

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

**Summary**

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

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

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

The Board revised the instructions to the FR Y-9C to implement the temporary revisions that were approved previously to the definition of “savings deposits” in accordance with amendments made to the Board’s Regulation D through an interim final rule.<sup>2</sup> The Board also revised the FR Y-9C instructions effective March 31, 2021, to clarify the reporting of savings deposits for institutions that have suspended the enforcement of the six-transfer limit rule on an account that meets the definition of a savings deposits.

In addition, the Board revised the FR Y-9C forms and instructions to be consistent with adopted or proposed changes to U.S. generally accepted accounting principles (GAAP) related to 1) provisions for credit losses on off-balance-sheet credit exposures, 2) expected recoveries of amounts previously charged off included within the allowances for credit losses, and 3) nonaccrual treatment of purchased credit-deteriorated assets. The Board also revised the FR Y-9LP and FR Y-9SP report forms to be consistent with these GAAP changes related to provisions for credit losses on off-balance-sheet credit exposures. These GAAP-related changes will be effective March 31, 2021, as of-date. The Board has not yet adopted a proposal regarding

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

<sup>2</sup> See 85 FR 23445 (April 28, 2020). In connection with this interim final rule, the Board temporarily revised the instructions to the FR Y-9C. See 85 FR 25436 (May 1, 2020).

last-of-layer hedging, as the Financial Accounting Standards Board (FASB) has not yet adopted a final standard on that topic.

Also, the Board finalized revisions to the FR Y-9C that were previously approved on an interim basis to collect four new temporary data items related to Paycheck Protection Program (PPP) loans and the Paycheck Protection Program Liquidity Facility (PPPLF) and two temporary data items related to section 4013 of the CARES act. These changes became effective June 30, 2020, and the new items will be collected through December 31, 2021.

Finally, the Board finalized revisions to the FR Y-9C instructions that were previously approved on an interim basis in connection with six interim final rules (IFRs): 1) Eligible Retained Income (ERI),<sup>3</sup> 2) Current Expected Credit Losses (CECL),<sup>4</sup> (3) Community Bank Leverage Ratio (CBLR),<sup>5</sup> 4) Money Market Mutual Fund Liquidity Facility (MMLF),<sup>6</sup> 5) Paycheck Protection Program (PPP) Loans and Liquidity Facility (PPPLF),<sup>6</sup> and Asset Thresholds.<sup>7</sup> Minor clarifications were made to the instructions in response to comments on the CECL and Asset Thresholds IFRs noted in the “Public Comments” section.

The revisions to the FR Y-9C, FR Y-9LP, and FR Y-9SP are consistent with recently approved revisions to the Federal Financial Institutions Examination Council (FFIEC) Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031, FFIEC 041, and FFIEC 051; OMB No. 7100-0036).<sup>8</sup> There are no revisions at this time for the FR Y-9ES and FR Y-9CS.

The new revisions would become effective for reports with a March 31, 2021, as of date. The temporarily approved revisions were effective March 31, 2020, June 30, 2020, and December 31, 2020, and are being finalized.

The current estimated total annual burden for the FR Y-9 reports is 115,482 hours, and would increase to 115,671 hours. The revisions would result in an increase of 189 hours. The forms and instructions are available on the Board’s public website at <https://www.federalreserve.gov/apps/reportforms/review.aspx>.

## **Background and Justification**

The FR Y-9 reports are the Board’s primary source of financial data on HCs. Federal Reserve System examiners rely on the FR Y-9 reports to supervise HCs between on-site inspections. The Board requires HCs to provide standardized financial statements to fulfill the Board’s statutory obligation to supervise these organizations. The Board uses the collected data to detect emerging financial problems, review performance and conduct pre-inspection analysis, monitor and evaluate capital adequacy, evaluate mergers and acquisitions, and analyze a HC’s

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<sup>3</sup> 85 FR 63423 (October 8, 2020).

<sup>4</sup> 85 FR 61577 (September 30, 2020).

<sup>5</sup> 85 FR 64003 (October 9, 2020).

<sup>6</sup> 85 FR 68243 (October 28, 2020).

<sup>7</sup> 86 FR 28346 (May 26, 2021).

<sup>8</sup> See 85 FR 44361 (July 22, 2020).

overall financial condition to monitor the safety and soundness of its operations. The information collected by the FR Y-9 reports is not available from other sources.

### **Description of Information Collection**

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

The FR Y-9LP, which collects parent company only financial data, must be submitted by each HC that files the FR Y-9C, as well as by each of its subsidiary HCs.<sup>10</sup> The report consists of standardized financial statements.

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

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

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

The FR Y-9CS is a voluntary, free-form supplemental report that the Board may utilize to collect critical additional data from HCs deemed to be needed in an expedited manner. The FR Y-9CS data collections are used to assess and monitor emerging issues related to HCs, and the report is intended to supplement the other FR Y-9 reports. The data requested by the FR Y-9CS would depend on the Board's data needs in a given situation. For example, changes made by the Financial Accounting Standards Board may introduce into U.S. generally accepted accounting principles new data items that are not currently collected by the other FR Y-9 reports. The Board could use the FR Y-9CS report to collect these data until the items are implemented into the other FR Y-9 reports.<sup>11</sup>

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

<sup>10</sup> A top-tier HC may submit a separate FR Y-9LP on behalf of each of its lower-tier HCs.

<sup>11</sup> The FR Y-9CS was most recently used by the Board on June 30, 2008. In that collection, data were requested from banking organizations implementing an Advanced Measurement Approach to calculate operational risk capital under the Basel II Risk-Based Capital Framework. The report was used to conduct a voluntary Loss Data Collection Exercise relating to operational risk.

## **Respondent Panel**

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

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

#### **A. Regulation D Revisions**

The Board revised the FR Y-9C instructions to implement changes related to the Regulation D interim final rule issued on April 28, 2020. In response to recent economic disruptions and volatility in U.S. financial markets caused by the spread of Coronavirus Disease 2019 (COVID-19), the Board adopted the Regulation D interim final rule. The interim final rule amended the “savings deposit” definition in Regulation D by deleting the six-transfer-limit provisions in this definition that required depository institutions either to prevent transfers and withdrawals in excess of the limit or to monitor savings deposits ex post for violations of the limit. The interim final rule also made conforming changes to other definitions in Regulation D that refer to “savings deposit” as necessary.

The interim final rule permits, but does not require, depository institutions to immediately suspend enforcement of the six-transfer limit and to allow their customers to make an unlimited number of convenient transfers and withdrawals from their savings deposits. The interim final rule did not amend the Regulation D provisions regarding the reporting of deposits by depository institutions.

In connection with the interim final rule, the Board published supplemental instructions to the FR Y-9C, which included temporary revisions to the General Instructions for FR Y-9C Schedule HC-E, as well as the Glossary entries for “Deposits,” to remove references to the six-transfer limit. In addition, the supplemental instructions included temporary revisions to the General Instructions for FR Y-9C Schedule HC-E to state that if a depository institution chooses to suspend enforcement of the six-transfer limit on a “savings deposit,” the depository institution may continue to report that account as a “savings deposit” or may instead choose to report that account as a “transaction account” based on an assessment of certain characteristics of the account.

However, the Board recognized that the adopted temporary revisions to the instructions for the FR Y-9C created a reporting option that could result in the collection of ambiguous data by allowing a depository institution to report a savings deposit as either a “savings deposit” or a “transaction account” if the institution suspends enforcement of the six-transfer limit. To resolve this potential issue, the Board revised the General Instructions for FR Y-9C Schedule HC-E to state that where the reporting institution has suspended the enforcement of the six-transfer limit rule on an account that otherwise meets the definition of a savings deposit, the institution must

report such deposits as a “savings deposit” (and as a “nontransaction account”) or a “transaction account” based on an assessment of the following characteristics:

- 1) If the reporting institution does not retain the reservation of right to require at least seven days’ written notice before an intended withdrawal, the account must be reported as a demand deposit (and as a “transaction account”).
- 2) If the reporting institution retains the reservation of right to require at least seven days’ written notice before an intended withdrawal and the depositor is eligible to hold a Negotiable Order of Withdrawal (NOW) account, the account must be reported as an Automatic Transfer Service (ATS) account, NOW account, or a telephone and preauthorized transfer account (and as a “transaction account”).
- 3) If the reporting institution retains 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 must be reported as a savings deposit (and as a “nontransaction account”).

The revised FR Y-9C instructions are consistent with corresponding revisions, related to the Regulation D amendments, to the Call Reports and the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002; OMB No. 7100-0032).

## **B. Revisions Related to U.S. GAAP**

The Board revised the FR Y-9C, FR Y-9LP and FR Y-9SP forms and instructions to make a number of changes related to U.S. GAAP effective for reports with a March 31, 2021, as of date.

### *Provisions for Credit Losses on Off-Balance-Sheet Credit Exposures*

On June 16, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, Topic 326, *Financial Instruments – Credit Losses* (ASU 2016-13). Within Topic 326, paragraph 326-20-30-11 states: “An entity shall report in net income (as a credit loss expense) the amount necessary to adjust the liability for credit losses for management’s current estimate of expected credit losses on off-balance-sheet credit exposures.” Off-balance-sheet credit exposures include unfunded loan commitments, financial standby letters of credit, and financial guarantees not accounted for as insurance, and other similar instruments except for those within the scope of Accounting Standards Codification (ASC) Topic 815 on derivatives and hedging.

Throughout Topic 326, the FASB refers to provisions for credit losses as “credit loss expense.” For example, paragraph 326-20-30-1 states: “An entity shall report in net income (as a credit loss expense) the amount necessary to adjust the allowance for credit losses (ACL) for management’s current estimate of expected credit losses on financial assets(s).” Thus, Topic 326 does not prohibit recording the adjustment to the liability for expected credit losses on off-balance-sheet credit exposures within the provisions for credit losses reported in the income statement.

The FR Y-9C income statement instructions currently direct HCs that have adopted Topic 326 to report provisions for expected credit losses on off-balance-sheet credit exposures in Schedule HI, item 7.d, “Other noninterest expense,” and prohibit its inclusion in Schedule HI, item 4, “Provision for loan and lease losses.”<sup>12</sup> Therefore, to align regulatory reporting to the guidance within Topic 326, the Board revised the FR Y-9C instructions to direct HCs that have adopted Topic 326 to report provisions for expected credit losses on off-balance-sheet credit exposures as part of the total amount of HCs’ provisions for credit losses in Schedule HI, item 4.<sup>13</sup> These instructional changes apply only to HCs that have adopted Topic 326.

The inclusion of provisions for expected credit losses on off-balance-sheet credit exposures in the provisions for credit losses presented in item 4 of the FR Y-9C income statement will cause a loss of transparency within the overall reported amount of provisions for credit losses between provisions attributable to on- and off-balance-sheet credit exposures. To enhance transparency and differentiate these provisions, the Board added Memorandum item 7, “Provisions for credit losses on off-balance-sheet credit exposures,” to Schedule HI-B, Part II, Changes in Allowances for Credit Losses, which would identify the portion of the overall amount of the provisions for credit losses reported in Schedule HI, item 4, attributable to the provisions for expected credit losses on off-balance-sheet credit exposures. Adding the new memorandum item to Schedule HI-B, Part II, would enable the Board to monitor the underlying components of the total amount of a HC’s provisions for credit losses (i.e., the separate provisions for expected credit losses attributable to loans and leases held for investment, held-to-maturity debt securities, available-for-sale (AFS) debt securities, other financial assets measured at amortized cost, and off-balance-sheet credit exposures) and how these components change over time in relation to the amounts of the various categories of financial assets and off-balance-sheet credit exposures within the scope of ASC Topic 326.

In addition, footnote 5 on Schedule HI-B, Part II, item 5, “Provisions for credit losses,” was updated to reflect that “For institutions that have adopted ASU 2016-13, the sum of item 5, Column A through Column C, plus Schedule HI-B, Part II, Memorandum items 5 and 7 below, must equal Schedule HI, item 4.”

Lastly, footnote 2 on Schedule SI of the FR Y-9SP report form for item 7, “Other expenses” and footnote 1 on Schedule PI of the FR Y-9LP, report form for item 2.c, “Provision for loan and lease losses” were updated to direct HCs that have adopted ASU 2016-13 to report provisions for expected credit losses on off-balance-sheet credit exposures as part of their total amount of provisions for credit losses.

*Expected Recoveries of Amounts Previously Charged Off Included within the Allowances for Credit Losses*

As noted above, the FASB issued ASU 2016-13 on June 16, 2016, and it has been amended by subsequent FASB ASUs. Within Topic 326, paragraph 326-20-30-1 states, “The

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<sup>12</sup> A footnote to Schedule HI, item 4, on the FR Y-9C forms currently states, “Institutions that have adopted ASU 2016-13 should report in item 4 the provisions for credit losses on all financial assets that fall within the scope of the standard.”

<sup>13</sup> The existing footnote to Schedule HI, item 4, also would be revised in the same manner.

ACL is a valuation account that is deducted from, or added to, the amortized cost basis of the financial asset(s) to present the net amount expected to be collected on the financial asset. Expected recoveries of amounts previously written off and expected to be written off shall be included in the valuation account and shall not exceed the aggregate of amounts previously written off and expected to be written off by an entity.” The terms “written off” as used in Topic 326 and “charged off” as used in FR Y-9C instructions are used interchangeably in this discussion.

Under GAAP, before an institution’s adoption of Topic 326, expected recoveries of amounts previously written off would not be included in the measurement of the allowance for loan and lease losses; recoveries would be recorded only when received. Under Topic 326, including expected recoveries of amounts previously written off within allowances for credit losses reduces the overall amount of these allowances. Amounts related to an individual asset are written off or charged off when deemed uncollectible. However, under ASC Topic 326, institutions can, in some circumstances, reduce the amount of the ACL that would otherwise be calculated for a pool of assets with similar risk characteristics that includes charged-off assets on the same day the charge-offs were taken by the estimated amount of expected recoveries of amounts written off on these assets. Reducing the ACL by amounts of expected recoveries prior to collection effectively “reverses” a charge-off. Therefore, to provide transparency for expected recoveries of amounts with inherently higher risk that, before an HC’s adoption of ASC Topic 326, were not allowed to be recorded until they were received, the Board added new Memorandum item 8 to Schedule HI-B, Part II, Changes in Allowances for Credit Losses, to capture the “Estimated amount of expected recoveries of amounts previously written off included within the ACL on loans and leases held for investment (included in item 7, column A, ‘Balance end of current period,’ above).” This new item will be applicable to HCs only after they have adopted Topic 326.

Not including the proposed memorandum item for expected recoveries of amounts previously written off within the ACL on loans and leases would cause a loss of transparency within the reported amount of this allowance between the portions of the allowance attributable to (1) expected credit losses on the amortized cost basis of loans and leases held for investment net of expected recoveries of amounts expected to be charged off in the future and (2) expected recoveries of loan and lease amounts previously charged off. The new Memorandum item 8 enhances transparency and differentiates these amounts within the period-end balance of the ACL on loans and leases by separately identifying the estimated amount within this allowance attributable to expected recoveries of amounts previously written off. This new memorandum item will enable Board data users, including its examiners, and the public to better understand key components underlying HCs’ ACL on loans and leases (i.e., amounts for expected credit losses on the amortized cost basis of loans and leases held for investment and amounts for expected recoveries of amounts previously written off on such loans and leases) and how these components change over time. This information will assist Board data users in monitoring amounts with inherently higher credit risk and changes therein that contribute to reductions in the overall amount of the ACL on loans and leases. This new memorandum item will apply to loans and leases held for investment because this is the FR Y-9C category of financial assets that is expected to have the greatest amount of estimated expected recoveries of amounts previously written off.

### *Nonaccrual Treatment of Purchased Credit-Deteriorated Assets*

ASU 2016-13 introduced the concept of purchased credit-deteriorated (PCD) assets. PCD assets are acquired financial assets that, at acquisition, have experienced more-than-insignificant deterioration in credit quality since origination. When recording the acquisition of PCD assets, the amount of expected credit losses as of the acquisition date is recorded as an allowance and added to the purchase price of the assets rather than recording these acquisition date expected credit losses through provisions for credit losses. The sum of the purchase price and the initial ACL establishes the amortized cost basis of the PCD assets at acquisition. Any difference between the unpaid principal balance of the PCD assets and the amortized cost basis of the assets as of the acquisition date is a noncredit discount or premium. The initial ACL and any noncredit discount or premium determined on a collective basis at the acquisition date are allocated to the individual PCD assets.

After acquisition, any noncredit discount or premium is accreted or amortized into interest income, as appropriate, over the remaining lives of the PCD assets on a level-yield basis. However, if a PCD asset is placed in nonaccrual status, institutions must cease accreting the noncredit discount or amortizing the noncredit premium into interest income consistent with the guidance in ASC paragraph 310-20-35-17.

The current instructions for FR Y-9C Schedule HC-N, Past Due and Nonaccrual Loans, Leases, and Other Assets, provide an exception to the general rule for placing financial assets in nonaccrual status set forth in the FR Y-9C Glossary entry for “Nonaccrual status” for purchased credit-impaired (PCI) assets. Topic 326 replaces the concept of PCI assets in previous GAAP with the concept of PCD assets.<sup>14</sup> Although there is some similarity between the concepts of PCI and PCD assets, these two concepts are not identical. Nevertheless, ASU 2016-13 provides that, upon adoption of Topic 326, all PCI assets will be deemed to be, and accounted for prospectively as, PCD assets. However, the Schedule HC-N instructions indicate that the nonaccrual exception for PCI assets was not extended to PCD assets by stating that “For purchased credit-deteriorated loans, debt securities, and other financial assets that fall within the scope of ASU 2016-13, nonaccrual status should be determined and subsequent nonaccrual treatment, if appropriate, should be applied in the same manner as for other financial assets held by an institution.”

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

- (1) the HC reasonably estimates the timing and amounts of cash flows expected to be collected, and

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<sup>14</sup> According to ASC paragraph 310-30-15-2, PCI assets, in general, are loans and debt securities with evidence of deterioration of credit quality since origination acquired by completion of a transfer for which it is probable, at acquisition, that the investor will be unable to collect all contractually required payments receivable.



- (2) the HC 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.

Additionally, these FR Y-9C Supplemental Instructions state that 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 HC's net income is not materially overstated. Further, an HC is not permitted to accrete the credit-related discount embedded in the purchase price of a PCD asset that is attributable to the acquirer's assessment of expected credit losses as of the date of acquisition (i.e., the contractual cash flows the acquirer did not expect to collect at acquisition). Interest income should no longer be recognized on a PCD asset to the extent that the net investment in the asset would increase to an amount greater than the payoff amount. If an HC is required or has elected to carry a PCD asset in nonaccrual status, the asset must be reported as a nonaccrual asset at its amortized cost basis in FR Y-9C Schedule HC-N, column C.<sup>15</sup> For PCD assets for which the HC has made a policy election to maintain a previously existing pool of PCI assets as a unit of account for accounting purposes upon adoption of ASU 2016-13, the determination of nonaccrual or accrual status should be made at the pool level, not at the individual asset level.

For a PCD asset that is not reported in nonaccrual status, the delinquency status of the PCD asset should be determined in accordance with its contractual repayment terms for purposes of reporting the amortized cost basis of the asset as past due in Schedule HC-N, column A or B, as appropriate. If the PCD asset that is not reported in nonaccrual status consists of a pool of loans that were previously PCI assets that is being maintained as a unit of account after the adoption of ASU 2016-13, delinquency status should be determined individually for each loan in the pool in accordance with the individual loan's contractual repayment terms.

The Board revised the FR Y-9C instructions to revise the nonaccrual treatment for PCD assets to provide HCs the option to not report PCD assets in nonaccrual status if they meet the criteria described above. The instructions also incorporate the other reporting guidance for PCD assets in the FR Y-9C Supplemental Instructions for March 2020 described above.

### **C. Revisions Related to PPP/PPPLF New Data Items**

The Board revised the FR Y-9C forms and instructions to collect new data items related to PPP and PPPLF interim final rule issued by the agencies. Section 1102 of the CARES Act allows for banking organizations to make loans under a program of the Small Business Administration (SBA) in connection with COVID-19 disruptions to small businesses (referred to as PPP loans or PPP covered loans). While the loans are funded by the banking organizations, they receive a guarantee from the SBA. The Federal Reserve subsequently established a liquidity facility to permit banking organizations to obtain non-recourse loans, for which PPP loans are pledged to the facility, to provide additional liquidity.

On April 13, 2020, the Board and the other federal banking agencies published an interim final rule with an immediate effective date, which permits banking organizations to exclude from

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<sup>15</sup> Similarly, in the FFIEC 002, any PCD loans in nonaccrual status would be reported in Schedule N, column C.

regulatory capital requirements PPP loans pledged to the PPPLF.<sup>16</sup> The interim final rule modifies the agencies' capital rule to allow banking organizations to neutralize the effects on their risk-based and leverage capital ratios of making PPP loans that are pledged to the PPPLF. Specifically, a banking organization may exclude from its total leverage exposure, average total consolidated assets, standardized total risk-weighted assets, and advanced approaches total risk-weighted assets, as applicable, any exposure from a PPP loan pledged to the PPPLF. The interim final rule also codified the statutory zero percent risk weight for PPP loans; however, the PPP loans already received a zero percent risk weight under the agencies' existing capital rules as an exposure directly and unconditionally guaranteed by an agency of the U.S. government. The Board has temporarily revised the FR Y-9C instructions to reflect the changes made in this interim final rule.

The Board needs to collect information on the number and outstanding balance of PPP loans, as well as the outstanding balance and quarterly average of PPP loans pledged to the liquidity facility, for their use in supervising holding companies. Therefore, the Board temporarily approved the addition of four new data items to collect this information, with the collection of these items is expected to be through December 31, 2021.

Starting with the June 30, 2020, reporting period, a holding company was required to report the total number of PPP loans outstanding, the outstanding balance of PPP loans, the outstanding balance of PPP loans pledged to the Federal Reserve's liquidity facility, and the quarterly average amount of PPP loans pledged to the Federal Reserve's liquidity facility and excluded from average total assets in the calculation of the leverage ratio. These items were added to Schedule HC-M, as items 25.a, 25.b, 25.c, and 25.d.

Also starting with the June 30, 2020, reporting period, the quarterly average amount of PPP loans pledged to the liquidity facility and reported in 25.d were reported as a deduction in Schedule HC-R, part I, item 29, "LESS: Other deductions from (additions to) assets for leverage ratio purposes," and thus excluded from Schedule HC-R, Part I, item 30, "Total assets for the leverage ratio."

Since PPP loans, regardless of whether they are pledged to the liquidity facility, receive a zero percent risk weight, they are effectively not included in the standardized total risk-weighted assets. Similarly, advanced approaches holding companies do not reflect PPP loans in "Total risk-weighted assets" reported on Schedule HC-R, Part I, item 46.a.

HCs subject to the supplementary leverage ratio requirement report their adjusted "Supplementary leverage ratio" in Schedule HC-R, Part I, items 53.

#### **D. Revisions Related to Section 4013 of the CARES Act**

As provided for under the CARES Act, a financial institution may account for an eligible loan modification either under Section 4013 or in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors. If a loan modification is not eligible

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<sup>16</sup> 85 FR 20387 (April 13, 2020).

under Section 4013, or if the institution elects not to account for the loan modification under Section 4013, the financial institution should evaluate whether the modified loan is a troubled debt restructuring (TDR) under ASC Subtopic 310-40.

To be an eligible loan under Section 4013 (Section 4013 loan), a loan modification must be (1) related to COVID-19, (2) executed on a loan that was not more than 30 days past due as of December 31, 2019, and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date of termination of the National Emergency or (B) December 31, 2020.

Holding companies accounting for eligible loans under Section 4013 are not required to apply ASC Subtopic 310-40 to the Section 4013 loans for the term of the loan modification. Holding companies do not have to report Section 4013 loans as TDRs in regulatory reports.

Consistent with Section 4013, the Board added two new data items for Section 4013 loans to the FR Y-9C, which were collected quarterly beginning with the June 30, 2020, report date. These new items, Memorandum item 16.a, “Number of Section 4013 loans outstanding,” and Memorandum item 16.b, “Outstanding balance of Section 4013 loans,” were added to Schedule HC-C, Part I, Loans and Leases. These items enable the Board to monitor individual HCs’ use of the temporary relief provided by Section 4013 as well as the volume of loans modified in accordance with Section 4013.

The Board collects institution-level Section 4013 loan information on a confidential basis. The Board encouraged financial institutions to work with their borrowers during the National Emergency related to COVID-19, including use of the relief under Section 4013.<sup>17</sup> However, the Board considers that public disclosure of supervisory information on Section 4013 loans could have a detrimental impact on holding companies offering modifications under this provision to borrowers that need relief due to COVID-19.

### **E. Eligible Retained Income**

Under the capital rule, an HC must maintain a minimum amount of regulatory capital. In addition, an HC must maintain a buffer of regulatory capital above its minimum capital requirements to avoid restrictions on capital distributions.

On March 20, 2020, the Board, Office of the Comptroller of the Currency (OCC), and Federal Deposit Insurance Corporation (FDIC) (collectively the agencies) adopted an IFR (ERI IFR)<sup>18</sup> that revises the definition of eligible retained income in the agencies’ capital rule. This change allowed HCs to more freely use their capital buffers, and should help promote lending and other financial intermediation activities by HCs and avoid compounding disruptions due to COVID-19.

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<sup>17</sup> See “Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised)” (April 7, 2020), available at <https://www.occ.gov/news-issuances/news-releases/2020/nr-ia-2020-50a.pdf>.

<sup>18</sup> 85 FR 15909 (March 20, 2020).

Previously, an HC's eligible retained income was net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income. Under the ERI IFR, an HC eligible retained income is defined as the greater of (1) an HC's net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income and (2) the average of an HC's net income over the four preceding calendar quarters.

In order to reflect the definition of eligible retained income, as amended by the ERI IFR, the Board temporarily revised the calculation on the FR Y-9C report, Schedule HC-R, Part I, Item 51, "Eligible retained income."<sup>19</sup> For Schedule HC-R, Part I, item 51, "four preceding calendar quarters" refers to the calendar quarter ending on the last day of the reporting period and the three preceding calendar quarters. The average of an HC's net income over the four preceding calendar quarters refers to average of three-month net income for the calendar quarter ending on the last of the reporting quarter and three-month net income for the three preceding calendar quarters.

#### **F. 5-Year 2020 CECL Transition Provision**

The instructions for certain items in Call Report Schedule RC-R, Parts I and II have been revised effective as of the March 31, 2020, report date to incorporate revisions reflected in the interim final rule, Regulatory Capital Rule: Revised Transition for the Current Expected Credit Losses Methodology for Allowances, published in the *Federal Register* on March 31, 2020 (CECL interim final rule).<sup>20</sup> This interim final rule provides institutions that were required to adopt the current expected credit losses methodology (CECL) for accounting purposes during the 2020 calendar year with the option to delay for two years the estimated impact of CECL on regulatory capital, followed by a three-year transition period to phase out the aggregate amount of the capital benefit provided during the initial two-year delay (i.e., a five-year transition, in total).

The CECL interim final rule does not replace the current CECL transition option in the agencies' capital rule, which was adopted in 2019 and allows banking organizations to phase in over a three-year period the day-one effects on regulatory capital that may result from the adoption of CECL (2019 CECL rule).<sup>21</sup> This transition option remains available to institutions that adopt CECL. Thus, institutions required to adopt CECL in 2020, including those that began reporting in accordance with CECL in their first quarter 2020 regulatory reports, have the option to elect the three-year transition option contained in the 2019 CECL rule or the five-year CECL transition option contained in the CECL interim final rule, beginning with the FR Y-9C for the March 31, 2020, report date or such later report date in 2020 as of which institutions first report in accordance with CECL.

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<sup>19</sup> The ERI IFR also applies to the U.S. intermediate holding companies of foreign banking organizations required to be established or designated under 12 CFR 252.153.

<sup>20</sup> 85 FR 17723 (March 31, 2020). The agencies published a correcting amendment in the *Federal Register* 85 FR 29839 (May 19, 2020).

<sup>21</sup> 84 FR 4222 (February 14, 2019).

The agencies have revised the FR Y-9C Schedule HC-R instructions for the following items in Part I of the schedule to enable institutions that elect the five-year CECL transition option to report their regulatory capital data in accordance with the CECL interim final rule:

- Item 2, “Retained earnings,”
- Item 15.a and 15.b on the FR Y-9C, for certain deferred tax assets arising from temporary differences that exceed an institution’s applicable common equity tier 1 capital deduction threshold,
- Item 27, “Average total consolidated assets,”
- Item 42.a on the FR Y-9C, for the amount of adjusted allowances for credit losses includable in tier 2 capital,
- Item 42.b on the FR Y-9C, “Eligible credit reserves includable in tier 2 capital,” and
- Item 55.a on the FR Y-9C, “Total leverage exposure.”

The instructions for Schedule HC-R, Part II, item 8, “All other assets,” also have been revised to account for the five-year CECL transition option.

In addition, beginning with the June 30, 2020, FR Y-9C, Schedule HC-R, Part I, item 2.a, “Does your institution have a CECL transition election in effect as of the quarter-end report date? (enter “1” for Yes; enter “0” for No.),” will be revised to allow institutions that have adopted CECL to choose from among three entries rather than the current two entries. An institution that has adopted CECL will choose from the following CECL transition election entries: “0” for adopted CECL with no transition election; “1” for a 3-year CECL transition election; and “2” for a 5-year 2020 CECL transition election. An institution that has not adopted CECL will continue to leave item 2.a blank.

## **G. Community Bank Leverage Ratio**

Section 4012 of the CARES Act required the appropriate Federal banking agencies to reduce the community bank leverage ratio (CBLR) to 8 percent for a temporary period ending on the earlier of the termination date of the national emergency concerning the coronavirus disease COVID-19 outbreak declared by the President on March 13, 2020, under the National Emergencies Act<sup>22</sup> (National Emergency) or December 31, 2020, which the agencies did through an interim final rule.<sup>23</sup> To provide further clarity around the possible end date of the statutory relief and provide a qualifying community banking organization that is planning to elect to use the community bank leverage ratio framework sufficient time to meet the leverage ratio requirement, the agencies also issued an interim final rule extending relief for the 8 percent community bank leverage ratio through 2020, providing relief through an 8.5 percent community bank leverage ratio in 2021, and resuming the existing 9 percent community bank leverage ratio in 2022.<sup>24</sup> Neither interim final rule changed the methodology for calculating the CBLR, merely the qualifying ratio for an institution to report as a CBLR institution.

There are no substantive reporting revisions associated with the revised CBLR framework. However, it is possible that some additional holding companies that are now eligible

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<sup>22</sup> 50 U.S.C. § 1601 et seq.

<sup>23</sup> 85 FR 22924 (April 23, 2020).

<sup>24</sup> 85 FR 22930 (April 23, 2020).

CBLR institutions under the lower qualifying ratio may choose to use the less burdensome reporting for regulatory capital on Schedule HC-R. Therefore, the Board temporarily revised the FR Y-9C instructions to accurately reflect aspects of the statutory interim final rule and the transition interim final rule.

## **H. Money Market Mutual Fund Liquidity Facility (MMLF)**

The Federal Reserve established the MMLF on March 18, 2020, to broaden its program of support for the flow of credit to households and businesses. Under the program, the Federal Reserve Bank of Boston will make loans available to eligible financial institutions secured by high-quality assets purchased by the financial institution from money market mutual funds. On March 23, 2020, the agencies published an interim final rule (MMLF IFR),<sup>25</sup> which permits banking organizations<sup>26</sup> to exclude exposures related to the MMLF from regulatory capital requirements.

The MMLF IFR modifies the Board's capital rule to allow HCs to neutralize the effects of purchasing assets through the MMLF on their risk-based and leverage capital ratios. This treatment extends to the community bank leverage ratio (CBLR). Specifically, an HC may exclude from its total leverage exposure, average total consolidated assets, standardized total risk-weighted assets, and advanced approaches total risk-weighted assets, as applicable, any exposure acquired pursuant to a non-recourse loan from the MMLF. The interim final rule only applies to activities with the MMLF. The facility is scheduled to terminate on March 31, 2021, unless the facility is extended by the Board.

Consistent with U.S. GAAP, the Board would expect holding companies to report assets purchased from money market mutual funds under the MMLF on their balance sheets. To be eligible collateral for pledging to the FRBB, assets must be purchased from an eligible money market mutual fund at either the seller's amortized cost or fair value. Thereafter, banking organizations would subsequently measure the assets at amortized cost or fair value depending on the asset category in which the assets are reported on their balance sheets. The non-recourse nature of the transaction through the MMLF would impact the valuation of the liability to the Federal Reserve Bank of Boston. After reflecting any appropriate discounts on the assets purchased and the associated liabilities, organizations are not expected to report any material net gains or losses (if any) at the time of purchase. Any discounts generally would be accreted over time into income and expense.

## **I. Asset Thresholds**

To mitigate temporary transition costs on banking organizations related to the coronavirus disease 2019 (COVID event), the agencies issued an interim final rule<sup>27</sup> to permit national banks, savings associations, state banks, BHCs, SLHCs, and U.S. branches and agencies

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<sup>25</sup> 85 FR 16232 (March 23, 2020).

<sup>26</sup> For purposes of the MMLF, "banking organizations" consist of all U.S. depository institutions, U.S. bank holding companies (parent companies incorporated in the United States or their U.S. broker-dealer subsidiaries), and U.S. branches and agencies of foreign banks, but does not include savings and loan holding companies.

<sup>27</sup> 85 FR 77345 (December 2, 2020).

of foreign banking organizations with under \$10 billion in total assets as of December 31, 2019, (community banking organizations) to use asset data as of December 31, 2019, in order to determine the applicability of various regulatory asset thresholds during the remainder of 2020 and calendar year 2021. Consistent with the interim final rule, the Board has temporarily revised the FR Y-9C and FR Y-9LP instructions to allow an HC to use asset data as of December 31, 2019, in order to determine reporting requirements for reports for the December 31, 2020, through December 31, 2021, as of dates.

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

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

### **Public Availability of Data**

Data from the FR Y-9 reports that are not granted confidential treatment are publicly available on the FFIEC website: <https://www.ffiec.gov/NPW>.

### **Legal Status**

The reporting and recordkeeping requirements associated with the FR Y-9 series of reports are authorized for BHCs pursuant to section 5 of the Bank Holding Company Act of 1956 (BHC Act) (12 U.S.C. § 1844); for SLHCs pursuant to sections 10(b)(2) and (3) of the Home Owners' Loan Act (12 U.S.C. §§ 1467a(b)(2) and (3)), as amended by sections 369(8) and 604(h)(2) of the Dodd-Frank Wall Street and Consumer Protection Act (Dodd-Frank Act); for IHCs pursuant to section 5 of the BHC Act (12 U.S.C. § 1844), as well as pursuant to sections 102(a)(1) and 165 of the Dodd-Frank Act (12 U.S.C. §§ 5311(a)(1) and 5365);<sup>28</sup> and for securities holding companies pursuant to section 618 of the Dodd-Frank Act (12 U.S.C. § 1850a(c)(1)(A)). Except for the FR Y-9CS report, which is expected to be collected on a voluntary basis, the obligation to submit the remaining reports in the FR Y-9 series of reports

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<sup>28</sup> Section 165(b)(2) of Title I of the Dodd-Frank Act (12 U.S.C. § 5365(b)(2)), refers to “foreign-based bank holding company.” Section 102(a)(1) of the Dodd-Frank Act (12 U.S.C. § 5311(a)(1)), defines “bank holding company” for purposes of Title I of the Dodd-Frank Act to include foreign banking organizations that are treated as bank holding companies under section 8(a) of the International Banking Act of 1978 (12 U.S.C. § 3106(a)). The Board has required, pursuant to section 165(b)(1)(B)(iv) of the Dodd-Frank Act (12 U.S.C. § 5365(b)(1)(B)(iv)), certain foreign banking organizations subject to section 165 of the Dodd-Frank Act to form U.S. intermediate holding companies. Accordingly, the parent foreign-based organization of a U.S. IHC is treated as a BHC for purposes of the BHC Act and section 165 of the Dodd-Frank Act. Because section 5(c) of the BHC Act authorizes the Board to require reports from subsidiaries of BHCs, section 5(c) provides additional authority to require U.S. IHCs to report the information contained in the FR Y-9 series of reports.

and to comply with the recordkeeping requirements set forth in the respective instructions to each of the other reports, is mandatory.

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

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

Additionally, items on the FR Y-9C, Schedule HC-C for loans modified under Section 4013, data items Memorandum items 16.a, "Number of Section 4013 loans outstanding"; and Memorandum items 16.b, "Outstanding balance of Section 4013 loans" are considered confidential. While the Board generally makes institution-level FR Y-9C report data publicly available, the Board is collecting Section 4013 loan information as part of condition reports for the impacted HCs and the Board considers disclosure of these items at the HC level would not be in the public interest.<sup>29</sup> Such information is permitted to be collected on a confidential basis, consistent with 5 U.S.C. § 552(b)(8). Exemption 8 of FOIA specifically exempts from disclosure information "contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions." In addition, holding companies may be reluctant to offer modifications under Section 4013 if information on these modifications made by each holding company is publicly available, as analysts, investors, and other users of public FR Y-9C report information may penalize an institution for using the relief provided by the CARES Act. The Board may disclose Section 4013 loan data on an aggregated basis, consistent with confidentiality or as otherwise required by law.

Aside from the data items described above, the remaining data items collected on the FR Y-9C report and the FR Y-9SP report are generally not accorded confidential treatment. The

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<sup>29</sup> See 12 U.S.C. § 1464(v)(2).



data items collected on FR Y-9LP, FR Y-9ES, and FR Y-9CS<sup>30</sup> reports, are also generally not accorded confidential treatment. As provided in the Board's Rules Regarding Availability of Information (12 CFR part 261), however, a respondent may request confidential treatment for any data items the respondent believes should be withheld pursuant to a FOIA exemption. The Board will review any such request to determine if confidential treatment is appropriate, and will inform the respondent if the request for confidential treatment has been granted or denied.

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

### **Consultation Outside the Agency**

The Board coordinated and consulted with the FDIC and OCC in regard to the revisions to the FR Y-9 reports.

### **Public Comments**

On March 20, 2020, the Board published the ERI IFR in the *Federal Register* (85 FR 15909) requesting public comment for 60 days on the extension, with revision, of the FR Y-9 reports. The comment period expired on May 19, 2020. The Board did not receive any comments on this proposal, and the revisions were implemented as proposed.

On March 23, 2020, the Board published the MMLF IFR in the *Federal Register* (85 FR 16232) and on April 9, 2020, the Board published a notice in the *Federal Register* (85 FR 19944) requesting public comment for 60 days on the extension, with revision, of the FR Y-9 reports. The comment period expired on June 8, 2020. The Board did not receive any comments on this proposal, and the revisions were implemented as proposed.

On March 31, 2020, the Board published the CECL IFR in the *Federal Register* (85 FR 17723) requesting public comment for 60 days on the extension, with revision, of the FR Y-9 reports. The comment period expired June 1, 2020. The Board did not receive any comments on the proposal, but the Board clarified the instructions to the reports to accurately reflect the CECL transition provision as modified by the final rule. In addition to the specific changes mentioned in the interim final rule, the final rule expands eligibility for the new transition to banking organizations that voluntarily early adopt CECL in the 2020 calendar year. The final rule also included minor adjustments to clarify calculation of the transition provision. Specifically, the

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<sup>30</sup> The FR Y-9CS is a supplemental report that may be utilized by the Board to collect additional information that is needed in an expedited manner from HCs. The information collected on this supplemental report is subject to change as needed. Generally, the FR Y-9CS report is treated as public. However, where appropriate, data items on the FR Y-9CS report may be withheld under exemptions 4 and/or 8 of the FOIA (5 U.S.C. § 552(b)(4) and (8)).

FR Y-9C instructions were clarified to note that an electing banking organization that opted to apply the transition in the first quarter in which it was eligible is not required to apply the transition in any quarter in which it would not reflect a positive modified CECL transitional amount (that could result in negative retained earnings). Also, the FR Y-9C instructions were clarified to note that the day-one transitional amounts (CECL transitional amount, AACL transitional amount, and DTA transitional amount) may be calculated as a positive or negative number.

On April 13, 2020, the Board published the PPPLF IFR in the *Federal Register* (85 FR 20387) requesting public comment for 60 days on the extension, with revision, of the FR Y-9 reports. The comment period expired on May 13, 2020. The Board did not receive any comments on this proposal, and the revisions were implemented as proposed.

On April 23, 2020, the Board published the CBLR IFR in the *Federal Register* (85 FR 22930) requesting public comment for 60 days on the extension, with revision, of the FR Y-9 reports. The comment period expired on June 22, 2020. The Board did not receive comments on this proposal, and the revisions were implemented as proposed.

On July 7, 2020, the Board published a notice in the *Federal Register* (85 FR 40646) requesting public comment for 60 days on the extension, with revision, of the FR Y-9 reports. The comment period expired on September 8, 2020. The Board did not receive any comments on this proposal, and the revisions will be implemented as proposed, with the new data items being collected through December 31, 2021.

On October 8, 2020, the Board published a notice in the *Federal Register* (85 FR 63553) requesting public comment for 60 days on the extension, with revision, of the FR Y-9 reports. The comment period expired on December 7, 2020. The Board received a comment from a banker's association on this proposal. The Board also considered comments received on a comparable Call Report proposal, and adopted changes on the FR Y-9C to maintain consistency with the Call Report.<sup>31</sup>

#### *Comments Received on Provision for Credit Losses on Off-balance Sheet Credit Exposures*

The commenter on the October 2020 notice noted the potential impact on other reports beyond the FR Y-9C of the GAAP change related to provision for credit losses on off-balance sheet credit exposures. These other reports include the FR Y-7N (OMB No. 7100-0125), FR Y-11 (OMB No. 7100-0244), FR 2314 (OMB No. 7100-0073), FR 2886b (OMB No. 7100-0086), and FR 2644 (OMB No. 7100-0075). The Board will consider conforming changes to the forms and instructions for the FR 2886b, FR Y-7N, FR Y-11, and FR 2314 in the future. Any such changes would be proposed by the Board through a separate *Federal Register* notice pursuant to the Paperwork Reduction Act (PRA). The Board does not intend to make conforming changes to the FR 2644 since this report is only comprised of balance sheet items and this GAAP-related change only impacts income statement items.

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<sup>31</sup> 85 FR 44361 (July 22, 2020).

### *Comments Received on Final Regulation D Reporting Revisions*

The Board did not receive comments on the proposal to finalize, on an interim basis, revisions to the FR Y-9C instructions regarding the definition of “savings deposits” associated with the amendments to the Board’s Regulation D. The changes were effective as of June 30, 2020.

The commenter on the October 2020 notice raised several concerns with the proposed changes related to the definition of “savings deposits” and the assessment criteria to remove certain optional reporting, and requested a clarification on the definition of “retail sweep arrangements.” The commenter recommended that the revisions be consistent across reports. Specifically, the commenter recommended that savings deposits be classified consistently as transaction or nontransaction accounts across reports. The commenter stated that the differences in the treatment of savings deposits would require firms to report savings deposits as nontransaction accounts on the Call Reports, FR Y-9C, and FR 2886b, while the same deposits would be classified as a transaction account on the Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900; OMB No. 7100-0087). The commenter recommended that the Board provide clear and consistent definitions of “savings deposits,” “transaction accounts,” and “nontransaction accounts.” In response to the commenter’s recommendation, the Board will continue to maintain the requirement to report “savings deposits” as a component of nontransaction accounts on the FR Y-9C and FR 2886b in order to maintain consistency with the Call Report. The Board will also maintain the definition of “transaction accounts” and “nontransaction accounts” as currently stated in the FR Y-9C and FR 2886b instructions, which is consistent with the Call Report instructions. It is important to note the Call Report and FR Y-9C are principal sources of financial data used for supervision and regulation of the banking industry whereas the primary purpose of the FR 2900 report is to collect data for the construction of the monetary aggregates.

Secondly, regarding the proposed changes to the assessment criteria for “savings deposits,” the commenter recommended that a depositor’s eligibility to hold a NOW account should not be included in the criteria assessment to determine the reporting treatment for savings deposits for which the numeric limits on transfers and withdrawals have been removed. The commenter noted that “if a firm does not offer NOW accounts, they would be required to report savings deposits as NOW accounts, ATS accounts, or telephone and preauthorized transfer accounts (and as transaction accounts) based on a depositor’s eligibility to hold such account” and “for firms that do not offer NOW accounts, the data necessary to determine a depositor’s eligibility for NOW accounts would not be readily available.”

In addition, the commenter noted that this reporting treatment would be inconsistent with the Regulation D definition of savings deposits, as NOW account eligibility is not a component of the definition. The commenter believed that gathering the data necessary to distinguish these depositors from other savings account holders solely for regulatory reporting purposes would create business and systems challenges. The Board agrees with the commenter that the depositor’s eligibility to hold a NOW account should not be included in the assessment criteria for classification as a “savings deposit,” as such reporting would not be consistent with the Regulation D definition of savings deposits. Therefore, the Board will remove the depositor’s

eligibility to hold a NOW account from the assessment criteria. The Board and other federal banking agencies have implemented comparable revisions to the Call Report.

Additionally, the commenter recommended that the effective date of the proposed revisions to the FR Y-9C definition of “savings deposits” be delayed from December 31, 2020, until June 30, 2021, to better align with the proposed effective dates of the FR 2900<sup>32</sup> and the Report of Foreign (Non-U.S.) Currency Deposits (FR 2915; OMB No. 7100-0087). The commenter noted that aligning the timing of the revisions would give firms additional time to implement any further changes made by the Board and other agencies in light of the comments received. In response to the commenter’s recommendation, the Board has deferred the effective date of the proposed revisions that requires a depository institution to report each account as a “savings deposit” or a “transaction account” based on the institution’s assessment of account characteristics and removes the optionality in reporting savings deposits as either a “savings deposit” or a “transaction account” if the institution suspended the enforcement of the six-transfer limit until March 31, 2021. Choosing March 31, 2021 as the proposed effective date will align the FR Y-9C Regulation D revisions with the Call Report and will provide institutions additional time to implement any necessary changes. The timing of the FR Y-9C changes was chosen to match the Call Report to allow for consistent quarterly reporting.

Lastly, the commenter requested clarification on how institutions should report the components of retail sweep arrangements on the FR Y-9C report. Specifically, the commenter asked whether institutions should continue to report the nontransaction components of, or savings deposits in, retail sweep arrangements as nontransaction accounts. If not, the commenter asked whether institutions should strictly follow the proposed assessment criteria for the treatment of accounts where the transfer limit has been removed. In response to the comment, the Board has modified the description of retail sweep arrangements in the FR Y-9C instructions to remove references to transaction and nontransaction components. Further, the instructions will indicate that institutions should not follow the proposed assessment criteria for the treatment of accounts for which the transfer limit has been removed.

Instead, the instructions will note that institutions that offer valid retail sweep programs must report each component of the retail sweep arrangement based on the customer account agreement established by the depository institution. The instructions will also note that two key criteria must be met for a valid retail sweep program. These criteria are (1) a depository institution must establish by agreement with its customer two distinct, legally separate accounts and (2) the swept funds must actually be moved between the customer’s accounts on the depository institution’s official books and records as of the close of business on the day(s) on which the depository institution intends to report the funds as being in separate accounts. These modifications are consistent with modifications to the Call Report instructions made in response to a similar comment.<sup>33</sup>

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<sup>32</sup> See 85 FR 54577 (November 2, 2020).

<sup>33</sup> 85 FR 74784 (December 23, 2020).

*Modifications to proposed Memorandum item 8 of Schedule HI-B, Part II, “Changes in Allowances for Credit Losses”*

As discussed above, the Board added a new Memorandum item 8 to Schedule HI-B, Part II, to collect the estimated amount of expected recoveries of amounts previously written off included within the allowance for credit losses on loans and leases held for investment. The Board did not receive any comments on this aspect of the proposal, and will adopt this revision. However, the Board has decided to collect this new Memorandum item only from holding companies with \$5 billion or more in total consolidated assets. The Board decided to limit this collection to such holding companies in order to minimize burden, consistent with a number of other FR Y-9C items that are not required from holding companies with less than \$5 billion in total assets.

*Proposed revisions related to last-of-layer hedging*

In the October 2020 notice, the Board proposed to make certain revisions to the FR Y-9C related to the last-of-layer method of hedge accounting standards. This proposal would have implemented in the FR Y-9C revisions related to a project added to the FASB agenda to expand last-of-layer hedging to multiple layers, thereby providing more flexibility to entities when applying hedge accounting to a closed portfolio of prepayable assets. The Board proposed for these revisions to become effective following the adoption and implementation of a final standard on this matter by FASB.

Because FASB has not yet adopted a final standard regarding last-of-layer hedging, the Board has not adopted the proposed FR Y-9C revisions associated with this topic at this time. The Board will consider whether to finalize the proposed revisions related to last-of-layer hedging when FASB adopts a final standard.

*Additional Instructional Matters*

The agencies addressed several additional instructional matters in the final Call Report notice.<sup>34</sup> The Board made comparable clarifying changes to the FR Y-9 reports for consistency purposes as discussed in detail below.

**1. Uncollectible Accrued Interest Receivable under ASC Topic 326**

In April 2019, the Financial Accounting Standards Board (FASB) issued ASU No. 2019-04, “Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments,” which amended ASC Topic 326 to allow an institution to make certain accounting policy elections for accrued interest receivable balances, including a separate policy election, at the class of financing receivable or major security-type level, to charge off any uncollectible accrued interest receivable by reversing interest income, recognizing credit loss expense (i.e., provision expense), or a combination of both. The Glossary entry for “Accrued Interest Receivable” in the FR Y-9C report instructions currently references the following accounting policy elections in ASU 2019-04:

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<sup>34</sup> 85 FR 74784 (November 23, 2020)

- Holding companies may elect to separately present accrued interest receivable from the associated financial asset, and the accrued interest receivable is presented net of an allowance for credit losses (ACL), if any, and
- Holding companies that charge off uncollectible accrued interest receivable in a timely manner, i.e., in accordance with the Glossary entry for “Nonaccrual Status,” may elect, at the class of financing receivable or the major security-type level, not to measure an ACL for accrued interest receivable.

Although this Glossary entry does not currently provide for the ASU’s separate accounting policy election for the charge-off of uncollectible accrued interest receivable at the class of financing receivable or major security-type level, this election is specifically addressed in the Interagency Policy Statement on Allowances for Credit Losses issued in May 2020.<sup>35</sup> Accordingly, as provided in the FR Y-9C Supplemental Instructions for the September 30, 2020, report date,<sup>36</sup> a holding company that has adopted ASC Topic 326 may make the charge-off election for accrued interest receivable balances in ASU 2019-04 separately from the other elections for these balances in the ASU for FR Y-9C reporting purposes. A holding company may also charge off uncollectible accrued interest receivable against an ACL for FR Y-9C reporting purposes.

The Board plans to update the FR Y-9C Glossary entry for “Accrued Interest Receivable” to align the instructions in this entry with the elections permitted under U.S. GAAP for institutions that have adopted ASC 326, which also would achieve consistency with the discussion of accrued interest receivable in the Interagency Policy Statement on Allowances for Credit Losses.

## **2. Shared Fees and Commissions from Securities-Related and Insurance Activities**

Holding companies with \$5 billion or more in total assets report income from certain securities-related and insurance activities in FR Y-9C report Schedule HI, Income Statement, items 5.d.(1) through (7), while holding companies with less than \$5 billion in total assets report only items 5.d.(6) and 5.d.(7). When an institution partners with, or otherwise joins with, a third party to conduct these securities-related or insurance activities, and any fees and commissions generated by these activities are shared with the third party, the Schedule HI instructions do not currently address the reporting treatment for these sharing arrangements. Consequently, holding companies may have reported the gross fees and commissions from these activities in the appropriate subitem of Schedule HI, item 5, “Other noninterest income,” and the third party’s share of the fees and commissions separately as expenses in Schedule HI, item 7.d, “Other noninterest expense.” Alternatively, holding companies may have reported only their net share of the fees or commissions in the appropriate subitem of Schedule HI, item 5.

The Board believes that reporting shared fees and commissions on a net basis is preferable to gross reporting and is analogous to how income from certain other income-generating activities is reported on the FR Y-9C income statement, including securitization

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<sup>35</sup> 85 FR 32991 (June 1, 2020).

<sup>36</sup> <https://www.federalreserve.gov/reportforms/supplemental/Final%20FR%20Y-9C%20September%202020%20Supplemental%20Instructions.pdf>.

income and servicing fee income, which are currently reported net of specified expenses and costs.

This net approach better represents an institution's income from a securities-related or insurance activity engaged in jointly with a third party than when the third party's share of the fees and commissions is separately reported as a noninterest expense in another income statement data item. As a result, the Board has clarified the existing Schedule HI instructions to ensure consistent reporting on a net basis of fees and commissions from securities-related and insurance activities that are shared with third parties. Furthermore, to avoid including repetitive language in the instructions for the multiple noninterest income items for income from securities-related and insurance activities in Schedule HI, a new non-reportable item 5.d captioned "Income from securities-related and insurance activities" has been added before the existing 5.d subitems on the FR Y-9C report. The reporting treatment for arrangements involving the sharing of fees and commissions with third parties arising from an institution's securities brokerage, investment banking, investment advisory, securities underwriting, insurance and annuity sales, insurance underwriting, or any other securities-related and insurance activities is explained once in the new item 5.d instructions.

### **3. Pledged Equity Securities**

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities." As one of its main provisions, the ASU requires investments in equity securities, except those accounted for under the equity method and those that result in consolidation, to be measured at fair value, with changes in fair value recognized in net income. Thus, the ASU eliminates the existing concept of available-for-sale (AFS) equity securities, which are measured at fair value with changes in fair value generally recognized in other comprehensive income. As of December 31, 2020, all holding companies will have been required to adopt ASU 2016-01 and, as a consequence, must report equity securities with readily determinable fair values not held for trading in Schedule HC, Balance Sheet, item 2.c, "Equity securities with readily determinable fair values not held for trading," instead of Schedule HC-B, Securities, item 7, "Investments in mutual funds and other equity securities with readily determinable fair values." Accordingly, Schedule HC-B, item 7, will be removed effective December 31, 2020.

Holding companies report held-to-maturity and AFS securities in Schedule HC-B, items 1 through 7, and have long reported in Schedule HC-B, Memorandum item 1, "Pledged securities" the amount of such securities that are pledged to secure deposits and for other purposes. Considering that all institutions that previously reported their AFS equity securities in Schedule HC-B, item 7, now report these securities in Schedule HC, item 2.c, the Board is updating the instructions for Schedule HC-B, Memorandum item 1, and Schedule HC, item 2.c, to indicate that holding companies should include in Memorandum item 1 the fair value of pledged equity securities with readily determinable fair values not held for trading that are now reported in Schedule HC, item 2.c. The wording of existing footnote 1 to Memorandum item 1 of Schedule HC-B on the FR Y-9C forms will be similarly updated. These instructional clarifications would ensure that pledged equity securities formerly reportable as AFS equity securities would continue to be reported in Memorandum item 1 notwithstanding the change in

accounting for equity securities under U.S. GAAP. Information on pledged securities is an important element of the agencies' analysis of an institution's liquidity risk. The existing footnote 1 to Memorandum item 1, Schedule HC-B on the FR Y-9C forms and the instructions for PC-B Memorandum line item 10, "Pledged securities", of the FR Y-9LP and related footnote 1 reference of this line item on the FR Y-9LP forms will be similarly updated.

The FR Y-9C instructional clarifications to the Glossary entry for "Accrued Interest Receivable" and Schedule HC-B for pledged equity securities will take effect December 31, 2020, while the instructional clarifications to Schedule HI for shared fees and commissions from securities-related and insurance activities will take effect March 31, 2021.

On December 2, 2020, the Board published the Asset Thresholds IFR in the *Federal Register* (85 FR 77345) requesting public comment for 60 days on the extension, with revision, of the FR Y-9 reports. The comment period expired February 1, 2021. The Board did not receive any comments on the proposal, but the Board clarified the FR Y-9C instructions to reflect that a holding company should continue to use its total as reported in FR Y-9C Schedule HC, item 12, as of the current quarter-end report date when reporting other qualifying criteria for the CBLR framework (that is, the sum of trading assets and trading liabilities as a percentage of total assets in Schedule HC-R, item 33, column B, and total off-balance sheet exposures as a percentage of total assets in Schedule HC-R, Part I, item 34.d, column B). The Board and the other agencies have received comments on the IFR. In order to implement reporting changes related to the IFR prior to the expiration of the temporarily approved revisions, the Board has adopted this proposal under the PRA pending review of comments on the IFR. If the Board modifies the IFR through the adoption of a final rule regarding temporary asset threshold relief, the Board would adopt appropriate additional revisions to the FR Y-9C and FR Y-9LP reports through a separate PRA process.

On September 30, 2020, the Board published the CECL final rule in the *Federal Register* (85 FR 61577). On October 8, 2020, the Board published the ERI final rule in the *Federal Register* (85 FR 63423). On October 9, 2020, the Board published the CBLR final rule in the *Federal Register* (85 FR 64003). On October 28, 2020, the Board published the MMLF and PPPLF final rule in the *Federal Register* (85 FR 68243). On January 4, 2021, the Board published a final notice in the *Federal Register* (86 FR 92). On May 26, 2021, the Board published a final notice in the *Federal Register* (86 FR 28346).

### **Estimate of Respondent Burden**

As shown in the table below, the estimated total annual burden for the FR Y-9 reports is 115,482 hours, and would increase to 115,671 hours with the revisions. The GAAP and Regulation D revisions would result in an increase of 189 hours. The revisions associated with the new items for PPPLF and Section 2013 of the CARES Act would not affect burden as these adjustments to burden were made in July 2020 with the emergency clearance and are reflected in the current burden. These reporting and recordkeeping requirements represent 1.5 percent of the Board's total paperwork burden.



<b>FR Y-9</b>	<i>Estimated number of respondents<sup>37</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<b>Current Reporting</b>				
FR Y-9C (non AA HCs) with less than \$5 billion in total assets	124	4	35.59	17,653
FR Y-9C (non AA HCs) with \$5 billion or more in total assets	218	4	44.79	39,057
FR Y-9C (AA HCs)	9	4	49.80	1,793
FR Y-9LP	416	4	5.27	8,769
FR Y-9SP	3,739	2	5.40	40,381
FR Y-9ES	78	1	0.50	39
FR Y-9CS	236	4	0.50	472
<b>Recordkeeping</b>				
FR Y-9C	351	4	1.00	1,404
FR Y-9LP	416	4	1.00	1,664
FR Y-9SP	3,739	2	0.50	3,739
FR Y-9ES	78	1	0.50	39
FR Y-9CS	236	4	0.50	472
<i>Current Total</i>				115,482
<b>Proposed Reporting</b>				
FR Y-9C (non AA HCs) with less than \$5 billion in total assets	124	4	35.72	17,717
FR Y-9C (non AA HCs) with \$5 billion or more in total assets	218	4	44.92	39,170
FR Y-9C (AA HCs)	9	4	50.14	1,805
FR Y-9LP	416	4	5.27	8,769
FR Y-9SP	3,739	2	5.40	40,381
FR Y-9ES	78	1	0.50	39
FR Y-9CS	236	4	0.50	472
<b>Recordkeeping</b>				
FR Y-9C	351	4	1.00	1,404
FR Y-9LP	416	4	1.00	1,664
FR Y-9SP	3,739	2	0.50	3,739

<sup>37</sup> Of these respondents, 4 FR Y-9C (non AA HCs) with less than \$5 billion in total assets filers; 31 FR Y-9LP filers; 2,869 FR Y-9SP filers; and 58 FR Y-9ES filers are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$600 million in total assets), <https://www.sba.gov/document/support-table-size-standards>. The respondent count for the FR Y-9C, FR Y-9LP, and FR Y-9SP are as of June 30, 2020. The respondent count for the FR Y-9ES is as of December 31, 2019.

FR Y-9ES	78	1	0.50	39
FR Y-9CS	236	4	0.50	<u>472</u>
<i>Proposed Total</i>				115,671
<i>Change</i>				189

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The estimated total annual cost to the public for the FR Y-9 reports is \$6,830,760, and would increase to \$6,841,940 with the revisions.<sup>38</sup>

### **Sensitive Questions**

These collections of information contain no questions of a sensitive nature, as defined by OMB guidelines.

### **Estimate of Cost to the Federal Reserve System**

The estimated cost to the Federal Reserve System for collecting and processing the FR Y-9 reports is \$2,050,800.

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<sup>38</sup> Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$20, 45% Financial Managers at \$73, 15% Lawyers at \$72, and 10% Chief Executives at \$95). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2020*, published March 31, 2021, <https://www.bls.gov/news.release/ocwage.t01.htm>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.