

## LINE ITEM INSTRUCTIONS FOR

# Deposit Liabilities

## Schedule HC-E

### General Instructions

A complete discussion of deposits is included in the Glossary entry entitled “deposits.” That discussion addresses the following topics and types of deposits in detail:

- (1) FDI Act definition of deposits;
- (2) demand deposits;
- (3) savings deposits;
- (4) time deposits;
- (5) time certificates of deposit;
- (6) time deposits, open account;
- (7) transaction accounts;
- (8) nontransaction accounts;
- (9) NOW accounts;
- (10) ATS accounts;
- (11) telephone or preauthorized transfer accounts;
- (12) money market deposit accounts (MMDAs);
- (13) interest-bearing accounts; and
- (14) noninterest-bearing accounts.

Additional discussions pertaining to deposits are also found under separate Glossary entries for the following:

- (1) borrowings and deposits in foreign offices;
- (2) brokered deposits;
- (3) dealer reserve accounts;
- (4) hypothecated deposits;
- (5) letters of credit (for letters of credit sold for cash and travelers’ letters of credit);
- (6) overdrafts;

- (7) pass-through reserve balances;
- (8) placements and takings; and
- (9) reciprocal balances.

NOTE: For purposes of this report, IBFs of subsidiary depository institutions of the reporting holding company are to be treated as foreign offices and their deposit liabilities should be excluded from this schedule.

### Definitions

The term “deposits” is defined in the Glossary and follows the definition of deposits used in the Federal Deposit Insurance Act. Reciprocal demand deposits between the domestic offices of the reporting holding company and the domestic offices of other depository institutions that are not consolidated on this report may be reported net when permitted by generally accepted accounting principles (GAAP). (See the Glossary entry for “reciprocal balances.”)

The following are *not* reported as deposits:

- (1) Deposits received in one office of a depository institution for deposit in another office of the same depository institution.
- (2) Outstanding drafts (including advices or authorizations to charge the depository institution’s balance in another depository institution) drawn in the regular course of business by the reporting depository institution on other depository institutions, including so-called “suspense depository accounts” (report as a deduction from the related “due from” account).
- (3) Trust funds held in the bank’s own trust department that the bank keeps segregated and apart from its general assets and does not use in the conduct of its business.

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- (4) Deposits accumulated for the payment of personal loans (i.e., hypothecated deposits), which should be netted against loans in Schedule HC-C, Loans and Lease Financing Receivables.
  - (5) All obligations arising from assets sold under agreements to repurchase.
  - (6) Overdrafts in deposit accounts. Overdrafts are to be reported as loans in Schedule HC-C, and not as negative deposits. Overdrafts in a single type of related transaction accounts (e.g., related demand deposits or related NOW accounts, but not a combination of demand deposit accounts and NOW accounts) of a single legal entity that are established under a bona fide cash management arrangement by this legal entity are not to be classified as loans unless there is a net overdraft position in the accounts taken as a whole. Such accounts are regarded as, and function as, one account rather than as multiple separate accounts.
  - (7) Time deposits sold (issued) by a subsidiary bank of the consolidated holding company that have been purchased subsequently by a holding company subsidiary in the secondary market (typically as a result of the holding company's trading activities) and have not resold as of the report date. For purposes of these reports, a holding company (or its subsidiaries) that purchases a time deposit a subsidiary has issued is regarded as having paid the time deposit prior to maturity. The effect of the transaction is that the consolidated holding company has cancelled a liability as opposed to having acquired an asset for its portfolio.
  - (8) Cash payments received in connection with transfers of the holding company's other real estate owned that have been financed by the holding company and do not qualify for sale accounting, which applicable accounting standards describe as a "liability," a "deposit," or a "deposit liability." Until a transfer qualifies for sale accounting, these cash payments shall be reported in Schedule HC-G, item 4, "All other liabilities." See the Glossary entry for "foreclosed assets" for further information.
- The following are reported as deposits:
- (1) Deposits of trust funds standing to the credit of other banks and all trust funds held or deposited in any department of a subsidiary depository institution of the reporting holding company other than the trust department.
  - (2) Escrow funds.
  - (3) Payments collected by a depository institution subsidiary on loans secured by real estate and other loans serviced for others that have not yet been remitted to the owners of the loans.
  - (4) Credit balances resulting from customers' overpayments of account balances on credit cards and related plans.
  - (5) Funds received or held in connection with checks or drafts drawn by a subsidiary depository institution of the reporting holding company and drawn on, or payable at or through, another depository institution either on a zero-balance account or on an account that is not routinely maintained with sufficient balances to cover checks drawn in the normal course of business (including accounts where funds are remitted by a subsidiary depository institution of the reporting holding company only when it has been advised that the checks or drafts have been presented).
  - (6) Funds received or held in connection with traveler's checks and money orders sold (but not drawn) by a subsidiary depository institution of the reporting holding company, until the proceeds of the sale are remitted to another party, and funds received or held in connection with other such checks used (but not drawn) by a subsidiary depository institution of the reporting holding company, until the amount of the checks is remitted to another party.
  - (7) Checks drawn by a subsidiary depository institution of the reporting holding company on, or payable at or through, a Federal Reserve Bank or a Federal Home Loan Bank.
  - (8) Refundable loan commitment fees received or held by a subsidiary depository institution of the reporting holding company prior to loan closing.
  - (9) Refundable stock subscription payments received or held by the reporting holding company prior to the issuance of the stock. (Report nonrefundable stock subscription payments in Schedule HC-G, item 4, "Other" liabilities.)
  - (10) Improperly executed repurchase agreement sweep accounts (repo sweeps). According to Section 360.8

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of the FDIC's regulations, an "internal sweep account" is "an account held pursuant to a contract between an insured depository institution and its customer involving the pre-arranged, automated transfer of funds from a deposit account to . . . another account or investment vehicle located within the depository institution." When a repo sweep from a deposit account is improperly executed by an institution, the customer obtains neither an ownership interest in identified assets subject to a repurchase agreement nor a perfected security interest in the applicable assets. In this situation, the institution should report the swept funds as deposit liabilities, not as repurchase agreements, beginning July 1, 2009.

- (11) The unpaid balance of money received or held by the reporting institution that the reporting institution promises to pay pursuant to an instruction received through the use of a card, or other payment code or access device, issued on a prepaid or prefunded basis.

In addition, the gross amount of debit items ("throw-outs," "bookkeepers' cutbacks," or "rejects") that cannot be posted to the individual deposit accounts without creating overdrafts or for some other reason, 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 HC, item 11, "Other assets."

### **Line Item 1 Deposits held in domestic offices of commercial bank subsidiaries of the reporting holding company.**

Report in items 1(a) through 1(e) below deposits held in domestic offices of the commercial bank subsidiaries of the reporting holding company that are consolidated by the holding company on this report.

For purposes of this item, commercial bank subsidiaries cover all banks that file the commercial bank Consolidated Reports of Condition and Income (FFIEC 031, 041). See the Glossary entry for "Domestic Office" for the definition of this term.

If the reporting holding company consolidates a subsidiary foreign bank on this report, items 1(a) through 1(e) must also include deposits held in the U.S. offices of such foreign bank subsidiaries.

### **Line Item 1(a) Noninterest-bearing balances.**

Report all noninterest-bearing deposits, including any matured time or savings deposits that have not automatically been renewed, as defined in the Glossary entry for "deposits."

Include the following:

- (1) Noninterest-bearing deposits that are payable immediately on demand or issued with an original maturity of less than seven days, or that are payable with less than seven days notice, or for which the bank subsidiary does not reserve the right to require at least seven days written notice of an intended withdrawal.
- (2) Unpaid depositors' checks that have been certified.
- (3) Cashiers' checks, money orders, or other officers' checks issued for any purpose including those issued in payment for services, dividends, or purchases that are drawn on a consolidated bank subsidiary of the reporting holding company by any of its duly authorized officers and that are outstanding on the report date.
- (4) Outstanding travelers' checks, travelers' letters of credit, or other letters of credit (less any outstanding drafts accepted thereunder) sold for cash or its equivalent by the consolidated holding company organization or its agents.
- (5) Outstanding drafts and bills of exchange accepted by the consolidated holding company organization or its agents for money or its equivalent, including drafts accepted against a letter of credit issued for money or its equivalent.
- (6) Checks or drafts drawn by, or on behalf of, a non-U.S. office of a subsidiary bank of the reporting holding company on an account maintained at a U.S. office of the bank subsidiary. Such drafts are, for the *Consolidated Financial Statements for Holding Companies*, the same as officers' checks. This would include "London checks," "Eurodollar bills payable checks," and any other credit items that the domestic bank issues in connection with such transactions.

### **Line Item 1(b) Interest-bearing demand deposits NOW, ATS, and other transaction accounts.**

Report in this item all interest-bearing demand deposits, all accounts subject to negotiable orders of withdrawal (i.e., NOW accounts), all ATS accounts (that is, accounts

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subject to automatic transfer from savings accounts), and all other transaction accounts, *excluding* noninterest-bearing demand deposits.

Other transaction accounts include the following:

- (1) Accounts (other than MMDAs) that permit third party payments through automated teller machines (ATMs) or remote service units (RSUs).
- (2) Accounts (other than MMDAs) that permit third party payments through the use of checks, drafts, negotiable instruments, debit cards, or other similar items.
- (3) ~~Accounts (other than MMDAs) if more than six of the following transactions per calendar month are permitted to be made by telephone or preauthorized order or instruction:~~
  - ~~(a) payments or transfers to third parties;~~
  - ~~(b) transfers to another account of the depositor at the same institution; and~~
  - ~~(c) transfers to an account at another depository institution.~~

### **Line Item 1(c) Money market deposit accounts and other savings accounts.**

Report in this item all savings deposits held in the subsidiary commercial banks consolidated in this report by the reporting holding company, other than NOW accounts, ATS accounts, or other transaction accounts that are in the form of savings deposits.

Include the following in this item:

- (1) Money market deposit accounts (MMDAs).
- (2) ~~Savings deposits subject to telephone and preauthorized transfers where the depositor is not permitted or authorized to make more than six withdrawals per month for purposes of transferring funds to another account or for making a payment to a third party by means of preauthorized or telephone agreement, order, or instruction.~~
- (3) ~~Savings deposits subject to no more than six transfers per month for purposes of covering overdrafts (i.e., overdraft protection plan accounts).~~
- (4) All other savings deposits that are not classified as transaction accounts (e.g., regular savings and passbook savings accounts).

- (5) Interest paid by crediting the savings deposit accounts defined by paragraphs (1) through (4) in this item.

Exclude the following from this item:

- (1) NOW accounts (including “Super NOWs”) and ATS accounts (report in item 1(b) above).
- (2) ~~Overdraft protection plan accounts that permit more than six transfers per month (report in item 1(a) as a demand deposit).~~
- (3) ~~Savings deposits subject to telephone or preauthorized transfer (report in item 1(b) above), unless the depositor is not permitted or not authorized to make more than six withdrawals per month for purposes of transferring funds to another account or for making a payment to a third party by means of preauthorized or telephone agreement, order, or instruction.~~
- (4) Special passbook or statement accounts, such as “90-day notice accounts,” “golden passbook accounts,” or deposits labeled as “savings certificates,” that have a specified original maturity of seven days or more (report as time deposits in item 1(d) or 1(e) below).
- (5) Interest accrued on savings deposits but not yet paid or credited to a deposit account (exclude from this schedule and report in Schedule HC, item 20, “Other liabilities”).

### **Line Item 1(d) Time deposits of \$250,000 or less**

Report in this item all time deposits with balances of \$250,000 or less that are held in domestic offices of the commercial bank subsidiaries of the reporting holding company. This item includes both time certificates of deposit and open-account time deposits with balances of \$250,000 or less, regardless of negotiability or transferability.

Include the following:

- (1) Time deposits (as defined in the Glossary entry for “deposits”), which are deposits with original maturities of seven days or more, that are not classified as transaction accounts and that have balances of \$250,000 or less.
- (2) Interest paid by crediting nontransaction time deposit accounts with balances of \$250,000 or less.
- (3) Time deposits issued to deposit brokers in the form of large (more than \$250,000) certificates of deposit

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that have been participated out by the broker in shares of \$250,000 or less. In addition, if the bank subsidiary has issued a master certificate of deposit to a deposit broker in an amount that exceeds \$250,000 and under which brokered certificates of deposit are issued in \$1,000 amounts (so-called “retail brokered deposits”), individual depositors who purchase multiple certificates issued by the bank subsidiary normally do not exceed the applicable deposit insurance limit (currently \$250,000). Under current deposit insurance rules the deposit broker is not required to provide information routinely on these purchasers and their account ownership capacity to the bank subsidiary issuing the deposits. If this information is not readily available to the issuing bank subsidiary, these brokered certificates of deposit in \$1,000 amounts should be reported in this item as time deposits of \$250,000 or less.

Exclude from this item all time deposits with balances of more than \$250,000 (report in item 1(e) below).

### **Line Item 1(e) Time deposits of more than \$250,000.**

Report in this item all time deposits, including time certificates of deposit and open-account time deposits with balances of more than \$250,000, regardless of negotiability or transferability that are held in the commercial bank subsidiaries of the reporting holding company.

Include the following:

- (1) Time deposits (as defined in the Glossary entry for “deposits”), which are deposits with original maturities of seven days or more, that are not classified as transaction accounts and that have balances of more than \$250,000.
- (2) Interest paid by crediting nontransaction time deposit accounts with balances of more than \$250,000.

Exclude the following:

- (1) All time deposits issued to deposit brokers in the form of large (more than \$250,000) certificates of deposit that have been participated out by the broker in shares of \$250,000 or less (report in item 1(d)).
- (2) All time deposits with balances of \$250,000 or less (report in item 1(d)),

NOTE: Holding companies should include as time deposits of their commercial bank subsidiaries of more than \$250,000 those time deposits originally issued in denominations of \$250,000 or less but that, because of interest paid or credited, or because of additional deposits, now have a balance of more than \$250,000.

### **Line Item 2 Deposits held in domestic offices of other depository institutions that are subsidiaries of the reporting holding company.**

NOTE: Items 2(a) through 2(e) are to be completed only by holding companies that have depository institutions other than banks as subsidiaries.

Report in items 2(a) through 2(e) below deposits held in domestic offices of other depository institutions that are subsidiaries of the reporting holding company and that are consolidated by the holding company on this report.

For purposes of this item, other depository institutions cover depository institutions other than commercial banks (as defined in item 1 of this schedule) that are consolidated subsidiaries of the reporting holding company. Such depository institutions may include savings and loan or building and loan associations, depository trust companies, or other institutions that accept deposits that do not submit the commercial bank Reports of Condition and Income (FFIEC 031, 041).

*Exclude* Edge and Agreement Corporations from the coverage of “other depository institutions” for purposes of this item. Domestic offices are those offices located in the fifty states of the United States and the District of Columbia.

### **Line Item 2(a) Noninterest-bearing balances.**

Report all noninterest-bearing deposits, including any matured time or savings deposits that have not automatically been renewed, as defined in the Glossary entry for “deposits,” that are held in domestic offices of “other depository institutions” that are subsidiaries consolidated on the reporting holding company’s financial statements. Include any deposit account on which the issuing depository institution pays no compensation.

### **Line Item 2(b) Interest-bearing demand deposits, NOW, ATS, and other transaction accounts.**

Report in this item all interest-bearing demand deposits, all accounts subject to negotiable orders of withdrawal (i.e., NOW accounts), all ATS accounts (that is, accounts

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subject to automatic transfer from savings accounts), and all other transaction accounts that are held in domestic offices of the “other depository institution” subsidiaries of the reporting holding company.

Other transaction accounts include the following:

- (1) Accounts (other than MMDAs) that permit third party payments through automated teller machines (ATMs) or remote service units (RSUs).
- (2) Accounts (other than MMDAs) that permit third party payments through the use of checks, drafts, negotiable instruments, debit cards, or other similar items.
- ~~(3) Accounts (other than MMDAs) if more than six of the following transactions per calendar month are permitted to be made by telephone or preauthorized order or instruction:
  - ~~(a) payments or transfers to third parties;~~
  - ~~(b) transfers to another account of the depositor at the same institution; and~~
  - ~~(c) transfers to an account at another depository institution.~~~~

- 2** ~~(3)~~ All other savings deposits that are not classified as transaction accounts (e.g., regular savings and pass-book savings accounts).
- 3** ~~(4)~~ Interest paid by crediting the savings deposit accounts defined by paragraphs (1) through (4) in this item.

### Line Item 2(c) Money market deposit accounts and other savings accounts.

Report in this item all savings deposits held in the subsidiary depository institutions (other than commercial banks) consolidated in this report by the reporting holding company, other than NOW accounts, ATS or other transaction accounts that are in the savings deposits.

Money Market  
Deposit Accounts  
(MMDAs)

Include in this item the following:

- ~~(1) Savings deposits subject to telephone and preauthorized transfers where the depositor is not permitted or authorized to make more than six withdrawals per month for purposes of transferring funds to another account or for making a payment to a third party by means of preauthorized or telephone agreement, order, or instruction.~~
- ~~(2) Savings deposits subject to no more than six transfers per month for purposes of covering overdrafts (i.e., overdraft protection plan accounts).~~

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Exclude from this item the following:

- (1) NOW accounts and ATS accounts (report in item 2(b) above).
- (2) ~~Overdraft protection plan accounts that permit more than six transfers per month (report in item 2(a) as noninterest-bearing balances).~~
- (3) Savings deposits subject to telephone or preauthorized transfer (report in item 2(b) above), ~~unless the depositor is not permitted or not authorized to make more than six withdrawals per month for purposes of transferring funds to another account or for making a payment to a third party by means of preauthorized or telephone agreement, order, or instruction.~~
- (4) Interest accrued on savings deposits but not yet paid or credited to a deposit account (exclude from this schedule and report in Schedule HC, item 20, "Other liabilities").

### Line Item 2(d) Time deposits of \$250,000 or less.

Report in this item all time deposits with balances of \$250,000 or less that are held in domestic offices of "other depository institutions" (other than commercial banks), as defined in item 2 above that are subsidiaries of the reporting holding company. This item includes both time certificates of deposit and open-account time deposits with balances of \$250,000 or less, regardless of negotiability or transferability.

Include the following:

- (1) Time deposits (as defined in the Glossary entry for "deposits"), which are deposits with original maturities of seven days or more, that are not classified as transaction accounts and that have balances of \$250,000 or less.
- (2) Interest paid by crediting nontransaction time deposit accounts with balances of \$250,000 or less.
- (3) Time deposits issued to deposit brokers in the form of large (more than \$250,000) certificates of deposit that have been participated out by the broker in shares of \$250,000 or less. In addition, if the depository institution has issued a master certificate of deposit to a deposit broker in an amount that exceeds \$250,000 and under which brokered certificates of deposit are issued in \$1,000 amounts (so-called "retail brokered deposits"), individual depositors who purchase multiple certificates issued by the deposi-

tory institution normally do not exceed the applicable deposit insurance limit (currently \$250,000). Under current deposit insurance rules the deposit broker is not required to provide information routinely on these purchasers and their account ownership capacity to the depository institution issuing the deposits. If this information is not readily available to the issuing depository institution, these brokered certificates of deposit in \$1,000 amounts should be reported in this item as time deposits \$250,000 or less.

Exclude from this item all time deposits with balances of more than \$250,000 (report in item 2(e) below).

### Line Item 2(e) Time deposits of more than \$250,000.

Report in this item all time deposits, including time certificates of deposit and open-account time deposits with balances of more than \$250,000, regardless of negotiability or transferability that are held in depository institutions (other than commercial banks) that are subsidiaries of the reporting holding company.

Include the following:

- (1) Time deposits (as defined in the Glossary entry for "deposits"), which are deposits with original maturities of seven days or more, that are not classified as transaction accounts and that have balances of more than \$250,000.
- (2) Interest paid by crediting nontransaction time deposit accounts with balances of more than \$250,000.

Exclude the following:

- (1) All time deposits issued to deposit brokers in the form of large (more than \$250,000) certificates of deposit that have been participated out by the broker in shares of \$250,000 or less (report in item 2(d)).
- (2) All time deposits with balances of \$250,000 or less (report in item 2(d)),

NOTE: Holding companies should include as time deposits held in their depository institution subsidiaries (other than commercial banks) with balances of more than \$250,000, those time deposits originally issued in denominations of \$250,000 or less, but that, because of interest paid or credited, or because of additional deposits, now have a balance of more than \$250,000.

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### Memoranda

#### **Line Item M1 Brokered deposits \$250,000 or less with a remaining maturity of one year or less.**

Report in this item those brokered time deposits included in items 1 or 2 above with balances of \$250,000 or less with a remaining maturity of one year or less and are held in domestic offices of commercial banks or other depository institutions that are subsidiaries of the reporting holding company. Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a brokered deposit. Include in this item time deposits issued to deposit brokers in the form of large (more than \$250,000) certificates of deposit that have been participated out by the broker in shares of \$250,000 or less. Also report in this item all brokered demand and savings deposits with balances of \$250,000 or less. See the Glossary entries for “Brokered deposits” and “Brokered retail deposits” for additional information.

#### **Line Item M2 Brokered deposits \$250,000 or less with a remaining maturity of more than one year.**

Report in this item those brokered time deposits included in items 1 or 2 above with balances of \$250,000 or less with a remaining maturity of more than one year and are held in domestic offices of commercial banks or other depository institutions that are subsidiaries of the reporting holding company. Remaining maturity is the amount of time remaining from the report date until the final

contractual maturity of a brokered deposit. Include in this item time deposits issued to deposit brokers in the form of large (more than \$250,000) certificates of deposit that have been participated out by the broker in shares of \$250,000 or less. See the Glossary entries for “Brokered deposits” and “Brokered retail deposits” for additional information.

#### **Line Item M3 Time deposits of more than \$250,000 with a remaining maturity of one year or less.**

Report in this item time deposits included in items 1(e) and 2(e) above that are issued in denominations of more than \$250,000 with a remaining maturity of one year or less. Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a time deposit. Exclude from this item time deposits issued to deposit brokers in the form of large (more than \$250,000) certificates of deposit that have been participated out by the broker in shares of \$250,000 or less.

#### **Line Item M4 Foreign office time deposits with a remaining maturity of one year or less.**

Report all time deposits in foreign offices with remaining maturities of one year or less. Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a time deposit. The time deposits included in this item will also have been included in Schedule HC, item 13(b).



## Glossary

guidance on how to report adjustments to Tier 1 capital and risk-weighted and total assets to reverse the effects of applying ASC Subtopic 715-20 for regulatory capital purposes.

**Demand Deposits:** See “Deposits.”

**Depository Institutions:** Depository institutions consist of depository institutions in the U.S. and banks in foreign countries.

*Depository institutions in the U.S.* consist of:

- (1) U.S. branches and agencies of foreign banks;
- (2) U.S.-domiciled head offices and branches of U.S. banks, i.e.,
  - (a) national banks,
  - (b) state-chartered commercial banks,
  - (c) trust companies that perform a commercial banking business,
  - (d) industrial banks,
  - (e) private or unincorporated banks,
  - (f) Edge and Agreement corporations, and
  - (g) International Banking Facilities of U.S. depository institutions; and
- (3) U.S.-domiciled head offices and branches of other depository institutions in the U.S., i.e.,
  - (a) mutual or stock savings banks,
  - (b) savings or building and loan associations,
  - (c) cooperative banks,
  - (d) credit unions,
  - (e) homestead associations, and
  - (f) International Banking Facilities (IBFs) of other depository institutions in the U.S.; and
  - (g) other similar depository institutions in the U.S.

Banks in foreign countries consist of foreign branches of foreign banks and foreign offices of U.S. banks.

See the Glossary entry for “Banks, U.S. and foreign,” for a definition of foreign banks.

**Deposits:** The basic statutory and regulatory definitions of “deposits” are contained in Section 3(1) of the Federal Deposit Insurance Act and in the Federal Reserve Regu-

lation D. The definitions in these two legal sources differ in certain respects. Furthermore, for purposes of these reports, the reporting standards for deposits specified in these instructions do not strictly follow the precise legal definitions in these two sources. In addition, deposits for purposes of this report, include deposits of thrift institutions. The definitions of deposits to be reported in the deposit items of the *Consolidated Financial Statements of Holding Companies* are discussed below under the following headings:

- (I) FDI Act definition of deposits.
- (II) Transaction–nontransaction deposit distinction.
- (III) Interest noninterest-bearing deposit distinction.

(I) *FDI Act definition of deposits:*

- (1) the unpaid balance of money or its equivalent received or held by a bank in the usual course of business and for which it has given or is obligated to give credit, either conditionally or unconditionally, to a commercial, checking, savings, time, or thrift account, or which is evidenced by its certificate of indebtedness, or other similar name, or a check or draft drawn against a deposit account and certified by the bank, or a letter of credit or a traveler’s check on which the bank is primarily liable: Provided that, without limiting the generality of the term “money or its equivalent,” any such account or instrument must be regarded as evidencing the receipt of the equivalent of money when credited or issued in exchange for checks or drafts or for a promissory note upon which the person obtaining any such credit or instrument is primarily or secondarily liable, or for a charge against a deposit account, or in settlement of checks, drafts, or other instruments forwarded to such bank for collection.
- (2) trust funds as defined in this Act received or held by such bank, whether held in the trust department or held or deposited in any other department of such bank.
- (3) money received or held by a bank, or the credit given for money or its equivalent received or held by a bank, in the usual course of business for a special or specific purpose, regardless of the legal relationship thereby established, including without being limited to, escrow funds, funds held as security for an

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obligation due to the bank or others (including funds held as dealers reserves) or for securities loaned by the bank, funds deposited by a debtor to meet maturing obligations, funds deposited as advance payment on subscriptions to United States government securities, funds held for distribution or purchase of securities, funds held to meet its acceptances or letters of credit, and withheld taxes: Provided that there shall not be included funds which are received by the bank for immediate application to the reduction of an indebtedness to the receiving bank, or under condition that the receipt thereof immediately reduces or extinguishes such an indebtedness.

- (4) outstanding draft (including advice or authorization to charge bank's balance in another bank), cashier's check, money order, or other officer's check issued in the usual course of business for any purpose, including without being limited to those issued in payment for services, dividends, or purchases, and
- (5) such other obligations of a bank as the Board of Directors of the Federal Deposit Insurance Corporation, after consultation with the Comptroller of the Currency and the Board of Governors of the Federal Reserve System, shall find and prescribe by regulation to be deposit liabilities by general usage.

### (II) *Transaction–nontransaction deposit distinction:*

The Monetary Control Act of 1980 and the current Federal Reserve Regulation D, "Reserve Requirements of Depository institutions," establish, for purposes of federal reserve requirements on deposit liabilities, a category of deposits designated as "transaction accounts" All deposits that are not transaction accounts are "non-transaction 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 ~~more than six~~ 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 (including money market deposit accounts—MMDAs) as defined below in the nontransaction account category. ~~However, an account that otherwise meets the definition of savings deposits but that authorizes or permits the depositor to exceed the transfer limitations specified for those respective accounts shall be reported as a transaction account. (Please refer to the definitions of savings deposits for further detail.)~~

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. 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 have an original maturity or required notice period of less than seven days, or that represent funds for which the depository institution does not reserve the right to require at least seven days' written notice of an intended withdrawal. Demand deposits include any matured time deposits without automatic renewal provisions, unless the deposit agreement provides for the funds to be transferred at maturity to another type of account. Effective July 21, 2011, demand deposits may be interest-bearing or noninterest-bearing. Demand deposits do *not* include: (i) money market deposit accounts (MMDAs) or (ii) NOW accounts, as defined below in this entry.
- (b) *NOW accounts* are interest-bearing deposits (i) on which the depository institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account and (ii) that can be withdrawn or transferred to third parties by issuance of a negotiable or transferable instrument.  
  
NOW accounts, as authorized by federal law, are limited to accounts held by:
  - (i) Individuals or sole proprietorships;
  - (ii) Organizations that are operated primarily for religious, philanthropic, charitable, educational, or other similar purposes and that are

## Glossary

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; 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.

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 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.
- (d) *Telephone or preauthorized transfer accounts* consist of deposits or accounts (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 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 (1) the balances of deposits or accounts that otherwise meet the definition of savings deposits (other than MMDAs) or 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; and (2) deposits or accounts maintained in connection with an arrangement that permits the depositor to obtain credit directly or indirectly through the drawing of a negotiable or nonnegotiable check, draft, order or instruction or other similar device (including telephone or electronic order or instruction) on the issuing institution that can be used for purposes of making payments or transfers to third persons or others, or to another deposit account of the depositor.

Telephone or preauthorized transfer accounts *do not include*:

- (i) Accounts that otherwise meet the definition of telephone or preauthorized transfer accounts as defined above but that are held by a depositor that is *not* eligible to hold

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a NOW account. Such accounts shall be reported as demand deposits.

- (ii) ~~Accounts, regardless of holder, that permit no more than six telephone or preauthorized transfers per month to another account of the depositor at the same institution or to a third party. (iii)~~
- (iii) All demand deposits, ATS accounts, NOW accounts, and savings deposits (including MMDAs), even if telephone or preauthorized transfers are permitted from such accounts.
- (iv) Deposits or accounts ~~(other than savings deposits) held by individuals from which more than six transfers per month can be made to a checking or NOW account to cover overdrafts. Such accounts are regarded as ATS accounts, not as telephone or preauthorized transfer accounts.~~

(2) *Nontransaction accounts*—All deposits that are Insert A transaction accounts (as defined above) are non transaction accounts. Nontransaction accounts include:

- (a) *Savings deposits* are deposits that are not payable on a specified date or after a specified period of time from the date of deposit, but for which the reporting institution expressly reserves the right to require at least seven days' written notice before an intended withdrawal.

~~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 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.~~

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

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

Further, savings deposit have 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 for each respective account and in Federal Reserve Regulation D.

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

- ~~(1) If the depositor is ineligible to hold a NOW account, such an account is considered a demand deposit.~~
- ~~(2) If the depositor is eligible to hold a NOW account, the account will be considered either a NOW account, a telephone or pre-authorized transfer account, an ATS account, or a demand deposit, depending first on whether transfers or withdrawals by check, draft, or similar instrument are permitted or authorized and, if not, on the types of transfers allowed and on the type of depositor:~~
  - ~~(a) If withdrawals or transfers by check, draft, or similar instrument are permitted or authorized, the account is considered a NOW account.~~

# DRAFT

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

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

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

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

## Glossary

~~(b) If withdrawals or transfers by check, draft, or similar instrument are not permitted or authorized, the nature of the account is determined first by the type of transfers authorized or permitted and second by the type of depositor:~~

~~(i) If only telephone or preauthorized transfers are permitted or authorized, the account is considered a telephone or preauthorized transfer account.~~

~~(ii) If other types of transfers are authorized or permitted (e.g., automatic transfers), the account type is determined by the type of depositor:~~

~~(a) If the depositor is eligible to hold an ATS account, the account is considered an ATS account.~~

~~(b) If the depositor is ineligible to hold an ATS account, the account is considered a demand deposit.~~

(b) *Time deposits* are payable on a specified date not less than seven days after the date of deposit or payable at the expiration of a specified time not less than seven days after the date of deposit, or payable only upon written notice that is actually required to be given by the depositor not less than seven days prior to withdrawal. Also, the depositor does not have a right, and is not permitted, to make withdrawals from time deposits 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.<sup>7</sup> A time deposit from which partial early withdrawals are permitted must impose additional early withdrawal penalties of at least seven days' simple interest on amounts withdrawn within six days after each partial withdrawal. If such additional early withdrawal penalties are not imposed, the account ceases to be a time deposit. The account may become a savings deposit if it meets the

requirements for a savings deposit; other wise 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 roll-over certificates of deposit) are deposits evidenced by a negotiable or nonnegotiable instrument, or a deposit in book entry form evidenced by a receipt or similar acknowledgement issued by the bank, that provides, on its face, that the amount of such deposit is payable to the bearer, to any specified person, or to the order of a specified person as follows:

- (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 bank which is to be given not less than seven days before the date of withdrawal.

(ii) *Time deposits, open account* are deposits (other than time certificates of deposit) for which there is in force a written contract with the depositor that neither the whole nor any part of such deposit may be withdrawn prior to:

- (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 "club accounts." For purposes of the *Consolidated Financial Statements of Holding Companies*, "club accounts" consist of accounts, such as Christmas club and vacation club accounts, made under written contracts that provide

7. Accounts existing on March 31, 1986, may satisfy the early withdrawal penalties specified by Federal Reserve Regulation D by meeting the Depository Institutions Deregulation Committee's early withdrawal penalties in existence on March 31, 1986.

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that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than three months, even though some of the deposits are made within six days of the end of such period.

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

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

### Insert B →

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

~~There are three key criteria for retail sweep programs to~~

~~comply with Federal Reserve Regulation D definitions of “transaction account” and “savings deposit.”~~

- ~~(1) A depository institution must establish by agreement with its transaction account customer two legally separate accounts: a transaction account (a NOW account or demand deposit account) and a savings deposit account, sometimes called a “money market deposit account” or “MMDA”;~~
- ~~(2) The swept funds must actually be moved from the customer’s transaction account to the customer’s savings deposit account on the official books and records of the depository institution as of the close of the business on the day(s) on which the depository institution intends to report the funds in question as savings deposits and not transaction accounts, and vice versa. In addition to actually moving the customer’s funds between accounts and reflecting this movement at the account level:
  - ~~(a) If the depository institution’s general ledger is sufficiently disaggregated to distinguish between transaction and savings deposit accounts, the aforementioned movement of funds between the customer’s transaction account and savings deposit account must be reflected on the general ledger.~~
  - ~~(b) If the depository institution’s general ledger is not sufficiently disaggregated, the distinction may be reflected in supplemental records or systems, but only if such supplemental records or systems constitute official books and records of the institution and are subject to the same prudent managerial oversight and controls as the general ledger.~~~~

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

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

## Glossary

~~If any of the three criteria is not met, all swept funds must continue to be reported as transaction accounts, both for purposes of this report and of FR 2900 deposit reports. All three criteria must be met in order to report the nontransaction subaccount as a nonreservable savings deposit account.~~

~~Further, for purposes of the FR Y-9C report, if all three of the criteria above are met, a holding company must report the transaction account and nontransaction account components of a retail sweep program separately when it reports its quarter-end deposit information in Schedules HC and HC-E, its quarterly averages in Schedule HC-K, and its interest expense (if any) in Schedule HI. Thus, when reporting quarterly averages in Schedule HC-K, a holding company should include the amounts held in the transaction accounts (if interest-bearing) and the nontransaction savings accounts in retail sweep arrangements each day or each week in the appropriate separate items for average interest-bearing deposits. In addition, if the bank subsidiary pays interest on accounts involved in retail sweep arrangements, the interest expense reported in Schedule HI should be allocated to the appropriate category in item 2(a), “Interest on deposits,” based on the balances in these accounts during the reporting period.~~

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

### (III) *Interest 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 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.”

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

### *Definition of Derivative*

ASC Topic 815 defines a “derivative instrument” as a financial instrument or other contract with all three of the following characteristics:



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

There are two key criteria for retail sweep programs:

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

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

Further, for purposes of the FR Y-9C report, if all of the criteria above are met, a holding company 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 HC, HC-E, its quarterly averages in Schedule HC-K, and its interest expense (if any) in Schedule HI. Thus, when reporting quarterly averages in Schedule HC-K, a holding company should include the accounts (excluding noninterest-bearing demand deposits) involved in the retail sweep arrangements each day or each week in the appropriate separate items for average deposits. In addition, if the bank subsidiary pays interest on accounts involved in retail sweep arrangements, the interest expense reported in Schedule HI should be allocated between both accounts based on the balances in these accounts during the reporting period.