

**Draft Revisions to the FFIEC 002 Instructions for Proposed Revisions to the FFIEC 002  
with Effective Dates Beginning with the June 30, 2020, Report Date**

These draft instructions, which are subject to change, include the pages in the instruction book for the Report of Assets and Liabilities of U.S. Branches and Agencies (FFIEC 002) as they are proposed to be revised, subject to final approval by the U.S. Office of Management and Budget (OMB). These 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 002 instruction book, with certain modifications. The initial and final notices are available on the [FFIEC's web page for the FFIEC 002](#).

The draft instructions with effective dates of June 30, 2020, or September 30, 2020, pertain to an interim final rule that amends the Federal Reserve Board's (Board) Regulation D on reserve requirements, a final rule adopted by the Federal Deposit Insurance Corporation (FDIC) that modified its deposit insurance assessment rules in response to disruptions related to the Coronavirus Disease 2019, and 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. In the second quarter, the agencies have received emergency approvals from the OMB to implement changes to the FFIEC 002 arising from the Board's interim final rule, the FDIC's final rule, and Section 4013 of the CARES Act.

In addition, the draft instructions with effective dates beginning with the March 31, 2021, report date address proposed revisions to the FFIEC 002 related to the application of specific aspects of U.S. generally accepted accounting principles, which are described in the agencies' initial and final *Federal Register* notice.

Table of Contents

**Impacted Instructions**

**Page**

***FFIEC 002 Effective Date: June 30, 2020***

|  |    |
|--|----|
| 1. Schedule C, Part I, <i>Loans and Leases</i> , Memorandum Item 5, “Eligible loan modifications under Section 4013, <i>Temporary Relief from Troubled Debt Restructurings</i> , of the 2020 Coronavirus Aid, Relief, and Economic Security Act” ..... | 4  |
| 2. Schedule E, <i>Deposit Liabilities</i> , and the Glossary Entry for “ <i>Deposits</i> ” related to the Interim Final Rule for Reserve Requirements of Depository Institutions (Regulation D).....   | 6  |
| 3. Schedule O, <i>Other Data for Deposit Insurance Assessments</i> , Memorandum Item 6, “Quarterly average amount of Paycheck Protection Program loans pledged to the Federal Reserve Paycheck Protection Program Liquidity Facility” .....            | 14 |
| 4. Schedule O, <i>Other Data for Deposit Insurance Assessments</i> , Memorandum Item 7, “Quarterly average amount of holdings of assets purchased from money market funds under the Money Market Mutual Fund Liquidity Facility” .....                 | 14 |

***FFIEC 002 Effective Date: September 30, 2020***

|  |    |
|--|----|
| 5. Schedule O, <i>Other Data for Deposit Insurance Assessments</i> , Memorandum Item 6, “Outstanding balance of Paycheck Protection Program loans” ..... | 17 |
|--|----|

***Proposed FFIEC 002 Effective Date: March 31, 2021***

|   |    |
|---|----|
| 6. Schedule N, <i>Past Due, Nonaccrual, and Restructured Loans</i> , Nonaccrual Treatment of Purchased Credit-Deteriorated Assets, and Glossary Entries for “ <i>Nonaccrual Status</i> ,” “ <i>Purchased Credit-Deteriorated Assets</i> ,” and “ <i>Purchased Credit-Impaired Loans and Debt Securities</i> ” ..... | 19 |
| 7. Glossary Entry for “ <i>Deposits</i> ” related to the Interim Final Rule for Reserve Requirements of Depository Institutions (Regulation D).....   | 32 |

***Proposed FFIEC 002 Effective Date: TBD***

|   |    |
|---|----|
| 8. Schedule RAL, <i>Assets and Liabilities</i> , Memorandum Item 3.b, “Amortized cost of available-for-sale securities” .....     | 38 |
| 9. Schedule C, Part I, <i>Loans and Leases</i> , Item 10, “LESS: Any unearned income on loans reflected in items 1-8 above” ..... | 39 |

Note: The changes to the instructions for Schedule C, Part I; Schedule E; the Glossary entry for "Deposits"; and Schedule O on pages 4 through 15 are effective as of the June 30, 2020, report date.

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# Schedule C

## **Item M4 Commercial and industrial loans with remaining maturity of more than one year (excluding those in nonaccrual status).**

Report in the proper subitems below the amount outstanding on the report date of commercial and industrial loans (the sum of items 4(a) and 4(b) of this schedule, column A) which have a remaining maturity (from the report date until the final contractual maturity date) of more than one year. Exclude demand loans, loans with no stated repayment schedule and no stated maturity, and overdrafts, which should be reported in Memorandum item 3 above. Exclude those loans and leases that are reported as nonaccrual in Schedule N, column C.

### **Item M4(a) With predetermined interest rates.**

Report in this item those commercial and industrial loans with remaining maturity of more than one year with fixed or predetermined interest rates. The definition of this type of rate is found in Memorandum item 3(a) above.

Insert A

### **Item M4(b) With floating interest rates.**

Report in this item those commercial and industrial loans with a remaining maturity of more than one year with floating interest rates. The definition of this type of rate is found in Memorandum item 3(b) above.

## **Part II. Loans to Small Businesses and Small Farms—General Instructions**

Schedule C, part II, is to be completed only as of the June 30 report date by branches whose deposits are insured by the FDIC.

Schedule C, part II, requests information on the number and amount currently outstanding of “loans to small businesses” and “loans to small farms,” as defined below. This information is being collected pursuant to Section 122 of the Federal Deposit Insurance Corporation Improvement Act of 1991.

For purposes of this schedule, “loans to small businesses” consist of the following:

- (1) Loans secured by nonfarm nonresidential properties (excluding those held in the branch’s IBF) with original amounts of \$1 million or less that have been reported in Schedule C, part I, item 1, column A, “Loans secured by real estate,” and

- (2) Loans (excluding those held in the branch’s IBF) with original amounts of \$1 million or less that have been reported in Schedule C, part I, item 4(a), column A, “Commercial and industrial loans to U.S. addressees.”

For purposes of this schedule, “loans to small farms” consist of the following:

- (1) Loans secured by farmland (including farm residential and other improvements) (excluding those held in the branch’s IBF) with original amounts of \$500,000 or less that have been reported in Schedule C, part I, item 1, column A, “Loans secured by real estate,” and
- (2) Loans to finance agricultural production and other loans to farmers (excluding those held in the branch’s IBF) with original amounts of \$500,000 or less that have been reported in Schedule C, part I, item 8, column A, “All other loans.”

The following guidelines should be used to determine the “original amount” of a loan:

- (1) For loans drawn down under lines of credit or loan commitments, the “original amount” of the loan is the size of the line of credit or loan commitment when the line of credit or loan commitment was *most recently* approved, extended, or renewed prior to the report date. However, if the amount currently outstanding as of the report date exceeds this size, the “original amount” is the amount currently outstanding on the report date.
- (2) For loan participations and syndications, the “original amount” of the loan participation or syndication is the entire amount of the credit originated by the lead lender.
- (3) For all other loans, the “original amount” is the total amount of the loan at origination or the amount currently outstanding as of the report date, whichever is larger.

The “amount currently outstanding” for a loan is its carrying value, i.e., the amount at which the loan is reported in Schedule C, part I, items 1, 4(a), or 8, above.

Except as noted below for “corporate” or “business” credit card programs, when determining “original amounts” and reporting the number and amount cur-

**Item M5 Eligible loan modifications under Section 4013, Temporary Relief from Troubled Debt Restructurings, of the 2020 Coronavirus Aid, Relief, and Economic Security Act.**

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 not report the loan in Memorandum items 5(a) and 5(b) and should evaluate whether the modified loan is a troubled debt restructuring (TDR) under ASC Subtopic 310-40, Receivables -Troubled Debt Restructurings by Creditors.

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.

Financial 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. However, consistent with the statute, the agencies are collecting information about the volume of Section 4013 loans, including the number of Section 4013 loans outstanding (Memorandum item 5(a)) and the outstanding balance of Section 4013 loans (Memorandum item 5(b)). These two items are collected on a confidential basis at the branch-and-agency level.

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 Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised), issued April 7, 2020.

**Item M5(a) Number of Section 4013 loans outstanding.** 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 C, Part I, Memoranda item 5(b), below.

**Item M5(b) Outstanding balance of Section 4013 loans.** Report the aggregate amount at which Section 4013 loans held for investment and held for sale are included in Schedule C, Part I, and Section 4013 loans held for trading are included in Schedule RAL, item 1(f)(5), as of the report date.

# Schedule E

stop payment, missing endorsement, post or stale date, or account closed), but which have been 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 RAL, item 1(h) "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 identified as "transaction accounts." The distinction between transaction and nontransaction accounts is discussed in detail in the Glossary entry for "deposits." In particular, 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.)~~

### ~~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.~~

### ~~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.~~

### ~~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.~~

## Column Instructions

Deposits as summarized above are divided into two general categories, "Transaction Accounts" (columns A and B) and "Nontransaction Accounts" (column C).



# Glossary

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.)~~

*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.

Transaction accounts consist of the following types of deposits: (a) demand deposits; (b) NOW accounts (including accounts previously designated as “Super NOWs”); (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 insurance 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 non-profit recreational clubs; or
  - (iii) Governmental units including the federal government and its agencies and

# Glossary

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.

*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



# Glossary

be used for the purpose of making payments or transfers to third parties or others, or to another deposit account of the depositor.

- (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 transfer 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 this report. *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 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:~~

- ~~(i) Transfers for the purpose of repaying loans and associated expenses at the same depository institution (as originator or servicer).~~

# Glossary

- ~~(ii) 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.~~
- ~~(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).~~

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. 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:

- ~~(i) If the depositor is ineligible to hold a NOW account, such an account is considered a demand deposit.~~
- ~~(ii) If the depositor is eligible to hold a NOW account, the account will be considered either a NOW account, a telephone or pre-authorized 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 pre-authorized 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 this report.

- (i) *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.
- (ii) *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.

unlimited transfers

Examples illustrating distinctions between MMDAs and other savings deposits for purposes of this report 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

Insert B

*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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# Glossary

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 acknowledgment issued by the branch or agency, 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:
  - (a) on a certain date not less than seven days after the date of deposit,
  - (b) at the expiration of a specified period not less than seven days after the date of the deposit, or
  - (c) upon written notice to the branch or agency 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:
  - (a) the date of maturity which shall be not less than seven days after the date of the deposit, or
  - (b) the expiration of a specified period of written notice of not less than seven days.

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:

- (i) 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.
- (ii) 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.

## *Reporting of Retail Sweep Arrangements Affecting Transaction and Nontransaction Accounts*

In an effort to reduce their reserve requirements, some branches and agencies have established sweep arrangements that involve transfers of retail customers' deposits between two subaccounts. In a typical arrangement, a branch or agency creates a master account and two subaccounts: a transaction subaccount (either a demand deposit account or a NOW account), ~~which is subject to reserve requirements~~, and a nontransaction savings subaccount (a special-purpose money market deposit account (MMDA)), ~~which is not subject to~~

# Glossary

**reserve requirements.** Depending upon the balances in the two subaccounts on a particular day, the branch or agency will shift funds from the transaction subaccount to the MMDA subaccount or vice versa. On some days, the balance in the MMDA subaccount may be zero. (For purposes of the Federal Reserve’s Regulation D, there is no distinction between an MMDA and any other form of savings account in terms of legally required restrictions on transfers.) For purposes of this report, the transaction subaccount and MMDA subaccount must be treated separately when a branch or agency reports its quarter-end deposit information in Schedules RAL, E, and O.

## (III) Interest-bearing-noninterest-bearing deposit distinction

- (1) *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.

- (2) *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 of which* may be made 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

Branches and agencies 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

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## Schedule O

this example). The institution has pledged securities with a value of \$300,000 to secure these deposits. Only \$250,000 of the political subdivision's \$350,000 in deposits (the uninsured amount) would be considered "preferred deposits."

**Item M4 Not applicable.**

**Item M5 Not applicable.**

Insert C



DRAFT



**Item M6 Quarterly average amount of Paycheck Protection Program (PPP) loans pledged to the Federal Reserve Paycheck Protection Program Liquidity Facility (PPPLF).**

Report the quarterly average amount of PPP loans pledged to the PPPLF.

This quarterly average should be consistent with and calculated using the same averaging method used for calculating the “Average consolidated total assets for the calendar quarter” reported in Schedule O, item 4. If the quarterly average reported in Schedule O, item 4, is calculated on a daily average basis, the quarterly average reported in this Memorandum item 6 should also be calculated on a daily average basis. If the quarterly average reported in Schedule O, item 4, is calculated on a weekly average basis, the quarterly average reported in this Memorandum item 6 should also be calculated on a weekly average basis.

**Item M7 Quarterly average amount of holdings of assets purchased from money market funds under the Money Market Mutual Fund Liquidity Facility (MMLF).**

Report the quarterly average amount of holdings of assets purchased under the MMLF.

This quarterly average should be consistent with and calculated using the same averaging method used for calculating the “Average consolidated total assets for the calendar quarter” reported in Schedule O, item 4. If the quarterly average reported in Schedule O, item 4, is calculated on a daily average basis, the quarterly average reported in this Memorandum item 7 should also be calculated on a daily average basis. If the quarterly average reported in Schedule O, item 4, is calculated on a weekly average basis, the quarterly average reported in this Memorandum item 7 should also be calculated on a weekly average basis.

Note: The changes to the instructions for Schedule O on page 17 are effective as of the September 30, 2020, report date.

DRAFT

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## Schedule O

this example). The institution has pledged securities with a value of \$300,000 to secure these deposits. Only \$250,000 of the political subdivision's \$350,000 in deposits (the uninsured amount) would be considered "preferred deposits."

**Item M4 Not applicable.**

**Item M5 Not applicable.**

**Item M6 Outstanding balance of Paycheck Protection Program (PPP) loans.**

The PPP was established by Section 1102 of the 2020 Coronavirus Aid, Relief, and Economic Security Act, which was enacted on March 27, 2020. PPP covered loans, as defined in Section 7(a)(36) of the Small Business Act (15 U.S.C. 636(a)(36)), are fully guaranteed as to principal and accrued interest by the U.S. Small Business Administration.

Report the aggregate amount at which PPP loans held for investment and held for sale are included in Schedule C, Part I, and PPP loans held for trading are included in Schedule RAL, item 1(f)(5), as of the report date.

Note: The proposed revisions to the instructions for Schedule N and the Glossary entries for *“Nonaccrual Status,” “Purchased Credit-Deteriorated Assets,” “Purchased Credit-Impaired Loans and Debt Securities,”* and *“Deposits”* on pages 19 through 36 are proposed to be effective as of the March 31, 2021, report date.

DRAFT

(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; or a pool of loans, accounted for in accordance with that Subtopic, regardless of whether the loan or; the loans in the pool, 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."

loan would be \$900 (\$150 shortage times six payments), or three monthly payments past due. A branch or agency may use either or both methods for its retail credit but may not use both methods simultaneously with a single loan.

Insert D

**Nonaccrual.** For purposes of this schedule, loans and lease financing receivables are to be reported as being in nonaccrual status if: (1) they are maintained on cash basis because of deterioration in the financial position of the borrower, (2) payment in full of interest or principal is not expected, or (3) principal or interest has been in default for a period of 90 days or more unless the obligation is *both* well secured *and* in the process of collection.

an

A debt 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. A debt is "in the process of collection" if collection of the debt is proceeding 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.

Insert E

For purposes of applying the third test for nonaccrual status listed above, the date on which a loan reaches nonaccrual status is determined by its contractual terms. If the principal or interest on a loan becomes due and unpaid for 90 days or more on a date that falls between report dates, the loan 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.

or a loan

In the following situations, a loan need not be placed in nonaccrual status:

N-2

March 2021

(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 impaired loan or debt security accounted for in accordance with that Subtopic, regardless of whether the loan or debt security had been maintained in nonaccrual status by its seller.

has

For institutions that have adopted ASU 2016-13, any outstanding purchased credit-impaired loans and debt securities as of the adoption date should prospectively be accounted for as purchased credit-deteriorated loans and debt securities. Any remaining noncredit discount on such loans and debt securities should be accreted into interest income at the effective interest rate on the adoption date of ASU 2016-13 if a loan or debt security is not required to be placed in nonaccrual status. For purchased credit-deteriorated loans acquired after the adoption date, ASU 2016-13 refers to ASC Subtopic 310-10 for guidance on recognition of interest income. For purchased credit-deteriorated loans with common risk characteristics that are aggregated and accounted for as a pool for allowance measurement purposes under ASU 2016-13, the determination of nonaccrual or accrual status should be made at the individual loan level, not at the pool level.

PCI

PCD

a branch or agency chooses to

(2) The criteria for amortization (discount) specified in AICPA Practice Bulletin No. 6 are met with respect to a loan or other debt instrument acquired at a discount (because there is uncertainty as to the amounts or timing of future cash flows) from an unaffiliated third party (such as another institution or the receiver of a failed institution), including those that the seller had maintained in nonaccrual status.

(3) The loan upon which principal or interest is due and unpaid for 90 days or more is a consumer loan secured by a 1-to-4 family residential property. Nevertheless, such loans should be subject to other alternative methods of evaluation to assure that the reporting institution's net income is not materially affected. To the extent that the report-

overstated

Insert D

For institutions that have not adopted ASU 2016-13, when accrual of income on a purchased credit-impaired (PCI) loan accounted for individually is appropriate, the delinquency status of the individual loan should be determined in accordance with its contractual repayment terms for purposes of reporting the amount of the loan as past due in the appropriate items of Schedule N, column A or B. When accrual of income on a pool of 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 N, column A or B. For further information, see the Glossary entry for “purchased credit-impaired loans.”

For institutions that have adopted ASU 2016-13, any PCI loans held as of the adoption date of the standard should prospectively be accounted for as purchased credit-deteriorated (PCD) loans. As of the adoption date of the standard, the remaining noncredit discount or premium on a PCD loan, after the adjustment for the allowance for credit losses, should be accreted to interest income at the new effective interest rate on the loan, if the loan is not required to be placed on nonaccrual. For a PCD loan that is not reported in nonaccrual status, the delinquency status of the PCD loan should be determined in accordance with its contractual repayment terms for purposes of reporting the amortized cost basis of the loan as past due in Schedule N, column A or B, as appropriate. If PCD loan 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.”



(3) For an institution that has adopted ASU 2016-13, the following criteria are met for a PCD loan, including a PCD loan that was previously a PCI loan 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”):

- (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 institutions or improving the collateral for resale.

When a PCD loan that meets the criteria above is not placed in nonaccrual status, the loan 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 loan is in nonaccrual or accrual status, an institution is not permitted to accrete the credit-related discount embedded in the purchase price of such a loan 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 loan 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 loan in nonaccrual status, the loan must be reported as a nonaccrual asset at its amortized cost basis in this schedule in 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.”

# Schedule N

See page 19

ing institution has elected to carry such a loan in nonaccrual status on its books, the loan must be reported as nonaccrual in this schedule.

As a general rule, a nonaccrual loan may be restored to accrual status when (1) none of its principal and interest and the reporting institution the remaining contractual principal when it otherwise becomes well less of collection. For purposes for restoration to accrual status, the reporting institution must have received repayment of the past due principal and interest unless, as discussed in the Glossary entry for “nonaccrual status,” (1) the loan 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 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, (4) certain repayment criteria are met. For further information, see the Glossary entry for “nonaccrual status.”

for an institution that has not adopted ASU 2016-13,

PCI

Subtopic

ured and in compliance with modified terms” 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 restructured loan. Also, a loan to a purchaser of “other real estate owned” by the reporting branch or agency for the purpose of facilitating the disposal of such real estate is not considered a restructured loan. For further information, see ASC Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors (formerly FASB Statement No. 15, “Accounting by Debtors and Creditors for Troubled Debt Restructurings”).

Report as “restructured and in compliance with modified loans and leases as defined in accordance with their modified terms, and leases (1) on which *no* principal or interest scheduled payments are due and contractual payments of both scheduled under the modified terms are due more than 30 days past due. (2) the loan is restructured and in compliance with modified loans secured by properties and all restructured loans secured by household, family, and other properties. However, any restructured loans that subsequently become past due 30 days or more or are placed in nonaccrual status should be reported accordingly.)

(3) for an institution that has adopted ASU 2016-13, the loan is a PCD loan and it meets the two criteria specified in the third situation discussed above in which a loan need not be placed in nonaccrual status,

## Restructured and in compliance with modified terms.

For purposes of this schedule, restructured loans and leases are those loans and leases whose terms have been modified, because of a deterioration in the financial condition of the borrower, to provide for a reduction of either interest or principal, regardless of whether such loans and leases are secured or unsecured, regardless of whether such credits are guaranteed by the government or by others, and (except as noted in the following paragraph) regardless of the effective interest rate on such credits.

Once a loan or lease has been restructured because of such credit problems, it continues to be considered restructured until paid in full. However, a restructured loan or lease that is in compliance with its modified terms and yields a market rate (i.e., the recorded amount of the obligation bears an effective interest rate that at the time of the restructuring is greater than or equal to the rate that the branch or agency is willing to accept for a new extension of credit with comparable risk) need not continue to be reported as “restruc-

## Column Instructions

Institutions that have adopted ASU 2016-13 should report in columns A and B asset amounts without any deduction for allowances for credit losses.

*Report in columns A and B* (except for Memoranda item 2) the full outstanding balances (not just delinquent payments) of loans, including lease financing receivables, that are past due and upon which the branch or agency, including its IBF, continues to accrue interest, as follows:

- (1) In column A, report closed-end monthly installment loans, amortizing loans secured by real estate, lease financing receivables, and open-end credit in arrears two or three monthly payments; other multipayment obligations, with payments

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# Glossary

related fringe benefits directly related to time spent performing those activities for that particular loan and other costs related to those activities that would not have been incurred but for that particular loan.

All other lending-related costs, whether or not incremental, should be charged to expense as incurred, including costs related to activities performed by the lender for advertising, identifying potential borrowers, soliciting potential borrowers, servicing existing loans, and other ancillary activities related to establishing and monitoring credit policies, supervision, and administration. Employees' compensation and fringe benefits related to these activities, unsuccessful loan origination efforts, and idle time should be charged to expense as incurred. Administrative costs, rent, depreciation, and all other occupancy and equipment costs are considered indirect costs and should be charged to expense as incurred.

Net unamortized loan fees represent an adjustment of the loan yield, and shall be reported in the same manner as unearned income on loans, i.e., deducted from the related loan balances (to the extent possible) or deducted from total loans in "Any unearned income on loans reflected in items 1–8 above" in Schedule C, part I. Net unamortized direct loan origination costs shall be added to the related loan balances in Schedule C. Amounts of loan origination, commitment and other fees and costs recognized as an adjustment of yield should be included in interest income which is recognized as part of unremitted profit and loss. Other fees, such as (a) commitment fees that are recognized during the commitment period or included in income when the commitment expires (i.e., fees retrospectively determined and fees for commitments where exercise is remote) and (b) syndication fees that are not deferred, should be included in noninterest income which is recognized as part of unremitted profit and loss.

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## Loans Secured by Real Estate

For purposes of this report, loans secured by real estate are loans predicated upon a security interest in real property. A loan predicated upon a security interest in real property is a loan secured wholly or substantially by a lien on real property for which the lien is central to the extension of the credit—that is, the borrower would not have been extended credit in the same amount or on terms as favorable without the lien on

real property. All loans satisfying the criteria above are to be reported as loans secured by real estate (Schedule C, part I, item 1), regardless of whether secured by first or junior liens, regardless of the department within the branch or agency that made the loans, regardless of how the loans are categorized in the branch or agency's records, and regardless of the purpose of the financing. Only in transactions where a lien on real property has been taken as collateral solely through an abundance of caution and where the terms as a consequence have not been made more favorable than they would have been in the absence of the lien, would the loans *not* be considered to be secured by real estate and *not* be classifiable as loans secured by real estate in this report.

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## Money Market Deposit Account (MMDA)

See "deposits."

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## NOW Account

See "deposits."

and

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## Nonaccrual Status

Branches ~~or~~ agencies shall *not* accrue interest or discount on (1) any asset which is maintained on a cash basis because of deterioration in the financial condition of the borrower, (2) any asset for which payment in full of interest or principal is not expected, or (3) any asset upon which principal or interest has been in default for a period of 90 days or more unless it is *both* well secured *and* in the process of collection. ~~A nonaccrual asset may be restored to an accrual status when none of its principal and interest is due and unpaid or when it otherwise becomes well secured and in the process of collection.~~

For purposes of applying the third test for the nonaccrual of interest 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 ~~above~~.

# Glossary

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. A debt is “in the process of collection” if collection of the debt is proceeding in due course either through legal action, including judgment enforcement procedures, or, 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

**Insert F** in the near future.

~~Consumer loans and loans secured by 1-to-4 family residential properties on which principal and interest is due and unpaid for 90 days or more are not required to be placed in nonaccrual status. Nevertheless, such loans should be subject to other alternative methods of evaluation to assure that the branch or agency’s income is not materially overstated.~~

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

The reversal of previously accrued but uncollected interest applicable to any **U.S. GAAP** nonaccrual status and the treatment of subsequent payments as either principal or interest 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, 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 income earned, not collected, (2) to reverse the uncollected interest that has been accrued during the calendar year-to-date by debiting the appropriate interest and fee income 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.”

## Offsetting

Offsetting is the reporting of assets and liabilities on a net basis in Schedule RAL. Branches and agencies are

permitted to offset assets and liabilities recognized in the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks when a “right of set-off” 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.
- (2) The reporting party has the right to set off the amount owed with the amount owed by the other party.
- (3) The reporting party intends to set off. This condition does not have to be met for fair value amounts recognized for conditional or exchange contracts that have been executed with the same counterparty under a master netting arrangement.
- (4) The right of setoff is enforceable at law. Legal constraints should be considered to determine whether the right of setoff is enforceable. Accordingly, the right of setoff should be upheld in bankruptcy (or receivership). Offsetting is appropriate only if the available evidence, both positive and negative, indicates that there is reasonable assurance that the right of setoff would be upheld in bankruptcy (or receivership). According to ASC Subtopic 210-20, for forward, interest rate swap, currency swap, option, and other conditional and exchange contracts, a master netting arrangement exists if the reporting branch or agency has multiple contracts, whether for the same type of conditional or exchange contract or for different types of contracts, with a single counterparty that are subject to a contractual agreement that provides for the net settlement of all contracts through a single payment in a single currency in the event of default or termination of any one contract. Offsetting the assets and liabilities recognized for conditional or exchange contracts outstanding with a single counterparty results in the net position between the two counterparties being reported as an asset or a liability in the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks. The

Exceptions to the general rule for nonaccrual status

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

- (1) The asset upon which principal or interest is due and unpaid for 90 days or more is a consumer loan or a loan secured by a 1-to-4 family residential property. Nevertheless, such loans should be subject to other alternative methods of evaluation to assure that the branch or agency's income is not materially overstated. However, to the extent that the branch or agency has elected to carry such a loan in nonaccrual status on its books, the loan must be reported as nonaccrual in Schedule N, column C.
- (2) For a branch or agency 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 a branch or agency 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 branch or agency's income is not materially overstated. If a branch or agency is required or has elected to carry a PCD loan in nonaccrual status, the loan must be reported as a nonaccrual loan at its amortized cost basis in Schedule N, column C. (For PCD loans for which the branch or agency 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 cash payments and criteria for the cash basis recognition of income*

When doubt exists as to the collectibility of the remaining recorded investment in a nonaccrual asset (or the amortized cost basis of a nonaccrual asset, if the institution has adopted ASU 2016\_13), 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.

Unless an asset in nonaccrual status is subject to the cost recovery method under U.S. GAAP 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 amortized cost basis of, the asset, as applicable, (i.e., after charge-off of identified losses, if any) is deemed to be fully collectible. A branch or agency'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 U.S GAAP.



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 branch or agency 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 for restoration to accrual status, the branch or agency must have received repayment of the past due principal and interest unless:

- (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 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;
- (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 for nonaccrual status 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 N until it has been brought fully current or until it later must be placed in nonaccrual status.

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 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.

# Glossary

Insert H

## Preauthorized Transfer Account

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See “deposits”

## Premiums and Discounts

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A *premium* arises when a bank (including a branch or agency) purchases a security, loan, or other asset at a price in excess of its par or face value, typically because the current level of interest rates for such assets is less than its contract or stated rate of interest. The difference between the purchase price and par or face value represents the premium which *all* banks are required to amortize.

A *discount* arises when a bank (including a branch or agency) purchases a security, loan, or other asset at a price below its par or face value, typically because the current level of interest rates for such assets is greater than its contract or stated rate of interest. A discount is also present on instruments which do not have a stated rate of interest such as U.S. Treasury bills and commercial paper. The difference between par or face value and the purchase price represents the discount which *all* banks are required to accrete.

Premiums and discounts are accounted for as adjustments to the yield on an asset over the life of the asset. A premium must be amortized and a discount must be accreted from date of purchase to maturity, *not* to call or put date. The preferable method for amortizing premiums and accreting discounts involves the use of the interest method for accruing income on the asset. The objective of the interest method is to produce a constant yield or rate of return on the carrying value of the asset (par or face value plus unamortized premium or less unaccreted discount) at the beginning of each amortization period over the asset’s remaining life. The difference between the periodic interest income that is accrued on the asset and interest at the stated rate is the periodic amortization or accretion. However, a straight-line method of amortization or accretion is acceptable if the results are not materially different from the interest method.

A premium or discount may also arise when the reporting branch or agency, acting either as a lender or a borrower, is involved in an exchange of a note for assets other than cash and the interest rate is either below the market rate or not stated, or the face amount of the

note is materially different from the fair value of the noncash assets exchanged. The noncash assets and the related note shall be recorded at either the fair value of the noncash assets or the market value of the note, whichever is more clearly determinable.

## Put Option

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See “derivative contracts.”

## Real Estate, Loans Secured By

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See “loans secured by real estate.”

## Reciprocal Balances

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Reciprocal balances arise when two depository institutions maintain deposit accounts with each other; that is, when a reporting branch or agency has both a *due to* and a *due from* balance with another depository institution.

For purposes of Schedule RAL, reciprocal balances between the reporting branch or agency and other depository institutions (including U.S. branches and agencies of other foreign banks) may be reported on a net basis in accordance with generally accepted accounting principles.

## Related Institutions

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For purposes of this report, “related institutions” of a reporting U.S. branch or agency of a foreign bank include the following depository institutions and their majority-owned subsidiaries, whether they are located in the U.S., in Puerto Rico or U.S. territories and possessions, or elsewhere outside of the U.S.:

- (1) Head office of the foreign bank and its other branches and agencies, hereafter referred to as the foreign bank parent.
- (2) Holding company of the foreign bank parent, hereafter referred to as the parent bank holding company.
- (3) Other depository institutions (including their branches and agencies and IBFs) majority-owned by (1) or (2) above, or by their majority-owned subsidiaries.

**Purchased Credit-Deteriorated Assets**

This Glossary entry applies to branches and agencies that have adopted ASC Topic 326, Financial Instruments - Credit Losses. Branches and agencies that have not adopted ASC Topic 326 should 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. PCD assets include loans, debt securities, and other financial assets within the scope of ASC Topic 326.

In accordance with ASC Topic 326, a branch or agency is required to estimate and record an allowance for credit losses (ACL) for a PCD asset at the time of purchase. This acquisition date ACL is added to the purchase price of the financial asset rather than recording these credit losses through a provision for credit losses expense. This establishes the initial amortized cost basis of the PCD asset.

Because branches and agencies may choose to, but are not required to, maintain ACLs on an office level, branches and agencies that do not maintain office-level ACLs are not required to subsequently measure ACLs for PCD assets after the time of purchase when the initial amortized cost bases of these assets is established.

Any difference between the unpaid principal balance of a 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, a branch or agency 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.

Any purchased credit-impaired (PCI) loans and debt securities held as of the adoption date of ASC Topic 326 should prospectively be accounted for as PCD assets. The prospective application results in an adjustment to the amortized cost of the asset to reflect the addition of the ACL at the adoption date. As of the adoption date, the remaining noncredit discount or premium on the PCD asset, after the adjustment for the ACL, should be accreted into interest income at the new effective interest rate on the PCD asset if the asset is not required to be placed on nonaccrual.

ASC Subtopic 310-10, Receivables - Overall, does not prohibit a branch or agency 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 branch or agency 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 this report, if a branch or agency 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 branch or agency may elect to accrue interest income on the PCD asset and not place the PCD asset 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 branch or agency's income is not materially overstated. If a branch or agency is required or has elected to carry a PCD loan in nonaccrual status, the loan must be reported as a nonaccrual loan at its amortized cost basis in Schedule N, column C. For further information on PCD assets, refer to ASC Topic 326.

### **Purchased Credit-Impaired Loans and Debt Securities**

This Glossary entry applies to branches and agencies that have not adopted ASC Topic 326, Financial Instruments -Credit Losses. Branches and agencies that have adopted ASC Topic 326 should refer to the Glossary entry for “purchased credit-deteriorated assets.”

Purchased credit-impaired (PCI) loans and debt securities are loans and debt securities that a branch or agency has purchased or otherwise acquired by completion of a transfer, including those acquired in a purchase business combination, where there is evidence of deterioration of credit quality since the origination of the loan or debt security and it is probable, at the acquisition date, that the institution will be unable to collect all contractually required payments receivable. Such loans and debt securities must be accounted for in accordance with ASC Subtopic 310-30, Receivables - Loans and Debt Securities Acquired with Deteriorated Credit Quality. ASC Subtopic 310-30 does not apply to loans that a branch or agency has originated.

Under ASC Subtopic 310-30, a PCI loan or debt security is initially recorded at its purchase price (in a purchase business combination, the present value of amounts to be received). ASC Subtopic 310-30 limits the yield that may be accreted on the loan or debt security (the accretable yield) to the excess of the branch or agency's estimate of the undiscounted principal, interest, and other cash flows expected at acquisition to be collected on the asset over the institution's initial investment in the asset. The excess of the contractually required payments receivable on the loan or debt security over the cash flows expected to be collected, which is referred to as the nonaccretable difference, must not be recognized as an adjustment of yield, loss accrual, or valuation allowance. Neither the accretable yield nor the nonaccretable difference may be shown on Schedule RAL. After acquisition, increases in the cash flows expected to be collected generally should be recognized prospectively as an adjustment of the asset's yield over its remaining life. Decreases in cash flows expected to be collected should be recognized as an impairment.

For purposes of applying the guidance in ASC Subtopic 310-30 to loans not accounted for as debt securities, a branch or agency may aggregate loans acquired in the same fiscal quarter that have common risk characteristics and thereby use a composite interest rate and expectation of cash flows expected to be collected for the pool. To be eligible for aggregation, each loan first should be determined individually to meet the scope criteria in the second paragraph of this Glossary entry.

Upon establishment of a pool of PCI loans, the pool becomes the unit of account. Once a pool of PCI loans is assembled, the integrity of the pool must be maintained. A branch or agency should remove an individual loan from a pool of PCI loans only if it sells, forecloses, or otherwise receives assets in satisfaction of the loan or if the loan is written off. When an individual loan is removed from a pool of PCI loans under these circumstances, the loan shall be removed at its carrying amount.

ASC Subtopic 310-30 does not prohibit a branch or agency from placing a PCI loan accounted for individually, a pool of PCI loans with common risk characteristics, or a PCI debt security in nonaccrual status. Because a loan (including a loan aggregated with other loans with common risk characteristics) or debt security accounted for in accordance with ASC Subtopic 310-30 has evidence of deterioration of credit quality since origination, an acquiring branch or agency must determine upon acquisition whether it is appropriate to recognize the accretable yield as income over the life of the loan, pool of loans, or debt security using the interest method. In order to apply the interest method, the branch or agency must have sufficient information to reasonably estimate the amount and timing of the cash flows expected to be collected on the loan, loan pool, or debt security.

Thus, when the amount and timing of the cash flows cannot be reasonably estimated at acquisition, the branch or agency should place the PCI loan, pool, or debt security in nonaccrual status and then apply the cost recovery method or cash basis income recognition to the asset. (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.) In addition, if a PCI loan or debt security is acquired primarily for the rewards of ownership of the underlying collateral, accrual of income is inappropriate and the loan or debt security should be placed in nonaccrual status. The amount of a PCI loan or pool of loans in nonaccrual status should be reported in the appropriate items of Schedule N, column C.

For further information on PCI loans and debt securities, refer to ASC Subtopic 310-30.



# Glossary

- ~~(ii) 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.~~
- ~~(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).~~

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. 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:

- ~~(i) If the depositor is ineligible to hold a NOW account, such an account is considered a demand deposit.~~
- ~~(ii) If the depositor is eligible to hold a NOW account, the account will be considered either a NOW account, a telephone or pre-authorized 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 pre-authorized 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 this report.

- (i) *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.
- (ii) *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.

unlimited transfers

Examples illustrating distinctions between MMDAs and other savings deposits for purposes of this report 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

Insert I



*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 the account should be reported either as a savings deposit (and as a "nontransaction account") or as a NOW account<sup>1</sup> (and as a transaction account).

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

# Glossary

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 acknowledgment issued by the branch or agency, 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:
  - (a) on a certain date not less than seven days after the date of deposit,
  - (b) at the expiration of a specified period not less than seven days after the date of the deposit, or
  - (c) upon written notice to the branch or agency 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:
  - (a) the date of maturity which shall be not less than seven days after the date of the deposit, or
  - (b) the expiration of a specified period of written notice of not less than seven days.

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:

- (i) 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.
- (ii) 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 J

## ~~Reporting of Retail Sweep Arrangements Affecting Transaction and Nontransaction Accounts~~

~~In an effort to reduce their reserve requirements, some branches and agencies have established sweep arrangements that involve transfers of retail customers' deposits between two subaccounts. In a typical arrangement, a branch or agency creates a master account and two subaccounts: a transaction subaccount (either a demand deposit account or a NOW account), which is subject to reserve requirements, and a nontransaction savings subaccount (a special-purpose money market deposit account (MMDA)), which is not subject to~~

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.

For the purposes of this report, if all of the criteria above are met, a branch or agency 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 RAL, E, and O.

# Glossary

~~reserve requirements. Depending upon the balances in the two subaccounts on a particular day, the branch or agency will shift funds from the transaction subaccount to the MMDA subaccount or vice versa. On some days, the balance in the MMDA subaccount may be zero. (For purposes of the Federal Reserve's Regulation D, there is no distinction between an MMDA and any other form of savings account in terms of legally required restrictions on transfers.) For purposes of this report, the transaction subaccount and MMDA subaccount must be treated separately when a branch or agency reports its quarter-end deposit information in Schedules RAL, E, and O.~~

## (III) Interest-bearing-noninterest-bearing deposit distinction

- (1) *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.

- (2) *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 of which* may be made 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

Branches and agencies 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

Note: The proposed effective date for the proposed revisions to the instructions for Schedule RAL and Schedule C, Part I, on pages 38 through 39 is TBD.

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# Schedule RAL

For institutions that have *not* adopted ASU 2016-01, report the fair value of available-for-sale debt securities and equity securities with readily determinable fair values not held for trading (i.e., available-for-sale equity securities).

## Item M3.b Amortized cost of available-for-sale securities.

For institutions that have adopted FASB Accounting Standards Update No. 2016-01 (ASU 2016-01), report the amortized cost of available-for-sale debt securities.

For institutions that have *not* adopted ASU 2016-01, report the amortized cost of available-for-sale debt securities and the historical cost of equity securities with readily determinable fair values not held for trading (i.e., available-for-sale equity securities).

## Item M4 Fair value of equity securities with readily

Institutions should include in the amortized cost of AFS debt securities reported in this item the total amount for last-of-layer fair value hedge basis adjustments (FVHBA) on AFS debt securities. As defined in ASU 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.

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).

Exclude from equity securities with readily determinable fair values:

• Common stock of a Federal Reserve Bank (report in Schedule RAL, item 1(h)).

• Common stock of a Federal Home Loan Bank (report in Schedule RAL, item 1(h)).

• Preferred stocks that do not have readily determinable fair values, such as stock of the Federal Reserve Bank and Class B voting common stock of the Federal Agricultural Mortgage Corporation (Farmer Mac) (report in Schedule RAL, item 1(h)).

• Preferred stocks that by its terms either must be redeemed by the issuing enterprise or is redeemable at the option of the investor (i.e., redeemable preferred stock), including trust preferred stocks subject to mandatory redemption (report in Schedule RAL, item 1(c)(4)).

• "Restricted stock," i.e., equity securities for which the fair value 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

(AFS)



# Schedule C

include the estimated residual value of leased property and *must* be net of unearned income. For further discussion of leases where the branch or agency is the lessor, refer to the Glossary entry for “lease accounting.”

*Include* all lease financing receivables of states and political subdivisions in the U.S.

### Item 9(a) Of U.S. addressees (domicile).

Report all outstanding receivable balances relating to direct financing and leveraged leases on property acquired by the branch or agency for leasing to U.S. addressees (see the Glossary entry for “domicile”).

### Item 9(b) Of non-U.S. addressees (domicile)

Report all outstanding receivable balances relating to direct financing and leveraged leases on property acquired by the branch or agency for leasing to non-U.S. addressees (see the Glossary entry for “domicile”).

### Item 10 LESS: Any unearned income on loans reflected in items 1–8 above.

To the extent possible, report the specific loan categories net of unearned income. A reporting institution (including its IBF) should enter here unearned income only to the extent that it is included in (i.e., *not* deducted from) the various loan items (items 1 through 8) of this schedule. ~~If a reporting institution reports each loan item net of unearned income, enter a zero.~~ (Unearned income includes income received but not yet earned, such as prepaid interest and the unamortized portion of loan origination fees.)

Do *not* include unearned income on lease financing receivables in this item (deduct from Schedule C, part I, item 9).

### Item 11 Total loans and leases held for investment and held for sale.

Report the sum of items 1 through 9 less the amount reported in item 10. The amounts in columns A and B must equal Schedule RAL, item 1(e), columns A and B, respectively.

## Memoranda

**Item M1 and M2** Not applicable.

**Item M3 Commercial and industrial loans with remaining maturity of one year or less (excluding those in nonaccrual status).**

Report in the proper subitems below the amount outstanding on report date of commercial and industrial

An institution should also include last-of-layer fair value hedge basis adjustments (FVHBAs) not allocated to individual loans reported in items 1 through 8 of this schedule. 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 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 10.

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 C, Part I, items 1 through 8, because of unallocated last-of-layer FVHBAs, report the amount with a minus (-) sign.