credit losses ACL on accrued interest receivable for that class of financing receivable or major security type and should charge off any uncollectible accrued interest receivable against the allowance for credit losses.

An institution may make a separate policy election, at the class of financing receivable or major security type level, to charge off any uncollectible accrued interest receivable by reversing interest income, recognizing credit loss expense (i.e., provision expense), or a combination of both. If an institution reverses interest income, the institution should debit (i.e., reduce) the appropriate category of interest income on Schedule RI, Income Statement, for the amount of uncollectible accrued interest receivable being charged off. Furthermore, for purposes of these reports, an institution may charge off uncollectible accrued interest receivable against an ACL by debiting (i.e., reducing) the ACL.

See also the Glossary entries for “allowance for loan and lease losses” or “allowance for credit losses” as applicable, “amortized cost basis,” and “nonaccrual status.”

**Accrued Interest Receivable Related to Credit Card Securitizations:** In a typical credit card securitization, an institution transfers a pool of receivables and the right to receive the future collections of principal (credit card purchases and cash advances), finance charges, and fees on the receivables to a trust. If a securitization transaction qualifies as a sale under ASC Topic 860, Transfers and Servicing, the selling institution removes the receivables that were sold from its reported assets and continues to carry any retained interests in the transferred receivables on its balance sheet. The “accrued interest receivable” (AIR) asset typically consists of the seller’s retained interest in the investor’s portion of (1) the accrued fees and finance charges that have been billed to customer accounts, but have not yet been collected (“billed but uncollected”), and (2) the right to finance charges that have been accrued on cardholder accounts, but have not yet been billed (“accrued but unbilled”).

**Item No.    Caption and Instructions**

- 5.b** (8) For deposits to or withdrawals from deposit accounts through the use of automated teller machines or remote service units.
- (cont.)
- (9) For the processing of checks drawn against insufficient funds, so-called "NSF check charges," that the institution assesses regardless of whether it decides to pay, return, or hold the check. Exclude subsequent charges levied against overdrawn accounts based on the length of time the account has been overdrawn, the magnitude of the overdrawn balance, or which are otherwise equivalent to interest (report in the appropriate subitem of Schedule RI, item 1.a, "Interest and fee income on loans").
- (10) For issuing stop payment orders.
- (11) For certifying checks.
- (12) For the accumulation or disbursement of funds deposited to Individual Retirement Accounts (IRAs), Keogh Plan accounts, Health Savings Accounts, Medical Savings Accounts, and Coverdell Education Savings Accounts when not handled by the institution's trust department. Report such commissions and fees received for accounts handled by the institution's trust department in Schedule RI, item 5.a, "Income from fiduciary activities."
- (13) For wire transfer services provided to the institution's depositors.

Exclude penalties paid by depositors for the early withdrawal of time deposits (report as "Other noninterest income" in Schedule RI, item 5.l, or deduct from the interest expense of the related category of time deposits, as appropriate).

**5.c** Not applicable.

**5.d** **Income from securities-related and insurance activities.** For items 5.d.(1) and 5.d.(2) below, when an institution partners with, or otherwise joins with, a third party to conduct securities brokerage, investment banking, investment advisory, securities underwriting, insurance and annuity sales, insurance underwriting, or any other securities-related and insurance activities, and any fees and commissions generated by these activities are shared with the third party, the reporting institution should report its share of the fees or commissions in the appropriate subitem of this item 5.d rather than reporting the gross fees and commissions in the appropriate subitem and the third party's share of the fees and commissions in Schedule RI, item 7.d, "Other noninterest expense."

**5.d.(1)** **Fees and commissions from securities brokerage, investment banking, advisory, and underwriting activities.** Report fees and commissions from securities brokerage activities, from the sale and servicing of mutual funds, from the purchase and sale of securities and money market instruments where the bank is acting as agent for other banks or customers, and from the lending of securities owned by the bank or by bank customers (if these fees and commissions are not included in Schedule RI, item 5.a, "Income from fiduciary activities," or as trading revenue in item 5.l, "Other noninterest income"). However, exclude fees and commissions from the sale of annuities (fixed, variable, and other) to bank customers by the bank or any securities brokerage subsidiary (report such income in Schedule RI, item 5.d.(2), "Income from insurance activities").

Also report fees and commissions from underwriting (or participating in the underwriting of) securities, private placements of securities, investment advisory and management services, merger and acquisition services, and other related consulting fees. Include fees and commissions from the placement of commercial paper, both for transactions issued in the bank's name and transactions in which the bank acts as an agent for a third party issuer.

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**5.d.(1)**  
(cont.)    Also include the bank's proportionate share of the income or loss before discontinued operations from its investments in equity method investees that are principally engaged in securities brokerage, investment banking, advisory, or securities underwriting activities. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence.

**5.d.(2)**    **Income from insurance activities.** Report fees and commissions from sales of annuities (fixed, variable, and other) by the bank and any subsidiary of the bank and fees earned from customer referrals for annuities to insurance companies and insurance agencies external to the consolidated bank. Also include management fees earned from annuities.

However, exclude fees and commissions from sales of annuities by the bank's trust department (or by a consolidated trust company subsidiary) that are executed in a fiduciary capacity (report in Schedule RI, item 5.a, "Income from fiduciary activities").

Also report the amount of premiums earned by bank subsidiaries engaged in insurance underwriting or reinsurance activities. Include earned premiums from (a) life and health insurance and (b) property and casualty insurance, whether (direct) underwritten business or ceded or assumed (reinsured) business. Insurance premiums should be reported net of any premiums transferred to other insurance underwriters/reinsurers in conjunction with reinsurance contracts.

Report income from insurance product sales and referrals, including:

- (1) Service charges, commissions, and fees earned from insurance sales, including credit, life, health, property, casualty, and title insurance products.
- (2) Fees earned from customer referrals for insurance products to insurance companies and insurance agencies external to the consolidated bank.

Also include management fees earned from separate accounts and universal life products.

Also include the bank's proportionate share of the income or loss before discontinued operations from its investments in equity method investees that are principally engaged in annuity sales, insurance underwriting or reinsurance activities, or insurance product sales and referrals. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence.

**5.e**    Not applicable.