

FFIEC 031 AND FFIEC 041

CALL REPORT

INSTRUCTION BOOK UPDATE

SEPTEMBER 2021

IMPORTANT NOTE

This September 2021 and June 2021 Call Report Instruction Book Updates exclude updates pertaining to total loss absorbing capacity (TLAC). The associated changes to the Call Reports related to TLAC will be included for the December 2021 Call Report instruction book update.

Institutions should continue referring to pages 115 and 128 for TLAC instructions in the [Redlined Draft FFIEC 031 and FFIEC 041 Instructions for Proposed Revisions to the Call Reports with Effective Dates Beginning with the March 31, 2020, Report Date - November 25, 2020](#).

FILING INSTRUCTIONS

NOTE: This update for the instruction book for the FFIEC 031 and FFIEC 041 Call Reports is designed for two-sided (duplex) printing. The pages listed in the column below headed "Remove Pages" are no longer needed in the *Instructions for Preparation of Consolidated Reports of Condition and Income* (FFIEC 031 and FFIEC 041) and should be removed and discarded. The pages listed in the column headed "Insert Pages" are included in this instruction book update and should be filed promptly in your instruction book for the FFIEC 031 and FFIEC 041 Call Reports.

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**Instructions for Preparation of
Consolidated Reports of Condition and Income**

FFIEC 031 and FFIEC 041

Updated September 2021

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items held in suspense on the report date to their proper accounts, and other quarter-end adjusting entries) should be reported in the Call Report as if they had actually been posted to the general ledger at or before the cut-off time on the report date.

With respect to deposits received by the reporting bank after the cut-off time for posting them to individual customer accounts for a report date (i.e., so-called "next day deposits" or "late deposits"), but which are nevertheless posted in any manner to the reporting bank's general ledger accounts for that report date (including, but not limited to, through the use of one or more general ledger contra accounts), such deposits must be reported in Schedule RC-O, Other Data for Deposit Insurance Assessments, item 1, and may also be reported in Schedule RC, Balance Sheet, item 13, "Deposits," and Schedule RC-E, Deposit Liabilities. However, the use of memorandum accounts outside the reporting bank's general ledger system for control over "next day" or "late deposits" received on the report date does not in and of itself make such deposits reportable in Schedule RC-O and Schedules RC and RC-E.

Frequency of Reporting¹

Each institution is required to submit a Call Report quarterly as of the report date. However, for banks with fiduciary powers, the reporting frequency for Schedule RC-T, Fiduciary and Related Services, depends on their total fiduciary assets and their gross fiduciary and related services income. Banks with total fiduciary assets greater than \$250 million (as of the preceding December 31) or with gross fiduciary and related services income greater than 10 percent of revenue (net interest income plus noninterest income) for the preceding calendar year must complete the applicable items of Schedule RC-T quarterly. All other banks with fiduciary powers must complete the applicable items of Schedule RC-T annually as of the December 31 report date.

Schedule RC, Memorandum item 1, on the level of external auditing work performed for the bank, and Memorandum item 2, on the bank's fiscal year-end date, are to be reported annually as of the March 31 report date.

In addition, the following items are to be completed annually as of the December 31 report date by all institutions filing the FFIEC 031 and FFIEC 041:

- (1) Schedule RC-E, Memorandum item 1.e, "Preferred deposits";
- (2) Schedule RC-C, Memorandum items 15.a.(1) through 15.c.(2), and Schedule RC-L, item 1.a.(1), on reverse mortgages;
- (3) Schedule RC-M, item 9, "Do any of the bank's Internet websites have transactional capability, i.e., allow the bank's customers to execute transactions on their accounts through the website?"; and
- (4) Schedule RC-M, items 14.a and 14.b, on assets of captive insurance and reinsurance subsidiaries.

The following items are to be reported semiannually as of the June 30 and December 31 report dates by all institutions filing the FFIEC 031 and FFIEC 041:

- (1) Schedule RC-B, Memorandum item 3, "Amortized cost of held-to-maturity securities sold or transferred to available-for-sale or trading securities during the calendar year-to-date";
- (2) Schedule RC-C, Part I, Memorandum items 7.a and 7.b, on purchased credit-impaired loans held for investment;

¹ The reporting frequency for particular schedules and data items differs on the three versions of the Call Report. Please see the General Instructions for the [FFIEC 051](#) for a listing of data items reported less frequently than quarterly on that report form.

- (3) Schedule RC-C, Part I, Memorandum items 8.a, 8.b, and 8.c, and Schedule RI, Memorandum item 12, on closed-end 1-4 family residential mortgage loans with negative amortization features;
- (4) Schedule RC-C, Part I, Memorandum items 12.a through 12.d, columns A through C, on loans (not subject to the requirements of FASB ASC 310-30 (former AICPA Statement of Position 03-3)) and leases held for investment that were acquired in business combinations with acquisition dates in the current calendar year;
- (5) Schedule RC-L, items 1.b.(1) and 1.b.(2), on unused credit card lines;
- (6) Schedule RC-L, items 11.a and 11.b, on year-to-date merchant credit card sales volume;
- (7) Schedule RC-N, Memorandum items 7 and 8, on additions to and sales of nonaccrual assets during the previous six months; and
- (8) Schedule RC-N, Memorandum items 9.a and 9.b, columns A through C, on purchased credit-impaired loans.

In addition, in Schedule RC-M, information on “International remittance transfers offered to consumers,” is to be provided in item 16.a and, if appropriate, in items 16.b.(1) through 16.b.(3) annually as of the December 31 report date.

Differences in Detail of Reports

The amount of detail required to be reported varies between the three versions of the Call Report forms, with the report form for banks with foreign offices or with total consolidated assets of \$100 billion or more ([FFIEC 031](#)) having more detail than the report form for banks with domestic offices only and total consolidated assets of less than \$100 billion ([FFIEC 041](#)). The report form for banks with domestic offices only and total assets less than \$5 billion ([FFIEC 051](#)) has the least amount of detail of the three reports.

Furthermore, as discussed below under Shifts in Reporting Status, the amount of detail also varies within each report form, primarily based on the size of the bank. See the General Instructions section of the instruction book for the [FFIEC 051](#) for information on the differences in the level of detail within the [FFIEC 051](#) report form.

Differences in the level of detail within both the [FFIEC 031](#) and [FFIEC 041](#) report forms are as follows:

- (1) Banks that reported closed-end loans with negative amortization features secured by 1-4 family residential properties in Schedule RC-C, part I, Memorandum item 8.a, as of the preceding December 31 that exceeded the lesser of \$100 million or 5 percent of total loans and leases held for investment and held for sale (in domestic offices) must report certain information about these loans in Schedule RC-C, part I, Memorandum items 8.b and 8.c, and Schedule RI, Memorandum item 12.
- (2) Banks that reported construction, land development, and other land loans (in domestic offices) in Schedule RC-C, part I, item 1.a, column B, that exceeded 100 percent of total capital as of the preceding December 31 must report certain information on loans in this loan category with interest reserves in Schedule RC-C, part I, Memorandum items 13.a and 13.b.
- (3) Banks that reported total trading assets of \$10 million or more in any of the four preceding quarters or meet the FDIC’s definition or a large or highly complex institution for deposit insurance assessment purposes must complete Schedule RC-D, Trading Assets and Liabilities, items 1 through 15 and Memorandum item 1, as well as Schedule RC-K, item 7, for the quarterly average of “Trading assets.” In addition, on the FFIEC 031 report only, banks that reported total trading assets of \$10 billion or more as of June 30 of the preceding year must complete Memorandum items 2 through 10 of Schedule RC-D.

Item No. Caption and Instructions

- 5.1**
(cont.)
- (19) Interest income from advances to, or obligations of, and the bank's proportionate share of the income or loss before discontinued operations from its investments in:
- unconsolidated subsidiaries,
 - associated companies,
 - corporate joint ventures, unincorporated joint ventures, and general partnerships over which the bank exercises significant influence, and
 - noncontrolling investments in certain limited partnerships and limited liability companies (described in the Glossary entry for "equity method of accounting") other than those that are principally engaged in investment banking, advisory, brokerage, or securities underwriting activities; venture capital activities; insurance and reinsurance underwriting activities; or insurance and annuity sales activities (the income from which should be reported in Schedule RI, items 5.d.(1), 5.d.(2), 5.d.(3), 5.d.(4), 5.d.(5), and 5.e, respectively). Exclude the bank's proportionate share of the results of discontinued operations of these entities (report in Schedule RI, item 11, "Discontinued operations, net of applicable income taxes").
- (20) Net gains (losses) on derivative instruments held for purposes other than trading that are not designated as hedging instruments in hedging relationships that qualify for hedge accounting in accordance with ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities"). Institutions should consistently report these net gains (losses) either in this item or in Schedule RI, item 7.d. For further information, see the Glossary entries for "derivative contracts" and "trading account."
- (21) Gross income generated by securities contributed to charitable contribution Clifford Trusts.
- (22) Income from ground rents and air rights.
- (23) Revaluation adjustments to the carrying value of all assets and liabilities reported in Schedule RC at fair value under a fair value option (excluding servicing assets and liabilities reported in Schedule RC, item 10, "Intangible assets," and Schedule RC, item 20, "Other liabilities," respectively) resulting from the periodic marking of such assets and liabilities to fair value. Exclude interest income earned and interest expense incurred on financial assets and liabilities reported at fair value under a fair value option, which should be reported in the appropriate interest income or interest expense items on Schedule RI. Also exclude the portion of the total change in the fair value of a fair value option liability resulting from a change in the instrument-specific credit risk ("own credit risk"), which should be reported in Schedule RI-A, item 10, "Other comprehensive income."
- (24) Gains on bargain purchases recognized and measured in accordance with ASC Topic 805, Business Combinations.
- (25) Income from non-conditional grants¹, or the portion of conditional grants for which all conditions have been satisfied, recognized in accordance with ASC Subtopic 958-605, Not-For-Profit Entities. Under this Subtopic, not-for-profit and business entities report grants received as revenue (i.e., income). Although the scope of ASC Subtopic 958-605 excludes contributions made by governmental entities to business (for-profit) entities, including depository institutions, entities scoped out of ASC 958-605 are not precluded from applying it by analogy when appropriate.

¹ For the purposes of these instructions, the term 'grant' will refer to non-reciprocal contributions of cash from governmental or non-governmental entities that are accounted for in accordance with or by analogy to ASC Subtopic 958-605. These instructions do not address nonmonetary contributions of assets, such as a building, in exchange transactions.

Item No. Caption and Instructions

5.m Total noninterest income. Report the sum of items 5.a through 5.l.

6.a Realized gains (losses) on held-to-maturity securities. Report the net gain or loss realized during the calendar year to date from the sale, exchange, redemption, or retirement of all securities reportable in Schedule RC, item 2.a, "Held-to-maturity securities." The realized gain or loss on a security is the difference between the sales price (excluding interest at the coupon rate accrued since the last interest payment date, if any) and its amortized cost. Institutions that have not adopted FASB [Accounting Standards Update No. 2016-13](#) (ASU 2016-13), which governs the accounting for credit losses, should also include in this item other-than-temporary impairment losses on individual held-to-maturity securities that must be recognized in earnings. For further information on the accounting for impairment of held-to-maturity securities, see the Glossary entry for "securities activities."

Institutions that have adopted ASU 2016-13 should adjust the amortized cost of a held-to-maturity debt security for recoveries of any prior charge-offs when calculating the realized gain or loss on the security, such that the recovery of a previously charged-off amount should be recorded as a credit to the allowance for credit losses before recognizing the gain.

If the amount to be reported in this item is a net loss, report it with a minus (-) sign.

Exclude from this item realized gains (losses) on available-for-sale securities (report in Schedule RI, item 6.b, below) and on trading securities (report in Schedule RI, item 5.c, "Trading revenue").

6.b Realized gains (losses) on available-for-sale debt securities. Report the net gain or loss realized during the calendar year to date from the sale, exchange, redemption, or retirement of all debt securities reportable in Schedule RC, item 2.b, "Available-for-sale debt securities." The realized gain or loss on a debt security is the difference between the sales price (excluding interest at the coupon rate accrued since the last interest payment date, if any) and its amortized cost. Institutions that have not adopted ASU 2016-13 should also include in this item other-than-temporary impairment losses on individual available-for-sale debt securities that must be recognized in earnings. For further information on the accounting for impairment of available-for-sale debt securities, see the Glossary entry for "Securities Activities."

Institutions that have adopted ASU 2016-13 should adjust the amortized cost of an available-for-sale debt security for recoveries of any prior charge-offs when calculating the realized gain or loss on the security, such that the recovery of a previously charged-off amount should be recorded as a credit to the allowance for credit losses before recognizing the gain. Also include in this item any write-off recorded when the fair value of an available-for-sale debt security is less than its amortized cost basis and (a) the institution intends to sell the security or (b) it is more likely than not that the institution will be required to sell the security before recovery of its amortized cost basis.

If the amount to be reported in this item is a net loss, report it with a minus (-) sign.

Item No. Caption and Instructions

10
(cont.) other-than-temporary impairment losses) or increases in the fair value of available-for-sale debt securities previously written down as other-than-temporarily impaired, and subsequent accretion (based on the amount and timing of future estimated cash flows) of the portion of other-than-temporary impairment losses on held-to-maturity debt securities not recognized in earnings.

- (5) The change in the institution's accumulated net gains (losses) (effective portion) on derivative instruments that are designated and qualify as cash flow hedges.
- (6) On the FFIEC 031 only, the change in the institution's cumulative foreign currency translation adjustments and gains (losses) on certain foreign currency transactions. Refer to the Glossary entry for "foreign currency transactions and translation" for further information on accounting for foreign currency translation.
- (7) Gains (losses) and transition assets or obligations associated with single-employer defined benefit pension and other postretirement plans not recognized immediately as a component of net periodic benefit cost and prior service costs or credits associated with such plans, which are accounted for in accordance with ASC Topic 715, Compensation-Retirement Benefits.
- (8) The portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk ("own credit risk") when the institution has elected to measure the liability at fair value in accordance with the fair value option for financial instruments.

Exclude the year-to-date change in net unrealized holding gains (losses) on equity securities with readily determinable fair values not held for trading (report in Schedule RI, item 8.b).

For further guidance on reporting other comprehensive income, see ASC Topic 220, Comprehensive Income.

11 **Other transactions with stockholders (including a parent holding company).** Report the net aggregate amount of transactions with the institution's stockholders, including its parent holding company, if any, that affect equity capital directly (other than those transactions reported in Schedule RI-A, items 5, 6, 8, and 9, above), such as:

- (1) Capital contributions, other than those for which stock has been issued to stockholders. Include amounts contributed to the subsidiary institution from stockholders, including grants received by a parent holding company that are in turn transferred to the subsidiary institution. Report issuances of perpetual preferred and common stock and sales of treasury stock in Schedule RI-A, items 5 and 6, respectively; issuances of limited-life preferred stock are not reported in Schedule RI-A.
- (2) Dividends distributed to stockholders in the form of property rather than cash (report cash dividends in Schedule RI-A, items 8 or 9, as appropriate). Record such property dividends at the fair value of the transferred asset. Include any gain or loss recognized on the disposition of the asset in the determination of net income for the calendar year-to-date in Schedule RI, Income Statement. Refer to the Glossary entry for "dividends" for additional information on property dividends.

Item No. **Caption and Instructions**

- 11** (3) Return-of-capital transactions in which contributed capital (i.e., surplus) is reduced
(cont.) without retiring stock and cash is distributed to the institution's stockholders.

State the dollar amount of and describe each transaction included in this item in Schedule RI-E, item 5.

- 12** **Total bank equity capital end of current period.** Report the sum of Schedule RI-A, items 3 through 11. This item must equal Schedule RC, item 27.a, "Total bank equity capital."

Item No. Caption and Instructions

- 4** Exclude from this item deposits of the following depository institutions:
(cont.)
- (1) Banks in foreign countries (report in Schedule RC-E, item 5, below). (See the Glossary entry for "banks, U.S. and foreign" for the definition of this term.)
 - (2) On the FFIEC 031, IBFs (report in part II of Schedule RC-E).
- 5** **Deposits of banks in foreign countries.** Report in the appropriate column all deposits of banks located in foreign countries.
- Banks in foreign countries cover:
- (1) foreign-domiciled branches of other U.S. banks; and
 - (2) foreign-domiciled branches of foreign banks.
- See the Glossary entry for "banks, U.S. and foreign" for further discussion of these terms.
- Exclude from this item deposits of foreign official institutions and foreign central banks (to be reported in Schedule RC-E, item 6 below) and deposits of U.S. branches and agencies of foreign banks and New York State investment companies (to be reported in Schedule RC-E, item 4 above).
- For the appropriate treatment of deposits of depository institutions for which the reporting bank is serving as a pass-through agent for balances maintained to satisfy reserve balance requirements, see the Glossary entry for "pass-through reserve balances."
- 6** **Deposits of foreign governments and official institutions.** Report in the appropriate column all deposits of foreign governments and official institutions. (See the Glossary entry for "foreign governments and official institutions" for the definition of this term.)
- Exclude from this item deposits of:
- (1) U.S. branches and agencies of foreign official banking institutions (report in Schedule RC-E, item 4, above).
 - (2) Nationalized banks and other banking institutions that are owned by foreign governments and that do not function as central banks, banks of issue, or development banks (report in Schedule RC-E, item 5, above).
 - (3) Foreign government-owned nonbank commercial and industrial enterprises (report in Schedule RC-E, item 1, above).
- 7** **Total.** Report in column B the total of all demand deposits. Report in columns A and C the sum of items 1 through 6. The sum of columns A and C of this item must equal Schedule RC, item 13.a, "Deposits in domestic offices."

Memoranda

Item No. Caption and Instructions

1 Selected components of total deposits. The amounts to be reported in Memorandum items 1.a through 1.i below are included as components of total deposits (in domestic offices) (Schedule RC-E, sum of item 7, columns A and C).

1.a Total Individual Retirement Accounts (IRAs) and Keogh Plan accounts. Report in this Memorandum item the total of all IRA and Keogh Plan deposits included in total deposits (in domestic offices) (Schedule RC-E, sum of item 7, columns A and C). IRAs include traditional IRAs, Roth IRAs, Simplified Employee Pension (SEP) IRAs, and SIMPLE IRAs.

Exclude deposits in "Section 457" deferred compensation plans and self-directed defined contribution plans, which are primarily 401(k) plan accounts. Also exclude deposits in Health Savings Accounts, Medical Savings Accounts, and Coverdell Education Savings Accounts (formerly known as Education IRAs).

1.b Total brokered deposits. Report in this Memorandum item the total of all brokered deposits included in total deposits (in domestic offices) (Schedule RC-E, sum of item 7, columns A and C), regardless of size or type of deposit instrument. (See the Glossary entry for "brokered deposits" for the definition of this term.)

Brokered deposits include "brokered reciprocal deposits." As defined in [Section 327.8\(q\) of the FDIC's regulations](#), "brokered reciprocal deposits" are "reciprocal deposits as defined in [Section 337.6\(e\)\(2\)\(v\) of the FDIC's regulations](#) that are not excepted from an institution's brokered deposits pursuant to [Section 337.6\(e\)](#)" of the FDIC's regulations.

Limited Exception for Reciprocal Deposits

Pursuant to [Section 337.6\(e\) of the FDIC's regulations](#), and consistent with Section 202 of the Economic Growth, Regulatory Relief, and Consumer Protection Act, an "agent institution" can except reciprocal deposits from being classified (and reported in this Memorandum item 1.b) as brokered deposits up to its applicable statutory caps, described below.

Definitions that apply to the limited exception for reciprocal deposits:

- "Agent institution" means an insured depository institution that places a covered deposit through a deposit placement network at other insured depository institutions in amounts that are less than or equal to the standard maximum deposit insurance amount, specifying the interest rate to be paid for such amounts, if the insured depository institution:
 - When most recently examined under [section 10\(d\) of the Federal Deposit Insurance Act](#) (12 U.S.C. 1820(d)) was found to have a composite condition of outstanding or good, and is well capitalized;
 - Has obtained a waiver pursuant to [Section 337.6\(c\) of the FDIC's regulations](#); or
 - Does not receive an amount of reciprocal deposits that causes the total amount of reciprocal deposits held by the agent institution to be greater than its *special cap*, described below.
- "Covered deposit" means a deposit that (i) is submitted for placement through a deposit placement network by the agent institution; and (ii) does not consist of funds that were obtained for the agent institution, directly or indirectly, by or through a deposit broker before submission for placement through a deposit placement network.
- "Deposit placement network" means a network in which an insured depository institution participates, together with other insured depository institutions, for the processing and receipt of reciprocal deposits.

Memoranda**Item No. Caption and Instructions**

1.c account or MMDA may be rebuttably presumed to be fully insured brokered deposits and
(cont.) should be reported in this item.

The dollar amount used as the basis for reporting fully insured brokered deposits in this Memorandum item reflects the deposit insurance limit in effect on the report date. At present, the limit is \$250,000 per depositor, per insured bank, for each account ownership category.

1.d **Maturity data for brokered deposits.** Report in the appropriate subitem the indicated maturity data for brokered deposits (as defined in the Glossary entry for "brokered deposits") included in Schedule RC-E, Memorandum item 1.b, above.

1.d.(1) **Brokered deposits of \$250,000 or less with a remaining maturity of one year or less.**
Report in this item those brokered time deposits with balances of \$250,000 or less reported in Schedule RC-E, Memorandum item 1.c, above that have 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 brokered deposit. Also report in this item all brokered demand and savings deposits with balances of \$250,000 or less that were reported in Schedule RC-E, Memorandum item 1.c, above.

1.d.(2) Not applicable.

1.d.(3) **Brokered deposits of more than \$250,000 with a remaining maturity of one year or less.**
Report in this item those brokered time deposits with balances of more than \$250,000 reported in Schedule RC-E, Memorandum item 1.b above that have 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 brokered deposit. Also report in this item all brokered demand and savings deposits with balances of more than \$250,000 that were reported in Schedule RC-E, Memorandum item 1.b above.

1.e **Preferred deposits.** (This item is to be reported for the December 31 report only.)
Report in this item all deposits of states and political subdivisions in the U.S. included in Schedule RC-E, item 3, columns A and C above, which are secured or collateralized as required under state law. Exclude deposits of the U.S. Government which are secured or collateralized as required under federal law. Also exclude deposits of trust funds which are secured or collateralized as required under state law unless the beneficiary is a state or political subdivision in the U.S. The amount reported in this memorandum item must be less than the sum of Schedule RC-E, item 3, column A, and item 3, column C, above.

State law may require a bank to pledge securities (or other readily marketable assets) to cover the uninsured portion of the deposits of a state or political subdivision. If the bank has pledged securities with a value that exceeds the amount of the uninsured portion of the state or political subdivision's deposits, only the uninsured amount (and none of the insured portion of the deposits) should be reported as a "preferred deposit." For example, a political subdivision has \$450,000 in deposits at a bank which, under state law, is required to pledge securities to cover only the uninsured portion of such deposits (\$200,000 in this example). The bank has pledged securities with a value of \$300,000 to secure these deposits. Only the \$200,000 uninsured amount of the political subdivision's \$450,000 in deposits, given the currently applicable \$250,000 deposit insurance limit, would be considered "preferred deposits."

In other states, banks must participate in a state public deposits program in order to receive deposits from the state or from political subdivisions within the state in amounts that would

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(cont.) not be covered by federal deposit insurance. Under state law in such states, the value of the securities a bank must pledge to the state is calculated annually, but represents only a percentage of the uninsured portion of its public deposits. Institutions participating in the state program may potentially be required to share in any loss to public depositors incurred in the failure of another participating institution. As long as the value of the securities pledged to the state exceeds the calculated requirement, all of the bank's uninsured public deposits are protected from loss under the operation of the state program if the bank fails and, therefore, all of the uninsured public deposits are considered "preferred deposits." For example, a bank participating in a state public deposits program has \$1,600,000 in public deposits under the program from four political subdivisions and \$700,000 of this amount is uninsured, given the currently applicable \$250,000 deposit insurance limit. The bank's most recent calculation indicates that it must pledge securities with a value of at least \$77,000 to the state in order to participate in the state program. The bank has pledged securities with an actual value of \$80,000. The bank should report the \$700,000 in uninsured public deposits as "preferred deposits."

1.f **Estimated amount of deposits obtained through the use of deposit listing services that are not brokered deposits.** Report in this Memorandum item the estimated amount of all nonbrokered deposits obtained through the use of deposit listing services included in total deposits (in domestic offices) (Schedule RC-E, sum of item 7, columns A and C), regardless of size or type of deposit instrument.

The objective of this Memorandum item is not to capture all deposits obtained through the Internet, such as deposits that a bank receives because a person or entity has seen the rates the bank has posted on its own Web site or on a rate-advertising Web site that has picked up and posted the bank's rates on its site without the bank's authorization. Rather, the objective of this Memorandum item is to collect the estimated amount of deposits obtained as a result of action taken by the bank to have its deposit rates listed by a listing service, and the listing service is compensated for this listing either by the bank whose rates are being listed or by the persons or entities who view the listed rates. A bank should establish a reasonable and supportable estimation process for identifying listing service deposits that meet these reporting parameters and apply this process consistently over time. However, for those nonbrokered deposits acquired through the use of a deposit listing service that offers deposit tracking, the actual amount of listing service deposits, rather than an estimate, should be reported.

When a nonbrokered time deposit obtained through the use of a deposit listing service is renewed or rolled over at maturity, the time deposit should continue to be reported in this item as a listing service deposit if the reporting institution continues to have its time deposit rates listed by a listing service and the listing service is compensated for this listing as described above. In contrast, if the reporting institution no longer has its time deposit rates listed by a listing service when a nonbrokered listing service time deposit matures and is renewed or rolled over by the depositor, the time deposit would no longer need to be reported as a listing service deposit after the renewal or rollover. The reporting institution should continue to report nonbrokered listing service deposits other than time deposits in this item as long as the reporting institution continues to have its deposit rates for the same type of deposit (e.g., NOW account, money market deposit account) listed by a listing service and the listing service is compensated for this listing as described above.

If the reporting institution has merged with or acquired another institution that had obtained nonbrokered deposits through the use of deposit listing services, these deposits would

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(cont.) continue to be regarded as listing service deposits after the merger or acquisition. In this situation, the reporting institution should determine whether it must continue to report these deposits as listing service deposits after the merger or acquisition in accordance with the guidance in the preceding paragraph.

Exclude from this item all brokered deposits reported in Schedule RC-E, Memorandum item 1.b.

A deposit listing service is a company that compiles information about the interest rates offered on deposits, such as certificates of deposit, by insured depository institutions. A particular company could be a deposit listing service (compiling information about certificates of deposits) as well as a deposit broker (facilitating the placement of deposits). A deposit listing service is not a deposit broker if it does not meet the “deposit broker” definition and notably the criteria under 12 CFR 337.6(a)(5)(iii) for when a person is considered “engaged in the business of facilitating the placement of deposits”:

- (1) The listing service does not have legal authority, contractual or otherwise, to close the account or move the third party’s funds to another insured depository institution;
- (2) The listing service is not involved in negotiating or setting rates, fees, terms, or conditions for the deposit account; or
- (3) The listing service is not engaged in matchmaking activities as defined in 12 CFR 337.6(a)(5)(iii)(C)(1).

1.g **Total reciprocal deposits.** Report in this Memorandum item the total amount of the reporting institution’s reciprocal deposits as of the report date that are included in the institution’s total deposits (Schedule RC-E, sum of item 7, columns A and C). As defined in [Section 337.6\(e\)\(2\)\(v\) of the FDIC’s regulations](#), “reciprocal deposits” means “deposits received by an agent institution through a deposit placement network with the same maturity (if any) and in the same aggregate amount as covered deposits placed by the agent institution in other network member banks.”

An institution should report its total reciprocal deposits in this Memorandum item 1.g, including any reciprocal deposits that are reported as brokered deposits in Schedule RC-E, Memorandum item 1.b (and, if applicable, in Memorandum items 1.c and 1.d), and as brokered reciprocal deposits in Schedule RC-O, item 9 (and, if applicable, in item 9.a).

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1.g
(cont.) In this regard, if an institution, subject to the *special cap*, receives reciprocal deposits that cause its total reciprocal deposits to be greater than the *special cap*, the institution will no longer meet the definition of “agent institution,” but the institution should report all of its reciprocal deposits in this Memorandum item 1.g (and as brokered deposits in Schedule RC-E, Memorandum item 1.b, and as brokered reciprocal deposits in Schedule RC-O, item 9, and, if applicable, item 9.a). See the instructions for Schedule RC-E, Memorandum item 1.b, for the definitions of “special cap” and “agent institution.”

Funds obtained through a deposit placement network, with the assistance of a deposit broker, should only be reported as brokered deposits in Schedule RC-E, Memorandum item 1.b, and, if applicable, in Memorandum items 1.c and 1.d, and should not be reported in this Memorandum item 1.g as total reciprocal deposits.

For an institution that is not well capitalized or not well rated, the amount reported in this Memorandum item will be used to compute the institution’s average amount of reciprocal deposits held at quarter-end during the last four quarters preceding the quarter that the institution fell below well capitalized or well rated. This average will be used to determine whether the institution meets the third prong of the definition of “agent institution” under Section 202 of the Economic Growth, Regulatory Relief, and Consumer Protection Act and [Section 337.6\(e\)\(2\)\(i\) of the FDIC’s regulations](#). Section 202 and [Section 337.6\(e\)\(2\)\(i\)](#) allow an institution to meet the “agent institution” definition, and exclude certain reciprocal deposits from its brokered deposits, if it does not receive reciprocal deposits that cause its total reciprocal deposits to exceed the four-quarter average mentioned above.

NOTE: On the FFIEC 031 report form, Memorandum items 1.h.(1)(a), 1.h.(2)(a), 1.h.(3)(a), and 1.h.(4)(a) are to be completed by institutions with \$100 billion or more in total assets. Memorandum items 1.h.(1)(a), 1.h.(2)(a), 1.h.(3)(a), and 1.h.(4)(a) are not applicable to banks filing the FFIEC 041 report form.

- 1.h** **Sweep Deposits.** Report in appropriate subitem the indicated sweep deposit data (as defined in the Glossary entry for “sweep deposits”).
- 1.h.(1)** **Fully insured, affiliate sweep deposits.** Report the amount of affiliate sweep deposits that are fully insured.
- 1.h.(1)(a)** **Fully insured, affiliate, retail sweep deposits.** Report the amount of affiliate, retail sweep deposits that are fully insured included in Memorandum item 1.h.(1) above.
- 1.h.(2)** **Not fully insured, affiliate sweep deposits.** Report the amount of affiliate sweep deposits for which less than the entire amount of the deposits is covered by deposit insurance.
- 1.h.(2)(a)** **Not fully insured, affiliate, retail sweep deposits.** Report the amount of affiliate, retail sweep deposits for which less than the entire amount of the deposits is covered by deposit insurance included in Memorandum item 1.h.(2) above.
- 1.h.(3)** **Fully insured, non-affiliate sweep deposits.** Report the amount of non-affiliate sweep deposits that are fully insured.
- 1.h.(3)(a)** **Fully insured, non-affiliate, retail sweep deposits.** Report the amount of non-affiliate, retail sweep deposits that are fully insured included in Memorandum item 1.h.(3) above.

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- 1.h.(4)** **Not fully insured, non-affiliate sweep deposits.** Report the amount of non-affiliate sweep deposits for which less than the entire amount of the deposits is covered by deposit insurance.
- 1.h.(4)(a)** **Not fully insured, non-affiliate, retail sweep deposits.** Report the amount of non-affiliate, retail sweep deposits for which less than the entire amount of the deposits is covered by deposit insurance included in Memorandum item 1.h.(4).
- 1.i** **Total sweep deposits that are not brokered deposits.** Report the total amount of sweep deposits that are excluded from being reported as brokered deposits.
- 2** **Components of total nontransaction accounts.** Memorandum item 2 divides total nontransaction accounts into two major categories: savings deposits (Memorandum items 2.a.(1) and 2.a.(2)) and time deposits (Memorandum items 2.b, 2.c, and 2.d). The sum of Memorandum items 2.a.(1) and 2.a.(2) equals total savings deposits. The sum of Memorandum items 2.b, 2.c, and 2.d equals total time deposits. The sum of Memorandum items 2.a.(1) and 2.a.(2) (savings deposits) and Memorandum items 2.b, 2.c, and 2.d (time deposits) equals total nontransaction deposits reported in item 7, column C, above.

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- 4** (14) Cash payments and other consideration received in connection with transfers of the reporting institution's other real estate owned that have been financed by the institution and do not qualify for sale accounting, which applicable accounting standards describe as a "liability," a "deposit," or a "deposit liability." See the Glossary entry for "foreclosed assets" for further information.
- (cont.)
- (15) Income from the portion of conditional grants¹ received from sources other than stockholders or a parent holding company that is deferred in accordance with ASC Subtopic 958-605, Not-For-Profit-Entities, for which conditions required by the grant have not been satisfied.

Exclude from all other liabilities (report in appropriate items of Schedule RC-E, Deposit Liabilities):

- (1) Proceeds from sales of U.S. savings bonds.
- (2) Withheld taxes, social security taxes, sales taxes, and similar items.
- (3) Mortgage and other escrow funds (e.g., funds received for payment of taxes or insurance), sometimes described as mortgagors' deposits or mortgage credit balances.
- (4) Undisbursed loan funds for which borrowers are liable and on which they pay interest. The amounts of such undisbursed funds should be included in both loans and deposits.
- (5) Funds held as dealer reserves (see the Glossary entry for "dealer reserve accounts" for the definition of this term).
- (6) Payments collected by the bank on loans secured by real estate and other loans serviced for others that have not yet been remitted to the owners of the loans.
- (7) Credit balances on credit cards and other revolving credit plans as a result of customers' overpayments.

Also exclude from all other liabilities (1) due bills or similar instruments representing the bank's receipt of payment, (2) for institutions that have not adopted FASB Accounting Standards Update No. 2016-02 (ASU 2016-02) on accounting for leases, the bank's obligations under capital leases, and for institutions that have adopted ASU 2016-02, the bank's lease liabilities for finance leases (report in Schedule RC-M, item 5.b, "Other borrowings"), and (3) income earned from non-conditional grants or from the portion of conditional grants for which conditions required have been satisfied (report in Schedule RI, "Other noninterest income," item 5.l).

- 5** **Total.** Report the sum of items 1 through 4. This amount must equal Schedule RC, item 20, "Other liabilities."

¹ For the purposes of these instructions, the term 'grant' will refer to non-reciprocal contributions of cash from governmental or non-governmental entities that are accounted for in accordance with or by analogy to ASC Subtopic 958-605. These instructions do not address nonmonetary contributions of assets, such as a building, in exchange transactions.

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

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

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

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

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

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

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

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- 16.b.(2) Estimated number of international remittance transfers for which your institution applied the permanent exchange rate exception.** Report the estimated number of international remittance transfers that your institution provided during the calendar year ending on the report date for which your institution applied the permanent exchange rate exception set forth in 12 CFR § 1005.32(b)(4).
- 16.b.(3) Estimated number of international remittance transfers for which your institution applied the permanent covered third-party fee exception.** Report the estimated number of international remittance transfers that your institution provided during the calendar year ending on the report date for which your institution applied the permanent covered third-party exception set forth in 12 CFR § 1005.32(b)(5).
- 17 U.S. Small Business Administration Paycheck Protection Program (PPP) loans and the Federal Reserve PPP Liquidity Facility (PPPLF).** The PPP was established by Section 1102 of the 2020 Coronavirus Aid, Relief, and Economic Security Act, which was enacted on March 27, 2020 and amended on June 5, 2020. PPP covered loans (PPP loans) are fully guaranteed as to principal and accrued interest by the U.S. Small Business Administration (SBA).
- The PPPLF was authorized by the Board of Governors of the Federal Reserve System on April 8, 2020, under Section 13(3) of the Federal Reserve Act (12 U.S.C. 343(3)). Under the PPPLF, the Federal Reserve Banks extends non-recourse loans to eligible lenders, with the extensions of credit secured by SBA-guaranteed PPP loans that the lenders have originated or purchased.
- Items 17.a through 17.e should be completed on a fully consolidated basis.
- 17.a Number of PPP loans outstanding.** Report the number of PPP loans outstanding held by the reporting institution as of the report date whose outstanding balances are included in the amount reported in Schedule RC-M, Memoranda item 17.b, below.
- 17.b Outstanding balance of PPP loans.** Report the aggregate amount at which PPP loans held for investment and held for sale are included in Schedule RC-C, Part I, and PPP loans held for trading are included in Schedule RC, item 5, as of the report date.
- 17.c Outstanding balance of PPP loans pledged to the PPPLF.** For PPP loans pledged to the PPPLF, report the aggregate amount at which such PPP loans held for investment and held for sale are included in Schedule RC-C, Part I, and such PPP loans held for trading are included in Schedule RC, item 5, as of the report date.

Pledged PPP loans held for investment or held for sale that should be included in this item will also have been included in Schedule RC-C, Part I, Memorandum item 14, "Pledged loans and leases." On the FFIEC 031, pledged PPP loans held for trading that should be included in this item will also have been included in Schedule RC-D, Memorandum item 4.b, "Pledged loans."

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- 17.d Outstanding balance of borrowings from Federal Reserve Banks under the PPPLF with a remaining maturity of.** Report in the appropriate subitem the specified information about the outstanding amount of borrowings from Federal Reserve Banks under the PPPLF reported in Schedule RC, item 16. The maturity date of an extension of credit under the PPPLF equals the maturity date of the PPP loan pledged to secure the extension of credit, which is either two or five years from origination of the PPP loan. However, the maturity date of the extension of credit will be accelerated and the institution is required to repay the extension of credit under the PPPLF prior to its maturity date when the institution has been reimbursed by the SBA for a PPP loan forgiveness (to the extent of the forgiveness), has received payment from the SBA representing exercise of the PPP loan guarantee, or has received payment from the PPP borrower of the underlying PPP loan (to the extent of the payment received).

The remaining maturity is the amount of time remaining from the report date until the final contractual maturity of the borrowing without regard to the borrowing's repayment schedule, if any.

- 17.d.(1) One year or less.** Report the outstanding amount as of the report date of borrowings by the reporting institution from a Federal Reserve Bank under the PPPLF with a remaining maturity of one year or less.

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

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

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

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

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

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

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

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

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

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General Instructions for Schedule RC-O, Memorandum items 5 through 18 (cont.)

NOTE: Because certain information on coverage under FDIC loss-sharing agreements is reported elsewhere in the Consolidated Reports of Condition and Income, the treatment of FDIC loss-sharing agreements varies in Schedule RC-O, Memorandum items 6 through 9, 10.b, 11, 13, 16, and 18.

Higher-risk Securitizations – For purposes of Schedule RC-O, Memorandum items 7.b, 8.b, and 9.b, higher-risk securitizations are securitizations where more than 50 percent of the assets backing the securitization meet the criteria for “nontraditional 1-4 family residential mortgage loans,” “higher-risk consumer loans,” or “higher-risk commercial and industrial loans and securities” as those terms are defined in the instructions for Schedule RC-O, Memorandum items 7.a, 8.a, and 9.a, and in [Appendix C to Subpart A to Part 327 of the FDIC’s regulations](#).

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NOTE: Memorandum items 5 through 12 are to be completed on a fully consolidated basis by “large institutions” and “highly complex institutions.”

NOTE: Schedule RC-O, Memorandum item 5, is to be completed only by large and highly complex institutions that have adopted ASU 2016-13, which addresses the accounting for credit losses, and report having a current expected credit losses (CECL) transition election in effect as of the current report date in Schedule RC-R, Part I, item 2.a.

- 5 Applicable portion of the CECL transitional amount or modified CECL transitional amount that has been added to retained earnings for regulatory capital purposes as of the current report date and is attributable to loans and leases held for investment.** For an institution that has a 3-year CECL transition election in effect as of the current report date (i.e., an institution that entered a “1” in Schedule RC-R, Part I, item 2.a), report the applicable portion of the CECL transitional amount that has been added to retained earnings for regulatory capital purposes as of the current report date (as reported in Schedule RC-R, Part I, item 2) and is attributable to loans and leases held for investment (hereafter, loans and leases).
- As defined in section 301 of the regulatory capital rule,¹ the term “CECL transitional amount” means the difference, net of any deferred tax assets (DTAs), in the amount of an institution’s retained earnings as of the beginning of the fiscal year in which the institution adopts the CECL methodology from the amount of the institution’s retained earnings as of the closing of the fiscal year-end immediately prior to the institution’s adoption of CECL. Thus, the CECL transitional amount reflects the effect on retained earnings, net of any DTAs, of establishing allowances for credit losses in accordance with CECL on loans and leases, held-to-maturity debt securities, other financial assets measured at amortized cost, and off-balance sheet credit exposures as of the beginning of the fiscal year of adoption (e.g., January 1, 2020).
 - The CECL transitional amount attributable to loans and leases is the CECL transitional amount that remains after excluding the adoption date effect on retained earnings, net of any DTAs, of establishing allowances for credit losses in accordance with CECL on held-to-maturity debt securities, other financial assets measured at amortized cost, and off-balance sheet credit exposures.

For a 3-year CECL electing institution, the applicable portion of the CECL transitional amount attributable to loans and leases is 75 percent of the institution’s CECL transitional amount attributable to loans and leases during the first year of the transition period (as defined for the

¹ See 12 CFR 3.301 (OCC); 12 CFR 217.301 (Board); and 12 CFR 324.301 (FDIC).

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5
(cont.) 3-year CECL transition provision in section 301 of the regulatory capital rule); 50 percent of its CECL transitional amount attributable to loans and leases during the second year of the transition period; and 25 percent of its CECL transitional amount attributable to loans and leases during the third year of the transition period.

For an institution that has a 5-year 2020 CECL transition election in effect as of the current report date (i.e., an institution that entered a “2” in Schedule RC-R, Part I, item 2.a), report the applicable portion of the modified CECL transitional amount that has been added to retained earnings for regulatory capital purposes reported as of the current report date (as reported in Schedule RC-R, Part I, item 2) and is attributable to loans and leases.

- As defined in section 2 of the regulatory capital rule,¹ the term “adjusted allowances for credit losses” (AACL) means, with respect to an institution that has adopted CECL, valuation allowances that have been established through a charge against earnings or retained earnings for expected credit losses on financial assets measured at amortized cost and a lessor’s net investment in leases that have been established to reduce the amortized cost basis of the assets to amounts expected to be collected as determined in accordance with U.S. generally accepted accounting principles (GAAP). The AACL includes allowances for expected credit losses on off-balance sheet credit exposures not accounted for as insurance as determined in accordance with GAAP. The AACL excludes “allocated transfer risk reserves” and allowances created that reflect credit losses on purchased credit deteriorated assets and available-for-sale debt securities.
- Consistent with the definition of the term “modified CECL transitional amount” in section 301 of the regulatory capital rule, the modified CECL transitional amount attributable to loans and leases is the CECL transitional amount attributable to loans and leases, as described above, plus:
 - During the first two years of the transition period, the difference between the AACL on loans and leases as reported in the Call Report as of the current report date and the AACL on loans and leases as of the beginning of the fiscal year in which the institution adopts CECL, multiplied by 0.25; and
 - During the last three years of the transition period, the difference between the AACL on loans and leases as reported in the Call Report at the end of the second year of the transition period and the AACL on loans and leases as of the beginning of the fiscal year in which the institution adopts CECL multiplied by 0.25.

For a 5-year CECL electing institution, the applicable portion of the modified CECL transitional amount attributable to loans and leases is 100 percent of the institution’s modified CECL transitional amount attributable to loans and leases during the first and second years of the transition period (as defined for the 5-year 2020 CECL transition provision in section 301 of the regulatory capital rule); 75 percent of its modified CECL transitional amount attributable to loans and leases during the third year of the transition period; 50 percent of its modified CECL transitional amount attributable to loans and leases during the fourth year of the transition period; and 25 percent of its modified CECL transitional amount attributable to loans and leases during the fifth year of the transition period.

For further information on the CECL transition provisions, see the “3-Year and 5-Year 2020 CECL Transition Provisions” section of the General Instructions for Schedule RC-R, Part I, and section 301 of the regulatory capital rule.

¹ See 12 CFR 3.2 (OCC); 12 CFR 217.2 (Board); and 12 CFR 324.2 (FDIC).

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5 To illustrate how an institution should calculate the applicable portion of the CECL transitional amount or modified CECL transitional amount that has been added to retained earnings for regulatory capital purposes as of the current report date and is attributable to loans and leases held for investment, consider the examples after the instructions to Schedule RC-O, Memorandum item 18.j
(cont.)

6 **Criticized and classified items.** Criticized and classified items should be reported on a consolidated basis and include all on- and off-balance sheet items an institution or its primary federal regulator has graded Special Mention or worse (Substandard, Doubtful, or Loss). Such items include, but are not limited to, retail items adversely classified under the agencies' [Uniform Retail Credit Classification and Account Management Policy](#), securities, funded and unfunded loans,¹ other real estate owned, other assets, and marked-to-market counterparty positions (less credit valuation adjustments for these counterparty positions).² Criticized and classified items exclude loans and securities reported as trading assets, and the amount recoverable on an on- or off-balance sheet item from the U.S. government, its agencies, or its government-sponsored agencies under guarantee or insurance provisions, including FDIC loss-sharing agreements.

For purposes of the criticized and classified items definition, Loss items include any items graded Loss that have not yet been written off against the allowance for loan and lease losses (or another valuation allowance) or charged directly to earnings, as appropriate. However, because an item should be written off or charged off in the period in which the item is deemed Loss, the amount reported in Memorandum item 6.d, below, generally should be zero.

A marked-to-market counterparty position is equal to the sum of the net marked-to-market derivative exposures for each counterparty. The net marked-to-market derivative exposure equals the sum of all positive marked-to-market exposures net of legally enforceable netting provisions and net of all collateral held under a legally enforceable Credit Support Annex plus any exposure where excess collateral has been posted to the counterparty. For purposes of this item, a marked-to-market counterparty position less any credit valuation adjustment can never be less than zero.

¹ The amount of the unfunded loan that should be reported as criticized or classified should equal the amount that the borrower is entitled to draw upon as of the reporting date, i.e., the unused commitment as defined in the instructions for Schedule RC-L, item 1.

² An institution that has not previously measured its marked-to-market counterparty positions net of any applicable credit valuation adjustments for purposes of reporting criticized and classified items internally and to its primary federal regulator may report these positions in this same manner in Schedule RC-O, Memorandum item 6, particularly if the institution concludes that updating its reporting systems to net these adjustments would impose an undue burden on the institution.

Memoranda

- | <u>Item No.</u> | <u>Caption and Instructions</u> |
|-----------------|---|
| 6.a | <u>Special mention.</u> Report on a fully consolidated basis the amount of on- and off-balance sheet items the reporting institution or its primary federal regulator has graded Special Mention. |
| 6.b | <u>Substandard.</u> Report on a fully consolidated basis the amount of on- and off-balance sheet items the reporting institution or its primary federal regulator has graded Substandard. |
| 6.c | <u>Doubtful.</u> Report on a fully consolidated basis the amount of on- and off-balance sheet items the reporting institution or its primary federal regulator has graded Doubtful. |
| 6.d | <u>Loss.</u> Report on a fully consolidated basis the amount of on- and off-balance sheet items the reporting institution or its primary federal regulator has graded Loss. |
| 7 | <u>“Nontraditional 1-4 family residential mortgage loans” as defined for assessment purposes only in FDIC regulations.</u> Report in the appropriate subitem on a fully consolidated basis the balance sheet amount of nontraditional 1-4 family residential mortgage loans and securitizations of such mortgage loans. |
| 7.a | <u>Nontraditional 1-4 family residential mortgage loans.</u> Report on a fully consolidated basis the balance sheet amount of nontraditional 1-4 family residential mortgage loans, as defined for assessment purposes only in Appendix C to Subpart A to Part 327 of the FDIC’s regulations . Nontraditional 1-4 family residential mortgage loans include all 1-4 family residential loan products (as defined for Schedule RC-C, part I, item 1.c) that allow the borrower to defer repayment of principal or interest and includes all interest-only products, teaser rate mortgages, and negative amortizing mortgages, with the exception of home equity lines of credit and reverse mortgages. Nontraditional 1-4 family residential mortgage loans do not include loans reported as trading assets in Schedule RC, item 5; conventional fully amortizing adjustable rate mortgage loans that do not have a teaser rate; business-purpose loans secured by one or more 1-4 family residential properties; and interest-only residential construction loans, but include conventional fully amortizing adjustable rate mortgage loans that have a teaser rate. |

A teaser-rate mortgage loan is defined for assessment purposes as a mortgage with a discounted initial rate. A discounted initial rate is an effective interest rate at the time of origination or refinancing that is less than the rate the bank is willing to accept for an otherwise similar extension of credit with comparable risk. A mortgage loan is no longer considered a nontraditional 1-4 family residential mortgage loan once the teaser rate has expired, or in the case of an escalating interest rate, once the rate is no longer discounted and the borrower is making full principal and interest payments (has not been granted any principal and interest concessions). Nontraditional 1-4 family residential mortgage loans can be reclassified as traditional loans once they become fully amortizing loans, provided they no longer have a teaser rate.

The amount to be reported in this item for nontraditional 1-4 family residential mortgage loans should include purchased credit-impaired loans as defined in ASC Subtopic 310-30, Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality (formerly AICPA Statement of Position 03-3, “Accounting for Certain Loans or Debt Securities Acquired in a Transfer”), provided they meet the characteristics of nontraditional 1-4 family residential mortgage loans as described above.

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

Eligibility for the 5-Year 2020 CECL Transition – An institution is eligible to use the 5-Year 2020 CECL transition provision if it adopts CECL under U.S. GAAP as of the first day of a fiscal year that begins during the 2020 calendar year and

- (1) Reports a decrease in retained earnings immediately upon adoption of CECL; or
- (2) Would report a positive modified CECL transitional amount (as defined below) in any quarter ending in 2020 after adopting CECL.

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

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

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

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

and for the subsequent 19 quarters (for a total of 20 quarters or the five-year transition period), an institution is permitted to make the adjustments described below to amounts used in calculating regulatory capital.

If an institution temporarily ceases using CECL during this period (i.e., due to election of Section 4014 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act))¹, the institution may not reflect regulatory capital adjustments for any quarter (during the first 8 quarters) in which it did not implement CECL, but it would be allowed to apply the transition in subsequent quarters when the institution uses CECL. However, an institution that has elected the transition, but does not apply it in any quarter, does not receive any extension of the transition period.

Example 1: An institution was required to adopt CECL on January 1, 2020. This institution, however, delays adoption of CECL under Section 4014 of the CARES Act until July 1, 2020, and elects to use the 5-Year 2020 CECL transition provision. This institution's transition period begins on January 1, 2020, despite not adopting CECL until July 1, 2020. As such, on July 1, 2020, this institution would have 18 quarters² including the quarter of adoption, remaining in its transition period.

Example 2: An institution was required to adopt CECL on October 1, 2020, and elects to use the 5-Year 2020 CECL transition provision. This institution does not delay adoption of CECL under Section 4014 of the CARES Act. This institution's transition period begins on October 1, 2020. As such, on October 1, 2020, this institution would have 20 quarters, including the quarter of adoption, remaining in its transition period.

¹ Section 4014 of the CARES Act, as amended by the Consolidated Appropriations Act, 2021, allows an institution to delay the adoption of Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, until the earlier of (1) January 1, 2022, or (2) the first day of the institution's fiscal year that begins after the date of the termination of national emergency concerning the coronavirus disease declared by the President on March 13, 2020, under the National Emergencies Act.

² Six quarters of the initial transition followed by 12 quarters of the phase-out of the transition.

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

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

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

- CECL transitional amount means the difference, net of any deferred tax assets (DTAs), in the amount of an institution’s retained earnings as of the beginning of the fiscal year in which the institution adopts CECL from the amount of the institution’s retained earnings as of the closing of the fiscal year-end immediately prior to the institution’s adoption of CECL.
- DTA transitional amount means the difference in the amount of an institution’s DTAs arising from temporary differences as of the beginning of the fiscal year in which the institution adopts CECL from the amount of the institution’s DTAs arising from temporary differences as of the closing of the fiscal year-end immediately prior to the institution’s adoption of CECL.
- AACL transitional amount means the difference in the amount of an institution’s AACL as of the beginning of the fiscal year in which the institution adopts CECL and the amount of the institution’s ALLL as of the closing of the fiscal year-end immediately prior to the institution’s adoption of CECL.
- Eligible credit reserves transitional amount means the difference in the amount of an advanced approaches institution’s eligible credit reserves as of the beginning of the fiscal year in which the institution adopts CECL from the amount of the institution’s eligible credit reserves as of the closing of the fiscal year-end immediately prior to the institution’s adoption of CECL.

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

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

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

An institution subject to the supplementary leverage ratio (advanced approaches and Category III institutions) would make this additional Schedule RC-R adjustment in its September 30, 2020, Call Report:

- Part I, Item 55.a (Total leverage exposure for SLR): Add \$25 (modified CECL transitional amount)

An institution subject to the advanced approaches capital rule that has exited parallel run would make this additional Schedule RC-R adjustment in its September 30, 2020, Call Report:

- Part I, Item 42.b (Eligible credit reserves): Deduct \$30 (eligible credit reserves transitional amount)

Advanced Approaches Institutions: Advanced approaches institutions may use the amounts reported in Schedule RC-R, Part I, to complete the FFIEC 101, Schedule A, as applicable. As described in the General Instructions for the FFIEC 101, an institution must begin reporting on the FFIEC 101, Schedule A, except for a few specific line items, at the end of the quarter after the quarter in which the institution triggers one of the threshold criteria for applying the advanced approaches rule or elects to use the advanced approaches rule (an opt-in institution),¹ and it must begin reporting data on the remaining schedules of the FFIEC 101 at the end of the first quarter in which it has begun its parallel run period.

Advanced approaches institutions must continue to file Schedule RC-R, Regulatory Capital, as well as the FFIEC 101.

¹ An institution is deemed to have elected to use the advanced approaches rule on the date that its primary federal supervisor receives from the institution a board-approved implementation plan pursuant to section 121(b)(2) of the regulatory capital rules. After that date, in addition to being required to report on the FFIEC 101, Schedule A, the institution may no longer apply the AOCI opt-out election in section 22(b)(2) of the regulatory capital rules and it becomes subject to the supplementary leverage ratio in section 10(c)(4) of the rules.

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

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

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

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

A 3-year or 5-year CECL electing advanced approaches institution (1) that has completed the parallel run process and has received notification from its primary federal regulator pursuant to section 121(d) under subpart E of the regulatory capital rules, (2) whose amount of expected credit loss exceeded its eligible credit reserves immediately prior to the adoption of CECL, and (3) would have an increase in CET1 capital as of the beginning of the fiscal year in which it adopts CECL after including the first year portion of the CECL transitional amount or modified CECL transitional amount, as applicable must decrease its CECL transitional amount or modified CECL transitional amount, as applicable by its DTA transitional amount.

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

10.b An advanced approaches institution that has exited parallel run, has adopted ASU 2016-13, and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing advanced approaches institution) should decrease its eligible credit reserves by the applicable eligible credit reserves transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing advanced approaches institution should reduce the amount of its eligible credit reserves by 100 percent of its eligible credit reserves transitional amount during the first and second years of the transition period, 75 percent of its eligible credit reserves transitional amount during the third year of the transition period, 50 percent of its eligible credit reserves transitional amount during the fourth year of the transition period, and 25 percent of its eligible credit reserves transitional amount during the fifth year of the transition period (see Example of Application of the 5-Year 2020 CECL Transition Provision for Third Quarter 2020 in the General Instructions for Schedule RC-R, Part I).

(7) Deductions for non-includable subsidiaries. A savings association that has a non-includable subsidiary must deduct its outstanding investments (both equity and debt) in, and extensions of credit to, the subsidiary in this item 10.b.

11 LESS: Non-significant investments in the capital of unconsolidated financial institutions in the form of common stock that exceed the 10 percent threshold for non-significant investments.

(i) All non-advanced approaches institutions (column A on the FFIEC 031):

Not applicable. Proceed to Schedule RC-R, Part I, item 12, (column A on the FFIEC 031,) to complete the subtotal calculation.

(ii) All advanced approaches institutions (column B on the FFIEC 031):

An institution has a non-significant investment in the capital of an unconsolidated financial institution if it owns 10 percent or less of the issued and outstanding common shares of that institution.

Report the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock that, in the aggregate, exceed the 10 percent threshold for non-significant investments, calculated as described below. The institution may apply associated DTLs to this deduction.

Example and a worksheet calculation for all advanced approaches institutions:

Assumptions:

- Assume that an institution has a total of \$200 in non-significant investments in the capital of unconsolidated financial institutions, of which \$100 is in common shares. For this example, all of the \$100 in common shares is in the common stock of a publicly traded financial institution.
- Assume the amount reported in Schedule RC-R, Part I, item 5, “Common equity tier 1 capital before adjustments and deductions,” is \$1,000.
- Assume the amounts reported in Schedule RC-R, Part I, items 6 through 9.f, are all \$0.

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

11
(cont.)

(1)	Determine the aggregate amount of non-significant investments in the capital of unconsolidated financial institutions (including in the form of common stock, additional tier 1, and tier 2 capital).	\$200
(2)	Determine the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock.	\$100
(3)	Subtract from Schedule RC-R, Part I, item 5, the amounts in Schedule RC-R, Part I, items 6, 7, 8, 9, 10.a, and 10.b.	$\$1,000 - \$0 = \$1,000$
(4)	Multiply the amount in step (3) by 10 percent. This is “the ten percent threshold for non-significant investments.”	$\$1,000 \times 10\% = \100
(5)	If (1) is greater than (4), subtract (4) from (1) and multiply the result by the ratio of (2) divided by (1). Report this amount in this Schedule RC-R, Part I, item 11. If (1) is less than (4), enter zero in this item 11.	<i>Line (1) is greater than line (4); therefore, $\\$200 - \\$100 = \\$100$. Then $(\\$100 \times 100/200) = \\50. Report \$50 in this item 11.</i>
(6)	Assign the applicable risk weight to the amount of non-significant investments in the capital of unconsolidated financial institutions that does not exceed the ten percent threshold for non-significant investments.	<i>Of the \$100 in common shares, \$50 are deducted in this item 11. The remaining \$50 needs to be included in risk-weighted assets in Schedule RC-R, Part II. *</i>

* In this case (assuming that publicly traded equity exposures do not qualify for a 100 percent risk weight under section 52(b)(3)(iii) of the regulatory capital rules), $\$50 \times 300$ percent risk weight for publicly traded common shares under section 52(b)(5) of the capital rules = \$150 in risk weighted assets for the portion of common shares in an unconsolidated financial institution that are not deducted.

Part I. (cont.)

FFIEC 041 FFIEC 031

Item No. Item No. Caption and Instructions

- **14.b** For advanced approaches institutions, apply a 250 percent risk-weight to MSAs
(cont.) that are not deducted from common equity tier 1 capital, without regard to any associated DTLs.

Example and a worksheet calculation:

Assumptions:

For example, assume that an institution:

- Has \$20 of MSAs, net of associated DTLs, and
- Has total common equity tier 1 capital subtotal (reported in Schedule RC-R, Part I, item 12, (column B on the FFIEC 031) of \$60.

(1)	Total amount of MSAs, net of associated DTLs	\$20
(2)	Multiply the total common equity tier 1 capital subtotal by 10 percent.	$\$60 \times 10\% = \6
(3)	Determine if (1) is greater than (2), and if so, the difference between (1) and (2) must be deducted from regulatory capital.	$\$20 > \6 , so the amount deducted is $\$20 - \$6 = \$14$

NOTE: On the FFIEC 041, item 15 is to be completed by all reporting institutions. On the FFIEC 031, item 15.a is to be completed only by non-advanced approaches institutions.

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

- (1) Determine the amount of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowances and net of associated DTLs (for example, DTAs resulting from the institution’s allowance for loan and lease losses (ALLL) or allowances for credit losses (ACL), as applicable).
- (2) If the amount in (1) is greater than 25 percent of Schedule RC-R, Part I, item 12 (column A on the FFIEC 031), report the difference in this item 15 on the FFIEC 041; item 15.a on the FFIEC 031.
- (3) If the amount in (1) is less than or equal to 25 percent of Schedule RC-R, Part I, item 12 (column A on the FFIEC 031), enter zero in this item 15 on the FFIEC 041; item 15.a on the FFIEC 031.

Part I. (cont.)**FFIEC 041 FFIEC 031****Item No. Item No. Caption and Instructions**

15 (cont.)	15.a (cont.)	DTAs arising from temporary differences that could be realized through net operating loss carrybacks are not subject to deduction, and instead must be assigned to a 100 percent risk-weight category, except for institutions that have a community bank leverage ratio (CBLR) framework election in effect as of the quarter-end report date. For an institution that is a member of a consolidated group for tax purposes, the amount of DTAs that could be realized through net operating loss carrybacks may not exceed the amount that the institution could reasonably expect to have refunded by its parent holding company.
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All institutions must apply a 250 percent risk-weight to DTAs arising from temporary differences that could not be realized through net operating loss carrybacks that are not deducted from common equity tier 1 capital, without regard to any associated DTLs, except for institutions that have a CBLR framework election in effect as of the quarter-end report date.

An institution that has adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), and has elected to apply the 3-year CECL transition provision (3-year CECL electing institution) should decrease its DTAs arising from temporary differences by the applicable DTA transitional amount in accordance with section 301 of the regulatory capital rules.

Specifically, a 3-year CECL electing institution should reduce the amount of its DTAs arising from temporary differences by 75 percent of its DTA transitional amount during the first year of the transition period, 50 percent of its DTA transitional amount during the second year of the transition period, and 25 percent of its DTA transitional amount during the third year of the transition period (see Table 2 in the General Instructions for Schedule RC-R, Part I).

An institution that has adopted ASU 2016-13 and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing institution) should decrease its DTAs arising from temporary differences by the applicable DTA transitional amount in accordance with section 301 of the regulatory capital rules.

Specifically, a 5-year CECL electing institution should reduce the amount of its DTAs arising from temporary differences by 100 percent of its DTA transitional amount during the first and second years of the transition period, 75 percent of its DTA transitional amount during the third year of the transition period, 50 percent of its DTA transitional amount during the fourth year of the transition period, and 25 percent of its DTA transitional amount during the fifth year of the transition period (see Example of Application of the 5-Year 2020 CECL Transition Provision for Third Quarter 2020 in the General Instructions for Schedule RC-R, Part I).

Example and a worksheet calculation:**Assumptions:**

For example, assume that an institution:

- Has \$20 of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of associated DTLs, and
- Has total common equity tier 1 capital subtotal (reported in Schedule RC-R, Part I, item 12, (column A on the FFIEC 031) of \$60.

Part I. (cont.)

FFIEC 041 FFIEC 031

Item No. Item No. Caption and Instructions

15 **15.a**
(cont.) (cont.)

(1)	Total amount of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of associated DTLs.	\$20
(2)	Multiply the total common equity tier 1 capital subtotal by 25 percent.	\$60 x 25% = \$15
(3)	Determine if (1) is greater than (2), and if so, the difference between (1) and (2) must be deducted from regulatory capital.	\$20 > \$15, so the amount deducted is \$20-\$15 = \$5

NOTE: On the FFIEC 031, item 15.b is to be completed only by advanced approaches institutions. Item 15.b is not applicable to institutions that file the FFIEC 041.

- **15.b** **LESS: DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold.**

- (1) Determine the amount of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of associated DTLs (for example, DTAs resulting from the institution’s allowance for loan and lease losses (ALLL) or allowances for credit losses (ACL), as applicable).
- (2) If the amount in (1) is greater than 10 percent of Schedule RC-R, Part I, item 12 (column B on the FFIEC 031), report the difference in this item 15.b.
- (3) If the amount in (1) is less than 10 percent of Schedule RC-R, Part I, item 12 (column B on the FFIEC 031), enter zero in this item 15.b.

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

- 5.a**
(cont.)
2. A residential mortgage loan may receive a 50 percent risk weight if it meets the qualifying criteria in §.32(g) of the regulatory capital rules:
 - A property is owner-occupied or rented;
 - The loan is prudently underwritten including the loan amount as a percentage of the appraised value of the real estate collateral.
 - The loan is not 90 days or more past due or on nonaccrual;
 - The loan is not restructured or modified (except for loans restructured solely (1) pursuant to the U.S. Treasury's HAMP or (2) solely due to a short-term modification made on a good faith basis in response to COVID-19, provided that the loan is prudently underwritten and not 90 days or more past due or carried in nonaccrual status).
 - If the bank holds the first lien and junior lien(s) on a residential mortgage exposure, and no other party holds an intervening lien, the bank must combine the exposures and treat them as a single first-lien residential mortgage exposure.
 3. A first lien home equity line (HELOC) may qualify for 50 percent risk weight if it meets the qualifying criteria in §.32(g) listed above.
 4. A residential mortgage loan of \$1 million or less on a property of more than 4 units may qualify for 50 percent risk weight if it meets the qualifying criteria in §.32(g) listed above.
- In column I–100% risk weight, include the carrying value of loans HFI related to residential mortgages exposures reported in Schedule RC, item 4.b, that are not included in columns C, G, H, or R. Include loans HFI that are junior lien *residential mortgage exposures* if the bank does not hold the first lien on the property, except the portion of any junior lien *residential mortgage exposure* that is secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight. Also include loans HFI that are *residential mortgage exposures* that have been restructured or modified, except
 - Those loans restructured or modified solely pursuant to the U.S. Treasury's HAMP, and
 - The portion of any restructured or modified *residential mortgage exposure* that is secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight.
 - In columns R and S–Application of Other Risk-Weighting Approaches, include the portion of any loan HFI reported in Schedule RC, item 4.b, that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* and is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.
 - Include in column R the carrying value of the portion of an HFI loan exposure that is secured by the fair value of securitization exposure or mutual fund collateral that meets the general requirements of the Simple Approach in §.37. In addition, the bank must apply the same approach to securitization exposure collateral – either the Simplified Supervisory Formula Approach or the Gross-Up Approach – that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule RC-R, Part II, items 9 and 10.
 - Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the HFI loan exposure secured

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SCHEDULE RC-T – FIDUCIARY AND RELATED SERVICES

General Instructions

This schedule should be completed on a fully consolidated basis, i.e., including any trust company subsidiary of the reporting institution that is engaged in fiduciary activities as defined in the instructions below. Exclude from this schedule investments in unconsolidated trust entities and any proportionate share of income or loss from these investments, which should be reported in accordance with the instructions for Schedule RC, Balance Sheet, and Schedule RI, Income Statement, as applicable. See also the Glossary entries for “Equity Method of Accounting” and “Subsidiaries.”

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- 1 **Does the institution have fiduciary powers?** Federally-chartered institutions granted trust powers by the OCC to administer accounts in a fiduciary capacity should answer "Yes." State-chartered institutions should answer "Yes" if (a) the state has granted trust powers to the institution to offer fiduciary services as defined by the state **and** (b) the institution's federal supervisory agency (the FDIC or the Federal Reserve) has granted consent to exercise the trust powers (see Sections 333.2 and 333.101 of the FDIC's regulations and Federal Reserve Regulation H). Institutions with trust company subsidiaries should also answer "Yes." Institutions responding "No" should not complete the remainder of this schedule. Fiduciary capacity generally means trustee, executor, administrator, registrar of stocks and bonds, transfer agent, guardian, assignee, receiver, custodian under a uniform gifts to minors act, investment adviser (if the institution receives a fee for its investment advice), any capacity in which the institution possesses investment discretion on behalf of another, or any other similar capacity.

- 2 **Does the institution exercise the fiduciary powers it has been granted?** Institutions exercising their fiduciary powers should respond "Yes." Exercising fiduciary powers means that an institution, or a trust company subsidiary of the institution, serves in a fiduciary capacity as defined in the instructions for item 1 of this schedule.

- 3 **Does the institution have fiduciary or related activity (in the form of assets or accounts) to report in this schedule?** Institutions (including their trust company subsidiaries) with fiduciary assets, accounts, income, or other reportable fiduciary related services should respond "Yes." Institutions responding "No" should not complete the remainder of this schedule.

Reportable fiduciary and related services include activities that do not require trust powers but are incidental to fiduciary services. Specifically, this includes custodial services for assets held by the institution in a fiduciary capacity. An institution should report custodial activities that are offered through the fiduciary business unit or through another distinct business unit that is devoted to institutional custodial services. Institutions should exclude those custodial and escrow activities related to commercial bank services such as hold-in-custody repurchase assets, escrow assets held for the benefit of third parties, safety deposit box assets, and any other similar commercial arrangement.

Institutions with fiduciary activities that are limited to only land trusts and/or custodial activity for mortgage-backed securities (such as GNMA or FNMA) should respond "No."

If the answer to item 3 is "Yes," complete the applicable items of Schedule RC-T, as follows:

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3 (cont.) Institutions with total fiduciary assets (item 10, sum of columns A and B) greater than \$250 million (as of the preceding December 31) or with gross fiduciary and related services income greater than 10 percent of revenue (net interest income plus noninterest income) for the preceding calendar year must complete:

- Items 4 through 22 on the FFIEC 041 quarterly; items 4 through 22.a on the FFIEC 031 quarterly;
- Items 23 through 26 annually with the December report;
- Memorandum item 3 quarterly; and
- Memorandum items 1, 2, and 4 annually with the December report.

Institutions with total fiduciary assets (item 10, sum of columns A and B) of less than or equal to \$250 million (as of the preceding December 31) that do not meet the fiduciary income test for quarterly reporting must complete:

- Items 4 through 13 annually with the December report; and
- Memorandum items 1 through 3 annually with the December report.

In addition, institutions with total fiduciary assets greater than \$100 million but less than or equal to \$250 million (as of the preceding December 31) that do not meet the fiduciary income test for quarterly reporting must also complete Memorandum item 4 annually with the December report.

Fiduciary and Related Assets

Institutions should generally report fiduciary and related assets using their market value as of the report date. While market value quotations are readily available for marketable securities, many financial and physical assets held in fiduciary accounts are not widely traded or easily valued. If the methodology for determining market values is not set or governed by applicable law (including the terms of the prevailing fiduciary agreement), the institution may use any reasonable method to establish values for fiduciary and related assets for purposes of reporting on this schedule. Reasonable methods include appraised values, book values, or reliable estimates. Valuation methods should be consistent from reporting period to reporting period. This "reasonable method" approach to reporting market values applies both to financial assets that are not marketable and to physical assets. Common physical assets held in fiduciary accounts include real estate, equipment, collectibles, and household goods.

Only those Individual Retirement Accounts, Keogh Plan accounts, Health Savings Accounts, and similar accounts offered through a fiduciary business unit of the reporting institution should be reported in Schedule RC-T. When such accounts are not offered through an institution's fiduciary business unit, they should not be reported in Schedule RC-T. Accounts that consist solely of deposits in the bank itself should not be reported in Schedule RC-T.

If two institutions are named co-fiduciary in the governing instrument, both institutions should report the account. In addition, where one institution contracts with another for fiduciary or related services (i.e., Bank A provides custody services to the trust accounts of Bank B, or Bank A provides investment management services to the trust accounts of Bank B), both institutions should report the accounts in their respective capacities.

Exclude unfunded insurance trusts, testamentary executor appointments, and any other arrangements representing potential future fiduciary accounts.

Asset values reported on this schedule should generally exclude liabilities. For example, an employee benefit account with associated loans against account assets should be reported gross of the outstanding

Fiduciary and Related Assets (cont.)

loan balances. As another example, an account with a real estate asset and corresponding mortgage loan should be reported gross of the mortgage liability. However, there are two exceptions. First, for purposes of this schedule, overdrafts should be netted against gross fiduciary assets. Second, the fair value of derivative instruments, as defined in ASC Topic 815, Derivatives and Hedging should be included in (i.e., netted against) gross assets even if the fair value is negative.

Securities borrowing/lending transactions should be reflected as sales or as secured borrowings according to ASC Topic 860, Transfers and Servicing. A transferee ("borrower") of securities generally is required to provide "collateral" to the transferor ("lender") of securities. When such transactions do not qualify as sales, securities "lenders" and "borrowers" should account for the transactions as secured borrowings in which cash (or securities that the holder is permitted by contract or custom to sell or repledge) received as "collateral" by the securities "lender" is considered the amount borrowed and the securities "loaned" are considered pledged against the amount borrowed. For purposes of this schedule, securities held in fiduciary accounts that are "loaned" in securities lending transactions (that are accounted for as secured borrowings) should be reported as an asset of the fiduciary account that "loaned" the securities, but the "collateral" received should not also be reported as an asset of this fiduciary account.

In the Fiduciary and Related Assets section, the market value of Collective Investment Fund (CIF) units should be reported along with individual participant accounts in the Column and Item that corresponds to each participant. The aggregate amount of a CIF that is operated by an institution should NOT also be reported as a separate, additional account in the Fiduciary and Related Assets section of this schedule.

Institutions that are fiduciaries or exercise fiduciary powers as defined in the "General Instructions" section for Schedule RC-T, item 1, must include all investment management and investment advisory accounts and assets administered by the institution directly or administered by entities to whom the institution has delegated its investment authority. However, an investment adviser registered with the Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940 or registered with a state agency (registered investment advisers) is not a fiduciary nor does it exercise fiduciary powers as defined in the "General Instructions" section for Schedule RC-T, item 1. Therefore, institutions should not include investment management and investment advisory accounts and assets administered by registered investment advisory subsidiaries of the institution, except when:

- The institution fiduciary is the investment manager or adviser, but has delegated investment management or advisory responsibilities to the subsidiary registered investment adviser, or
- An institution is administering the account in a fiduciary capacity, as defined in the instructions for item 1 above, but the governing instrument assigns direct responsibility for investment management to the registered investment adviser.

Managed Assets – Column A

Report the total market value of assets held in managed fiduciary accounts. An account should be categorized as managed if the institution has investment discretion over the assets of the account. Investment discretion is defined as the sole or shared authority (whether or not that authority is exercised) to determine what securities or other assets to purchase or sell on behalf of the fiduciary related account. An institution that delegates its authority over investments and an institution that receives delegated authority over investments are BOTH deemed to have investment discretion.

Therefore, whether an account where investment management has been delegated to a registered investment adviser, whether affiliated or unaffiliated with the reporting institution, should be reported as a managed account depends on whether the delegation of investment authority to the registered investment adviser was made pursuant to the exercise of investment discretion by the reporting institution. If so, the account is deemed to be a managed account by the reporting institution. Otherwise, the account would be a non-managed account for purposes of Schedule RC-T.

An entire account should be reported as either managed or non-managed based on the predominant responsibility of the reporting institution.

Fiduciary and Related Assets (cont.)**Non-Managed Assets – Column B**

Report the total market value of assets held in non-managed fiduciary accounts. An account should be categorized as non-managed if the institution does not have investment discretion. Those accounts for which the institution provides a menu of investment options but the ultimate selection authority remains with the account holder or an external manager should be categorized as non-managed. For example, an institution that offers a choice of sweep vehicles is not necessarily exercising investment discretion. The process of narrowing investment options from a range of alternatives does not create a managed fiduciary account for the purposes of this schedule. For example, a 401(k) employee benefit plan where the participants select investments from a list of investment options should be reported as non-managed for the purposes of this schedule.

Number of Managed Accounts – Column C

Report the total number of managed fiduciary accounts.

Number of Non-Managed Accounts – Column D

Report the total number of non-managed fiduciary accounts.

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- 4** **Personal trust and agency accounts.** Report the market value and number of accounts for all testamentary trusts, revocable and irrevocable living trusts, other personal trusts, and non-managed personal agency accounts. Include accounts in which the institution serves as executor, administrator, guardian, or conservator. Exclude personal investment management and investment advisory agency accounts, which should be reported in Schedule RC-T, item 7. Also exclude Keogh Plan accounts, Individual Retirement Accounts (IRAs), Health Savings Accounts, and other pension or profit-sharing plans for self-employed individuals, which should be reported in Schedule RC-T, item 5. Personal accounts that are solely custody or safekeeping should be reported in item 11 of this schedule.
- 5** **Employee benefit and retirement-related trust and agency accounts:**
- 5.a** **Employee benefit – defined contribution.** Report the market value and number of accounts for all employee benefit defined contribution accounts in which the institution serves as either trustee or agent. Include 401(k) plans, 403(b) plans, profit-sharing plans, money purchase plans, target benefit plans, stock bonus plans, employee stock ownership plans, and thrift savings plans. Employee benefit accounts for which the institution serves as a directed trustee should be reported as non-managed. The number of accounts reported should reflect the total number of plans administered rather than the number of plan participants. Employee benefit accounts that are solely custody and safekeeping accounts should be reported in Schedule RC-T, item 11.
- 5.b** **Employee benefit – defined benefit.** Report the market value and number of accounts for all employee benefit defined benefit plans in which the institution serves as either trustee or agent. Employee benefit accounts for which the institution serves as a directed trustee should be reported as non-managed. The number of accounts reported should reflect the total number of plans administered rather than the number of plan participants. Employee benefit accounts that are solely custody and safekeeping accounts should be reported in Schedule RC-T, item 11.
- 5.c** **Other employee benefit and retirement-related accounts.** Report the market value and number of accounts for all other employee benefit and retirement-related fiduciary accounts in which the institution serves as trustee or agent. Include Keogh Plan accounts, Individual Retirement Accounts, Health Savings Accounts, Medical Savings Accounts, and other

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- 5.c** (cont.) pension or profit-sharing plans for self-employed individuals. Also report the market value of assets and the number of accounts for employee welfare benefit trusts and agencies. Employee welfare benefit plans include plans, funds, or programs that provide medical, surgical, or hospital care benefits; benefits in the event of sickness, accident, disability, death, or unemployment; vacation benefits; apprenticeship or other training programs; day care centers; scholarship funds; or prepaid legal services. Employee benefit accounts for which the institution serves as a directed trustee should be reported as non-managed. Exclude accounts, originated by fiduciary or non-fiduciary personnel, that are only permitted to be invested in own-bank deposits. The number of accounts reported should reflect the total number of plans or accounts administered rather than the number of plan participants. Other retirement accounts that are solely custody and safekeeping accounts should be reported in Schedule RC-T, item 11. Individual Retirement Accounts, Health Savings Accounts, and other similar accounts should also be reported in Schedule RC-T, item 13.
- 6** **Corporate trust and agency accounts.** Report the market value of assets held by the institution for all corporate trust and agency accounts. Report assets that are the responsibility of the institution to manage or administer in accordance with the corporate trust agreement. Include assets relating to unrepresented bonds or coupons relating to issues that have been called or matured. Do NOT report the entire market value of the associated securities or the outstanding principal of associated debt issues. Include accounts for which the institution is trustee for corporate securities, tax-exempt and other municipal securities, and other debt securities including unit investment trusts. Also include accounts for which the institution is dividend or interest paying agent, and any other type of corporate trustee or agent appointment. Accounts that are solely custodial or safekeeping should be reported in Schedule RC-T, item 11.
- 7** **Investment management and investment advisory agency accounts.** Report the market value and number of accounts for all individual and institutional investment management and investment advisory agency accounts that are administered within the fiduciary area of the institution. Investment management accounts are those agency accounts for which the institution has investment discretion; however, title to the assets remains with the client. Include accounts for which the institution serves as a sub-adviser. Investment advisory accounts are those agency accounts for which the institution provides investment advice for a fee, but for which some other person is responsible for investment decisions. Investment management agency accounts should be reported as managed. Investment advisory agency accounts should be reported as non-managed. Investment management and investment advisory agency accounts maintained for foundations and endowments should be reported in Schedule RC-T, item 8. As noted in the Fiduciary and Related Assets section above, exclude investment management and investment advisory agency accounts that are administered by subsidiary registered investment advisers. Include those mutual funds that are advised by the fiduciary area that is a separately identifiable department or division (as defined in Section 217 of the Gramm-Leach-Bliley Act). Classes of the same mutual fund should be combined and reported as a single account.
- 8** **Foundation and endowment trust and agency accounts.** Report the market value and number of accounts for all foundations and endowments (whether established by individuals, families, corporations, or other entities) that file any version of Form 990 with the Internal Revenue Service and for which the institution serves as either trustee or agent. Also include those foundations and endowments that do not file Form 990, 990EZ, or 990PF solely because the organization's gross receipts or total assets fall below reporting thresholds, but would otherwise be required to file. Foundations and endowments established by churches, which are exempt from filing Form 990, should also be included in this item. Employee benefit accounts maintained for a foundation's or endowment's employees should be

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8 reported in Schedule RC-T, item 5. Accounts that are solely custodial or safekeeping should
(cont.) be reported in Schedule RC-T, item 11.

9 **Other fiduciary accounts.** Report the market value and number of accounts for all other trusts and agencies not reported in Schedule RC-T, items 4 through 8. Custody and safekeeping accounts should be reported in Schedule RC-T, item 11.

10 **Total fiduciary accounts.** Report the sum of items 4 through 9.

11 **Custody and safekeeping accounts.** Report the market value and number of accounts for all personal and institutional custody and safekeeping accounts held by the institution. Safekeeping and custody accounts are a type of agency account in which the reporting institution performs one or more specified agency functions but the institution is not a trustee and also is not responsible for managing the asset selection for account assets. These agency services may include holding assets, processing income and redemptions, and other recordkeeping and customer reporting services. For employee benefit custody or safekeeping accounts, the number of accounts reported should reflect the total number of plans administered rather than the number of plan participants. Include accounts in which the institution serves in a sub-custodian capacity. For example, where one institution contracts with another for custody services, both institutions should report the accounts in their respective capacity. Individual Retirement Accounts, Health Savings Accounts, and other similar accounts should also be reported in Schedule RC-T, item 13.

Accounts in which the institution serves as trustee or in an agency capacity in addition to being custodian should be reported in the category of the primary relationship. For example, personal trust accounts in which the institution also serves as custodian should be reported as personal trust accounts and not as custodian accounts. An institution should report an account only once in Schedule RC-T, items 4 through 9 and 11.

Report custodian accounts that are incidental to fiduciary services. Include those custody and safekeeping accounts that are administered by the trust department, and those that are administered in other areas of the institution through an identifiable business unit that focuses on offering fiduciary related custodial services to institutional clients. Exclude those custodial and escrow activities related to commercial bank services such as hold-in-custody repurchase assets, securities safekeeping services for correspondent banks, escrow assets held for the benefit of third parties, safety deposit box assets, and any other similar commercial arrangement.

NOTE: Item 12 is applicable only to banks filing the FFIEC 031 report form.

12 **Fiduciary accounts held in foreign offices.** Report the market value and number of accounts included in Schedule RC-T, items 10 and 11, above that are attributable to accounts held in foreign offices.

13 **Individual Retirement Accounts, Health Savings Accounts, and other similar accounts.** Report the market value and number of Individual Retirement Accounts, Health Savings Accounts, and other similar accounts included in Schedule RC-T, items 5.c and 11. Other similar accounts include Roth IRAs, Coverdell Education Savings Accounts, and Archer Medical Savings Accounts. Exclude Keogh Plan accounts.

Fiduciary and Related Services Income

The income categories in Schedule RC-T, items 14 through 20, correspond to the fiduciary asset categories described in Schedule RC-T, items 4 through 11, above. For a detailed definition of the categories, please refer to the corresponding account descriptions. Income and expenses should be reported on an accrual basis. Institutions may report income and expense accounts on a cash basis if the results would not materially differ from those obtained using an accrual basis.

Fiduciary and related services income should be reported on a gross basis in Schedule RC-T, items 14 through 22. Net fiduciary settlements, surcharges, and other losses should be reported on a net basis in Schedule RC-T, item 24, and in Schedule RI, item 7.d, “Other noninterest expense.” Net losses are gross losses less recoveries (including those from insurance payments). If the institution enters into a “fee reduction” or “fee waiver” agreement with a client as the method for reimbursing or compensating the client for a loss on the client’s fiduciary or related services account arising from an error, misfeasance, or malfeasance, the full amount of this loss must be recognized on an accrual basis and included in Schedule RC-T, item 24, and in the appropriate subitem and column of Schedule RC-T, Memorandum item 4. An institution should not report such a loss as a reduction of the gross income from fiduciary and related services it reports in Schedule RC-T, items 14 through 22, and Schedule RI, item 5.a, “Income from fiduciary activities,” in the current or future periods when the “fee reduction” or “fee waiver” takes place. (See the example after the instructions to Schedule RC-T, Memorandum item 4.e.)

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

- 1.j** Corporation (FHLMC) ("Freddie Mac") should be reported here, even if the collateral consists of GNMA ("Ginnie Mae") or FNMA pass-throughs or FHLMC participation certificates. Exclude short-term obligations (which should be reported in Schedule RC-T, Memorandum item 1.i, above).
- 1.k** **Investments in unregistered funds and private equity investments.** Report all holdings of funds exempt from registration under Sections 3(c)(1) or 3(c)(7) of the Investment Company Act of 1940, for example, "hedge funds." Report all holdings of private equity investments exempt from registration under Securities Act of 1933 Regulation D. Private equity investments is an asset class consisting of purchased equity securities in operating companies that are not publicly traded on a stock exchange or otherwise registered with the SEC under federal securities laws. Private equity-related funds are funds that invest primarily in private equity investments. Unregistered private equity funds should be reported in this item.
- Investments in family businesses that are associated with the grantors or beneficiaries of a fiduciary account should not be reported in this Memorandum item as a "private equity investment." Such investments may arise, for example, from an in-kind transfer to a fiduciary account of securities in a closely-held family business or an increase in a fiduciary account's percentage ownership of an existing closely-held family business whose securities are held in the account. Such investments should be reported in Schedule RC-T, Memorandum item 1.o, "Miscellaneous assets."
- 1.l** **Other common and preferred stocks.** Report all holdings of domestic and foreign common and preferred equities, including warrants and options, but excluding investments in unregistered funds and private equity investments (which should be reported in Schedule RC-T, Memorandum item 1.k, above).
- 1.m** **Real estate mortgages.** Report real estate mortgages, real estate contracts, land trust certificates, and ground rents. These assets may be reported at their unpaid balance if that figure is a fair approximation of market value.
- 1.n** **Real estate.** Report real estate, mineral interests, royalty interests, leaseholds, and other similar assets. Land and buildings associated with farm management accounts should be reported in this item. Also include investments in limited partnerships that are solely or primarily invested in real estate.
- 1.o** **Miscellaneous assets.** Report personal notes, tangible personal property, and other miscellaneous assets that cannot properly be reported in Schedule RC-T, Memorandum items 1.a through 1.n, above. Crops, equipment, and livestock associated with farm management accounts should be reported in this Memorandum item. Also include investments in closely-held family businesses if such investments represent in-kind transfers to a fiduciary account of securities in a closely-held family business or an increase in a fiduciary account's percentage ownership of an existing closely-held family business whose securities are held in the account.
- 1.p** **Total managed assets held in fiduciary accounts.** Report the sum of Memorandum items 1.a. through 1.o. The total reported in column A must equal the sum of Schedule RC-T, items 4 and 7, column A. The total reported in column B must equal the sum of Schedule RC-T, items 5.a, 5.b, and 5.c, column A. The total reported in column C must equal the sum of Schedule RC-T, items 6, 8, and 9, column A.

Memoranda**Item No. Caption and Instructions**

1.q Investments of managed fiduciary accounts in advised or sponsored mutual funds.
Report in column A the market value of all managed fiduciary assets invested in mutual funds that are sponsored by the institution or a subsidiary or affiliate of the institution or where the institution or a subsidiary or affiliate of the institution serves as investment adviser to the fund. Report the number of managed fiduciary accounts with assets invested in advised or sponsored mutual funds in column B. The term "affiliate" means any company that controls, is controlled by, or is under common control with another company, as set forth in the Bank Holding Company Act of 1956.

2 Corporate trust and agency accounts:

2.a Corporate and municipal trusteeships. Report in column A the total number of corporate and municipal issues, including equities such as trust preferred securities, and asset-backed securities for which the institution serves as trustee. Also report other debt issues, such as unit investment trusts and private placement leases, for which the institution serves as trustee. If more than one institution is trustee for an issue, each institution should report the issue. Securities with different CUSIP numbers should be considered separate issues; however, serial bond issues should be considered as a single issue. When an institution serves as trustee of a bond issue, it may also perform agency functions for the issue such as registrar (transfer agent) or interest and principal paying agent. In those cases, report the issue only in Memorandum item 2.a, "Corporate and municipal trusteeships," as the trustee appointment is considered the primary function. Consider the primary function of the appointment when selecting the item in which to report the appointment. Exclude issues that have been called in their entirety or have matured even if there are unrepresented bonds or coupons for which funds are being held.

Report in column B the unpaid principal balance of the outstanding securities for the issues reported in column A for which the institution serves as trustee. For zero coupon bonds, report the final maturity amount. For trust preferred securities, report the redemption price. Exclude assets (i.e., cash, deposits, and investments) that are being held for corporate trust purposes; they should be reported in Schedule RC-T, item 6, above.

2.a.(1) Issues reported in Memorandum item 2.a that are in default. Report the total number and unpaid principal balance (final maturity amount for zero coupon bonds; redemption price for trust preferred securities) of the issues reported in Schedule RC-T, Memorandum item 2.a, above, that are in substantive default. A substantive default occurs when the issuer (a) fails to make a required payment of principal or interest, defaults on a required payment into a sinking fund, files for bankruptcy, or is declared bankrupt or insolvent, and (b) default has been declared by the trustee. Issues should not be reported as being in substantive default during a cure period, provided the indenture for the issue provides for a cure period. Private placement leases where the trustee is required to delay or waive the declaration of an event of default, unless requested in writing to make such declaration, should not be reported as being in substantive default, provided such written request has not been made. Once a trustee's duties with respect to an issue in substantive default have been completed, the issue should no longer be reported as being in default.

Do not report issues that are in technical default, for instance, if the obligor failed to provide information or documentation to the trustee within specified time periods.

Memoranda**Item No. Caption and Instructions**

- 2.b** **Transfer agent, registrar, paying agent, and other corporate agency.** Report in column A the total number of issues for which the institution acts in a corporate agency capacity. Include the total number of equity, debt, and mutual fund issues for which the institution acts as transfer agent or registrar, regardless of whether the transfer agent is registered with its appropriate regulatory agency. Separate classes of a mutual fund should be consolidated and reflected as a single issue. Include the total number of stock or bond issues for which the institution disburses dividend or interest payments. Also include the total number of issues of any other corporate appointments that are performed by the institution through its fiduciary capacity. Issues for which the institution serves in a dual capacity should be reported once. Corporate and municipal trusteeships reported in Schedule RC-T, Memorandum item 2.a, above, in which the institution also serves as transfer agent, registrar, paying agent, or other corporate agency capacity should not be included in Memorandum item 2.b. Include only those agency appointments that do not relate to issues reported in Schedule RC-T, Memorandum item 2.a, above.

NOTE: Memorandum items 3.a through 3.h are to be completed by institutions at which the total market value of the assets held in Collective Investment Funds (CIFs) and Common Trust Funds (CTFs) administered by the reporting institution (Memorandum item 3.h, column B) was \$1 billion or more as of the preceding December 31. Memorandum item 3.h only is to be completed by institutions at which the total market value of the assets held in CIFs and CTFs administered by the reporting institution (Memorandum item 3.h, column B) was less than \$1 billion as of the preceding December 31.

- 3** **Collective investment funds and common trust funds.** Report in the appropriate subitem the number of funds and the market value of the assets held in Collective Investment Funds (CIFs) and Common Trust Funds (CTFs) administered by the reporting institution. CIFs and CTFs are funds that banks are authorized to administer by Section 9.18 of the Office of the Comptroller of the Currency's regulations or comparable state regulations. If an institution operates a CIF that is used by more than one institution, the entire CIF should be reported in this section only by the institution that operates the CIF. Exclude mutual funds from this section. Each CIF and CTF should be reported in the subitem that best fits the fund type.
- 3.a** **Domestic equity.** Report funds investing primarily in U.S. equities. Include funds seeking growth, income, growth and income; U.S. index funds; and funds concentrating on small, mid, or large cap domestic stocks. Exclude funds specializing in a particular sector (e.g., technology, health care, financial, and real estate), which should be reported in Schedule RC-T, Memorandum item 3.g, "Specialty/Other."
- 3.b** **International/Global equity.** Report funds investing exclusively in equities of issuers located outside the U.S. and those funds representing a combination of U.S. and foreign issuers. Include funds that specialize in a particular country, region, or emerging market.
- 3.c** **Stock/Bond blend.** Report funds investing in a combination of equity and bond investments. Include funds with a fixed allocation along with those having the flexibility to shift assets between stocks, bonds, and cash.
- 3.d** **Taxable bond.** Report funds investing in taxable debt securities. Include funds that specialize in U.S. Treasury and U.S. Government agency debt, investment grade corporate bonds, high-yield debt securities, mortgage-related securities, and global, international, and emerging market debt funds. Exclude funds that invest in municipal bonds, which should be reported in Schedule RC-T, Memorandum item 3.e, and funds that qualify as short-term investments, which should be reported in Schedule RC-T, Memorandum item 3.f.
- 3.e** **Municipal bond.** Report funds investing in debt securities issued by states and political subdivisions in the U.S. Such securities may be taxable or tax-exempt. Include funds that invest in municipal debt issues from a single state. Exclude funds that qualify as short-term investments, which should be reported in Schedule RC-T, Memorandum item 3.f.

Memoranda**Item No. Caption and Instructions**

- 3.f** **Short-term investments/Money market.** Report funds subject to the provisions of Section 9.18(b)(4)(ii)(B) of the Office of the Comptroller of the Currency’s regulations or comparable state regulations that invest in short-term money market instruments. Money market instruments may include U.S. Treasury bills, commercial paper, bankers acceptances, and repurchase agreements. Include taxable and nontaxable funds.
- 3.g** **Specialty/Other.** Include funds that specialize in equity securities of particular sectors (e.g., technology, health care, financial, and real estate). Also include funds that do not fit into any of the above categories.
- 3.h** **Total collective investment funds.** For institutions that complete Memorandum items 3.a through 3.g, report the sum of Memorandum items 3.a through 3.g. For all other institutions, report the total number of funds and the total market value of the assets held in Collective Investment Funds and Common Trust Funds administered by the reporting institution.
- 4** **Fiduciary settlements, surcharges, and other losses.** Report aggregate **gross** settlements, surcharges, and other losses arising from errors, misfeasance, or malfeasance on managed accounts in column A and on non-managed accounts in column B. For the definitions of managed and non-managed accounts, refer to the instructions for the Fiduciary and Related Assets section of this schedule. **Gross** losses should reflect losses recognized on an accrual basis before recoveries or insurance payments. If the institution enters into a “fee reduction” or “fee waiver” agreement with a client as the method for reimbursing or compensating the client for a loss on the client’s fiduciary or related services account arising from an error, misfeasance, or malfeasance, the full amount of this loss must be recognized on an accrual basis and included in the gross losses reported in the appropriate subitem and column of this Memorandum item 4. An institution should not report such a loss as a reduction of the gross income from fiduciary and related services it reports in Schedule RC-T, items 14 through 22, and Schedule RI, item 5.a, “Income from fiduciary activities,” in the current or future periods when the “fee reduction” or “fee waiver” takes place. (See the example after the instructions to Schedule RC-T, Memorandum item 4.e.)
- Exclude contingent liabilities for fiduciary-related loss contingencies, including pending or threatened litigation, for which a loss has not yet been recognized in accordance with ASC Subtopic 450-20, Contingencies – Loss Contingencies.
- Report recoveries (including those from insurance payments) in column C. Recoveries may be for current or prior years’ losses and should be reported when payment is actually realized. The filing of an insurance claim does not serve as support for a recovery.
- 4.a** **Personal trust and agency accounts.** Report gross losses and recoveries for personal trust and agency accounts as defined for item 4 of this schedule.
- 4.b** **Employee benefit and retirement-related trust and agency accounts.** Report gross losses and recoveries for employee benefit and retirement-related trust and agency accounts as defined for item 5 of this schedule.

Banks, U.S. and Foreign (cont.):

For purposes of the Consolidated Reports of Condition and Income, the term "U.S. branches and agencies of foreign banks" covers:

- (1) the U.S. branches and agencies of foreign banks;
- (2) the U.S. branches and agencies of foreign official banking institutions, including central banks, nationalized banks, and other banking institutions owned by foreign governments; and
- (3) investment companies that are chartered under Article XII of the New York State banking law and that are majority-owned by one or more foreign banks.

Banks in foreign countries –The institutional composition of "banks in foreign countries" includes:

- (1) the foreign-domiciled head offices and branches of:
 - (a) foreign commercial banks (including foreign-domiciled banking subsidiaries of U.S. banks and Edge and Agreement corporations);
 - (b) foreign savings banks or discount houses;
 - (c) nationalized banks not functioning either as central banks, as foreign development banks, or as banks of issue;
 - (d) other similar foreign institutions that accept short-term deposits; and
- (2) the foreign-domiciled branches of U.S. banks.

See also "International Banking Facility (IBF)."

Banks in Foreign Countries: See "Banks, U.S. and Foreign."

Bill-of-Lading Draft: See "Commodity or Bill-of-Lading Draft."

Borrowings and Deposits in Foreign Offices: Borrowings in foreign offices include assets rediscounted with central banks, certain participations sold in loans and securities, government fundings of loans, borrowings from the Export-Import Bank, and rediscounted trade acceptances. Federal funds sold and repurchase agreements in foreign offices should be reported in accordance with the Glossary entries for "Federal Funds Transactions" and "Repurchase/Resale Agreements." Liability accounts such as accruals and allocated capital shall not be reported as borrowings. Deposits consist of such other short-term and long-term liabilities issued or undertaken as a means of obtaining funds to be used in the banking business and include those liabilities generally characterized as placements and takings, call money, and deposit substitutes.

Brokered Deposits: As defined in [Section 337.6\(a\) of the FDIC's regulations](#), the term "brokered F Brokered deposits include both those in which the entire beneficial interest in a given bank deposit account or instrument is held by a single depositor and those in which the deposit broker sells participations in a given bank deposit account or instrument to one or more investors.

The meaning of the term "brokered deposit" depends on the meaning of the term "deposit broker." The term "deposit broker" is defined in [Section 29\(g\) of the Federal Deposit Insurance Act](#) and [Section 337.6\(a\)\(5\) of the FDIC's regulations](#). Under Section 337.6(a)(5), the term "deposit broker" means:

- Any person engaged in the business of placing deposits of third parties with insured depository institutions;
- Any person engaged in the business of facilitating the placement of deposits of third parties with insured depository institutions;
- Any person engaged in the business of placing deposits with insured depository institutions for the purpose of selling those deposits or interests in those deposits to third parties; and
- An agent or trustee who establishes a deposit account to facilitate a business arrangement with an insured depository institution to use the proceeds of the account to fund a prearranged loan.

Brokered Deposits (cont.):

The FDIC's regulations under Section 337.6(a)(5) further provide that a person is:

- (1) "Engaged in the business of placing deposits" of third parties if that person receives third party funds and deposits those funds at more than one insured depository institution; and
- (2) "Engaged in the business of facilitating the placement of deposits" of third parties by, while engaged in business, with respect to deposits placed at more than one insured depository institution, engaging in one or more of the following activities:
 - The person has legal authority, contractual or otherwise, to close the account or move the third party's funds to another insured depository institution;
 - The person is involved in negotiating or setting rates, fees, terms, or conditions for the deposit account; or
 - The person engages in matchmaking activities, which occurs if the person proposes deposit allocations at, or between, more than one bank based upon both the particular deposit objectives of a specific depositor or depositor's agent, and the particular deposit objectives of specific banks, except in the case of deposits placed by a depositor's agent with a bank affiliated with the depositor's agent. A proposed deposit allocation is based on the particular objectives of:
 - i. A depositor or depositor's agent when the person has access to specific financial information of the depositor or depositor's agent and the proposed deposit allocation is based upon such information; and
 - ii. A bank when the person has access to the target deposit-balance objectives of specific banks and the proposed deposit allocation is based upon such information.

Brokered CDs that are placed by or through the assistance of third parties with insured depository institutions are brokered deposits.

Section 337.6(a)(5)(v)(I)(4) defines brokered CD as a deposit placement arrangement in which a master certificate of deposit is issued by an insured depository institution in the name of the third party that has organized the funding of the certificate of deposit, or in the name of a custodian or a sub-custodian of the third party, and the certificate is funded by individual investors through the third party, with each individual investor receiving an ownership interest in the certificate of deposit, or a similar deposit placement arrangement that the FDIC determines is arranged for a similar purpose.

[Section 337.6\(a\)\(5\)](#) also provides that the term "deposit broker" does *not* include:

- (1) an insured depository institution, with respect to funds placed with that depository institution;
- (2) an employee of an insured depository institution, with respect to funds placed with the employing depository institution;
- (3) a trust department of an insured depository institution, if the trust or other fiduciary relationship in question has not been established for the primary purpose of placing funds with insured depository institutions;
- (4) the trustee of a pension or other employee benefit plan, with respect to funds of the plan;
- (5) a person acting as a plan administrator or an investment adviser in connection with a pension plan or other employee benefit plan provided that that person is performing managerial functions with respect to the plan;
- (6) the trustee of a testamentary account;
- (7) the trustee of an irrevocable trust (other than a trustee who establishes a deposit account to facilitate a business arrangement with an insured depository institution to use the proceeds of the account to fund a prearranged loan), as long as the trust in question has not been established for the primary purpose of placing funds with insured depository institutions;
- (8) a trustee or custodian of a pension or profit-sharing plan qualified under [Section 401\(d\)](#) or [403\(a\) of the Internal Revenue Code of 1986](#);
- (9) an agent or nominee whose primary purpose is not the placement of funds with depository institutions; or

Brokered Deposits (cont.):

- (10) an insured depository institution acting as an intermediary or agent of a U.S. government department or agency for a government sponsored minority or women-owned depository institution deposit program.

Section 337.6(a)(5) describes what it means to be “an agent or nominee whose primary purpose is not the placement of funds with depository institutions.” More specifically, the primary purpose exception applies when the primary purpose of the agent’s or nominee’s business relationship with its customers is not the placement of funds with depository institutions.

The following business relationships are designated as meeting the primary purpose exception, subject to applicable notice and reporting requirements set forth in Section 303.243(b)(3), with respect to a particular business line:

- Less than 25 percent of the total assets that the agent or nominee has under administration for its customers is placed at depository institutions;
- 100 percent of depositors’ funds that the agent or nominee places, or assists in placing, at depository institutions are placed into transactional accounts that do not pay any fees, interest, or other remuneration to the depositor;
- A property management firm places, or assists in placing, customer funds into deposit accounts for the primary purpose of providing property management services;
- The agent or nominee places, or assists in placing, customer funds into deposit accounts for the primary purpose of providing cross-border clearing services to its customers;
- The agent or nominee places, or assists in placing, customer funds into deposit accounts for the primary purpose of providing mortgage servicing;
- A title company places, or assists in placing, customer funds into deposit accounts for the primary purpose of facilitating real estate transactions;
- A qualified intermediary places, or assists in placing, customer funds into deposit accounts for the primary purpose of facilitating exchanges of properties under section 1031 of the Internal Revenue Code;
- A broker dealer or futures commission merchant places, or assists in placing, customer funds into deposit accounts in compliance with 17 CFR 240.15c3-3(e) or 17 CFR 1.20(a);
- The agent or nominee places, or assists in placing, customer funds into deposit accounts for the primary purpose of posting collateral for customers to secure credit-card loans;
- The agent or nominee places, or assists in placing, customer funds into deposit accounts for the primary purpose of paying for or reimbursing qualified medical expenses under section 223 of the Internal Revenue Code;
- The agent or nominee places, or assists in placing, customer funds into deposit accounts for the primary purpose of investing in qualified tuition programs under section 529 of the Internal Revenue Code;
- The agent or nominee places, or assists in placing, customer funds into deposit accounts to enable participation in the following tax-advantaged programs: individual retirement accounts under section 408(a) of the Internal Revenue Code, simple individual retirement accounts under section 408(p) of the Internal Revenue Code, or Roth individual retirement accounts under section 408A of the Internal Revenue Code;

Brokered Deposits (cont.):

- A Federal, State, or local agency places, or assists in placing, customer funds into deposit accounts to deliver funds to the beneficiaries of government programs; and
- The agent or nominee places, or assists in placing, customer funds into deposit accounts pursuant to such other relationships as the FDIC specifically identifies as a designated business relationship that meets the primary purpose exception.

An agent or nominee that does not rely on a designated business exception described in this section must receive an approval under the application process in 12 CFR 303.243(b) in order to qualify for the primary purpose exception to the deposit broker definition.

Insured depository institutions that receive deposits through an entity that has a pending application for a primary purpose exception with the FDIC should report such deposits as brokered deposits if and until the FDIC approves such application.

For further information on the solicitation and acceptance of brokered deposits by less than well capitalized insured depository institutions, see [Section 337.6\(b\) and 337.7\(g\) of the FDIC's regulations](#).

In some cases, brokered deposits are issued in the name of the depositor whose funds have been placed in a bank by a deposit broker. In other cases, a bank's deposit account records may indicate that the funds have been deposited in the name of a third party custodian for the benefit of others (e.g., "XYZ Corporation as custodian for the benefit of others," or "Custodial account of XYZ Corporation"). Unless the custodian meets one of the specific exceptions from the "deposit broker" definition in [Section 29 of the Federal Deposit Insurance Act](#) and [Section 337.6\(a\) of the FDIC's regulations](#), these custodial accounts should be reported as brokered deposits in Schedule RC-E, Deposit Liabilities.

[Section 202 of the Economic Growth, Regulatory Relief, and Consumer Protection Act](#), enacted on May 24, 2018, amends [Section 29 of the Federal Deposit Insurance Act](#) to except a capped amount of reciprocal deposits from treatment as, and from being reported as, brokered deposits for qualifying institutions. The FDIC has amended its regulations to conform to the treatment of reciprocal deposits set forth in Section 202. As defined in [Section 337.6\(e\)\(2\)\(v\) of the FDIC's regulations](#), "reciprocal deposits" means "deposits received by an agent institution through a deposit placement network with the same maturity (if any) and in the same aggregate amount as covered deposits placed by the agent institution in other network member banks." As defined in [Section 327.8\(q\) of the FDIC's regulations](#), "brokered reciprocal deposits" are "reciprocal deposits as defined in [Section 337.6\(e\)\(2\)\(v\) of the FDIC's regulations](#) that are not excepted from an institution's brokered deposits pursuant to [Section 337.6\(e\)](#)" of the FDIC's regulations. Brokered reciprocal deposits should be reported as (1) brokered deposits and included in Schedule RC-E, Memorandum item 1.b, and, if applicable, Memorandum items 1.c and 1.d, and (2) brokered reciprocal deposits and included in Schedule RC-O, item 9 and, if applicable, item 9.a. An institution should report its total reciprocal deposits, including any reciprocal deposits that are reported as brokered deposits, in Schedule RC-E, Memorandum item 1.g. For further information on reciprocal deposits and brokered reciprocal deposits, see the instructions for Schedule RC-E, Memorandum items 1.b and 1.g, and the examples after the instructions for Schedule RC-E, Memorandum item 7.

Reliance on Previous Staff Advisory Opinions and Interpretations

As stated in the FDIC's rule on Brokered Deposits and Interest Rate Restrictions, the effective date of the rule was April 1, 2021. Full compliance of the rule was extended to January 1, 2022. The extended compliance date allows entities to continue to rely upon existing staff advisory opinions or other interpretations that predated the final rule in determining whether deposits placed by or through an agent or nominee are brokered deposits. After January 1, 2022, entities may no longer rely on upon staff advisory opinions or other interpretations that predated the final rule, and to the extent that such entities instead opt to rely on a designated exception for which a notice is required, a notice must be

ABrokered Deposits (cont.):

filed. After January 1, 2022, the advisory opinions and other publicly available interpretations will be moved to inactive status.

Fully insured brokered deposits are brokered deposits (including brokered deposits that represent retirement deposit accounts as defined in Schedule RC-O, Memorandum item 1) with balances of \$250,000 or less or with balances of more than \$250,000 that have been participated out by the deposit broker in shares of \$250,000 or less. As more fully described in the instructions for Schedule RC-E, (Part I on the FFIEC 031), Memorandum item 1.c, fully insured brokered deposits also include (a) certain brokered certificates of deposit issued in \$1,000 amounts under a master certificate of deposit issued by a bank to a deposit broker in an amount that exceeds \$250,000 and (b) certain brokered transaction accounts and money market deposit accounts denominated in amounts of \$0.01 and established and maintained by the deposit broker (or its agent) as agent, custodian, or other fiduciary for the broker's customers.

For additional information on brokered deposits, refer to the FDIC's "Identifying, Accepting and Reporting Brokered Deposits: Frequently Asked Questions" at <https://www.fdic.gov/news/news/financial/2016/fil16042b.pdf>.

Broker's Security Draft: A broker's security draft is a draft with securities or title to securities attached that is drawn to obtain payment for the securities. This draft is sent to a bank for collection with instructions to release the securities only on payment of the draft.

Business Combinations: The accounting and reporting standards for business combinations are set forth in ASC Topic 805, Business Combinations. ASC Topic 805 requires that all business combinations, which are defined as the acquisition of assets and assumption of liabilities that constitute a business, be accounted for using the acquisition method of accounting. The formation of a joint venture, the acquisition of a group of assets that do not constitute a business, and a transfer of net assets or exchange of equity interests between entities under common control are not considered business combinations and therefore are not accounted for using the acquisition method of accounting.

Acquisition method – Under the acquisition method, the acquirer in a business combination shall measure the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at their acquisition-date fair values (with limited exceptions specified in ASC Topic 805) using the definition of fair value in ASC Topic 820, Fair Value Measurement. The acquisition date is generally the date on which the acquirer legally transfers the consideration, acquires the assets, and assumes the liabilities of the acquiree, i.e., the closing date. ASC Topic 805 requires the acquirer to measure acquired receivables, including loans, at their acquisition-date fair values. If ASC Topic 326, Financial Instruments—Credit Losses, has not been adopted, the acquirer may not recognize a separate valuation allowance (e.g., allowance for loan and lease losses) for the contractual cash flows that are deemed to be uncollectible as of that date.

If ASC Topic 326 has been adopted, an institution is required to determine whether any acquired financial assets meet the definition of a purchased credit-deteriorated (PCD) asset. For a financial asset that meets the definition of a PCD asset, the institution applies the gross-up approach and records the acquired financial asset at its purchase price plus acquisition-date allowance for credit losses, which establishes the initial amortized cost basis of the PCD asset. For acquired financial assets that are not PCD assets, the acquirer records the purchased financial assets at their acquisition-date fair values. Additionally, for those acquired financial assets within the scope of ASC Subtopic 326-20 that are not PCD financial assets, an allowance is initially recorded with a corresponding charge to the provision for credit losses expense in the reporting period that includes the acquisition date. See also the Glossary entries for “Allowance for Credit Losses” and “Purchased Credit-Deteriorated Assets.”

The consideration transferred in a business combination shall be calculated as the sum of the acquisition-date fair values of the assets (including any cash) transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree, and the equity interests issued by the acquirer. Acquisition-related costs are costs the acquirer incurs to effect a business combination such as finder's fees; advisory, legal, accounting, valuation, and other professional or consulting fees; and general administrative costs. The acquirer shall account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services received. The cost to register and issue debt or equity securities shall be recognized in accordance with other applicable generally accepted accounting principles.

At the acquisition date, an acquirer generally will not have obtained all of the information necessary to measure the fair values of the identifiable assets acquired, liabilities assumed, any noncontrolling interest in the acquiree, and consideration transferred for the acquiree. Under ASC Topic 805, if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer should report provisional amounts in its Consolidated Reports of Condition and Income for the items for which the accounting is incomplete. Provisional amounts should be based on the best information available. During the measurement period, the acquirer is required to adjust the provisional amounts recognized at the acquisition date, with a corresponding adjustment to goodwill, to reflect new information obtained about facts and circumstances that existed

Business Combinations (cont.):

any bargain purchase gain recognized by the acquirer should be reflected in the acquisition-date measurement of the acquired institution's surplus (additional paid-in capital) account, not in the acquired institution's income statement (Schedule RI).

In the Call Report for the remainder of the year in which an acquired institution elects to apply pushdown accounting, the institution shall report the initial increase or decrease in its equity capital that results from the application of pushdown accounting in item 7, "Changes incident to business combinations, net," of Schedule RI-A, Changes in Bank Equity Capital. In addition, in the year an acquired institution elects pushdown accounting, its income statements (Schedule RI) for periods after its acquisition should only include amounts from the acquisition date through the end of the calendar year-to-date reporting period. No income or expense for the portion of the calendar year prior to the date of the change-in-control event should be included in these income statements. Also, when pushdown accounting is elected, the acquired institution should report the date of its acquisition in Schedule RI, Memoranda item 7, for each report date on or after the date of the change-in-control event through the end of the calendar year in which the acquisition took place.

The agencies note that the pushdown accounting election available under ASU 2014-17 can be used to produce a particular result in the Call Report that may not be reflective of the economic substance of the underlying business combination. Therefore, an institution's primary federal regulator reserves the right to require or prohibit the institution's use of pushdown accounting for Call Report purposes based on the regulator's evaluation of whether the election best reflects the facts and circumstances of the business combination.

Transactions between entities under common control – A transaction in which net assets or equity interests (e.g., voting shares) that constitute a business are transferred between entities under common control is not accounted for as a business combination. The method used to account for such transactions is similar to the pooling-of-interests method. In accordance with ASC Subtopic 805-50, when applying a method similar to the pooling-of-interests method to a transfer of net assets or an exchange of equity interests between entities under common control, the entity that receives the net assets or equity interests shall initially measure the recognized assets and liabilities transferred at their carrying amounts in the accounts of the transferring entity at the date of transfer. If the carrying amounts of the assets and liabilities transferred differ from the historical cost of the parent of the entities under common control, for example, because pushdown accounting had not been applied, then the financial statements of the receiving entity shall reflect the transferred assets and liabilities at the historical cost of the parent of the entities under common control. Consequently, and without regard to the pushdown accounting election made by the acquirer, if a parent transfers the acquiree to another entity under common control or merges the acquiree with another entity under common control, the receiving entity accounts for the acquiree using the parent's historical cost for the net assets or equity interests in the acquiree. The parent's historical cost includes the values of the acquiree's assets (including goodwill) and liabilities that were remeasured at fair value on the acquisition date of the business combination. If there has been a change in reporting entity as defined by ASC Subtopic 250-10, Accounting Changes and Error Corrections—Overall, for the year in which a transaction between entities under common control occurs, income and expenses must be reported in Schedule RI, Income Statement, as though the entities had combined at the beginning of the year. The portion of the adjustment necessary to conform the accounting methods applicable to the current period must also be allocated to income and expense for the period.

Call Option: See "Derivative Contracts."

Capital Contributions of Cash and Notes Receivable: An institution may receive cash or a note receivable as a contribution to its equity capital. The transaction may be a sale of capital stock or a contribution to paid-in capital (surplus), both of which are referred to hereafter as capital contributions. The accounting for capital contributions in the form of notes receivable is set forth in ASC Subtopic 505-10, Equity – Overall, and SEC Staff Accounting Bulletin No. 107 (Topic 4.E., Receivables from Sale of Stock, in the Codification of Staff Accounting Bulletins).

Capital Contributions of Cash and Notes Receivable (cont.):

This Glossary entry does not address other forms of contributions, for example, nonmonetary contributions to equity capital such as a building or grants received and recorded in accordance with ASC Subtopic 958-605, Not-For-Profit Entities, as applicable.¹

A capital contribution of cash should be recorded in an institution's financial statements and Consolidated Reports of Condition and Income when received. Therefore, a capital contribution of cash prior to a quarter-end report date should be reported as an increase in equity capital in the institution's reports for that quarter (in Schedule RI-A, item 5 or 11, as appropriate). A contribution of cash after quarter-end should not be reflected as an increase in the equity capital of an earlier reporting period.

When an institution receives a note receivable rather than cash as a capital contribution, ASC Subtopic 505-10 states that it is generally not appropriate to report the note as an asset. As a consequence, the predominant practice is to offset the note and the capital contribution in the equity capital section of the balance sheet, i.e., the note receivable is reported as a reduction of equity capital. In this situation, the capital stock issued or the contribution to paid-in capital should be reported in Schedule RC, item 23, 24, or 25, as appropriate, and the note receivable should be reported as a deduction from equity capital in Schedule RC, item 26.c, "Other equity capital components." No net increase in equity capital should be reported in Schedule RI-A, Changes in Bank Equity Capital. In addition, when a note receivable is offset in the equity capital section of the balance sheet, accrued interest receivable on the note also should be offset in equity (and reported as a deduction from equity capital in Schedule RC, item 26.c), consistent with the guidance in ASC Subtopic 505-10. Because a nonreciprocal transfer from an owner or another party to an institution does not typically result in the recognition of income or expense, the accrual of interest on a note receivable that has been reported as a deduction from equity capital should be reported as additional paid-in capital rather than interest income.

However, ASC Subtopic 505-10 provides that an institution may record a note received as a capital contribution as an asset, rather than a reduction of equity capital, only if the note is collected in cash "before the financial statements are issued." The note receivable must also satisfy the existence criteria described below, along with any applicable laws and regulations.² When these conditions are met, the note receivable should be reported separately from an institution's other loans and receivables in Schedule RC-F, item 6, "All other assets," and individually itemized and described in accordance with the instructions for item 6, if appropriate.

For purposes of these reports, the financial statements are considered issued at the earliest of the following dates:

- (1) The submission deadline for the Consolidated Reports of Condition and Income (30 calendar days after the quarter-end report date, except for an institution that has more than one foreign office, other than a "shell" branch or an International Banking Facility, for which the deadline is 35 calendar days after quarter-end);
- (2) Any other public financial statement filing deadline to which the institution or its parent holding company is subject; or
- (3) The actual filing date of the institution's public financial reports, including the filing of its Consolidated Reports of Condition and Income or a public securities filing by the institution or its parent holding company.

¹ In accordance with ASC Subtopic 958-605, not-for-profit and business entities would report contributions received as revenue (i.e., income). Although the scope of ASC Subtopic 958-605 excludes contributions made by governmental entities to business (for-profit) entities, including depository institutions, entities scoped out of ASC Subtopic 958-605 are not precluded from applying it by analogy when appropriate.

² For example, for national banks, [12 U.S.C. § 57](#) and 12 CFR § 5.46.

Deposits (cont.):

Telephone and preauthorized transfer accounts also include:

- (i) Deposits or accounts maintained in connection with an arrangement that permits the depositor to obtain credit directly or indirectly through the drawing of a negotiable or nonnegotiable check, draft, order or instruction or other similar device (including telephone or electronic order or instruction) on the issuing institution that can be used for the purpose of making payments or transfers to third parties or others, or to another deposit account of the depositor.
 - (ii) The balance of deposits or accounts that otherwise meet the definition of time deposits, but from which payments may be made to third parties by means of a debit card, an automated teller machine, remote service unit or other electronic device, regardless of the number of payments made.
- (2) Nontransaction accounts – All deposits that are not transaction accounts (as defined above) are nontransaction accounts. Nontransaction accounts include: (a) savings deposits ((i) money market deposit accounts (MMDAs) and (ii) other savings deposits) and (b) time deposits ((i) time certificates of deposit and (ii) time deposits, open account). [Regulation D](#) no longer distinguishes between money market deposit accounts (MMDAs) and other savings deposits. However, these two types of accounts are defined below for purposes of these reports, which call for separate data on each in Schedule RC-E, (Part I,) Memorandum items 2.a.(1) and (2).

NOTE: [Regulation D](#) classifies savings deposits as a type of transaction account. However, for Call Report purposes, savings deposits are classified as a type of nontransaction account.

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

The term savings deposit also means a deposit or account, such as an account commonly known as a passbook savings account, a statement savings account, or a money market deposit account (MMDA), that otherwise meets the requirements of the preceding paragraph.

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

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

Deposits (cont.):*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 account¹ (and as a "transaction account") or as a savings deposit (and as a nontransaction account).

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

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

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

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

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

¹ The option to report as a NOW account (and a transaction account) is only applicable to institutions that offer NOW accounts and the account offered subsequent to the suspension of the enforcement of the six-transfer limit is equivalent to the reporting institution's NOW account offering and is held by eligible depositors as authorized by federal law. Institutions that do not offer NOW accounts should continue to report such deposits as a savings deposit (and as a nontransaction account).

Deposits (cont.):

Time deposits take two forms:

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

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

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

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

Reporting of Retail Sweep Arrangements Affecting Transaction and Nontransaction Accounts –

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.

Deposits (cont.):

There are two key criteria for retail sweep programs:

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

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

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

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

- (a) Interest-bearing deposit accounts consist of deposit accounts on which the issuing depository institution makes any payment to or for the account of any depositor as compensation for the use of funds constituting a deposit. Such compensation may be in the form of cash, merchandise, or property or as a credit to an account. An institution's absorption of expenses incident to providing a normal banking function or its forbearance from charging a fee in connection with such a service is not considered a payment of interest. Deposits with a zero percent interest rate that are issued on a discount basis are to be treated as interest-bearing. Deposit accounts on which the interest rate is periodically adjusted in response to changes in market interest rates and other factors should be reported as interest-bearing even if the rate has been reduced to zero, provided the interest rate on these accounts can be increased as market conditions change.
- (b) Noninterest-bearing deposit accounts consist of deposit accounts on which the issuing depository institution makes no payment to or for the account of any depositor as compensation for the use of funds constituting a deposit. An institution's absorption of expenses incident to providing a normal banking function or its forbearance from charging a fee in connection with such a service is not considered a payment of interest.

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

See also "Brokered Deposits" and "Hypothecated Deposits."

Deposits (cont.):

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

Example 1

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

Example 2

A savings deposit permits unlimited, "preauthorized, automatic, or telephonic" transfers to other accounts or to third parties. None of the third-party payments may be made by check, draft, or similar order (including debit card).
Report this account as an other savings deposit.

Example 3

A savings deposit permits unlimited "preauthorized, automatic, or telephonic" transfers to other accounts or to third parties, any or all which may be by check, draft, debit card or similar order made by the depositor and payable to third parties.
Report this account as an MMDA.

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Pass-through Reserve Balances (cont.):

pass the reserves through to a Federal Reserve Bank. This second type of account is called a "pass-through account," and a depository institution passing its reserves to the Federal Reserve through a correspondent is referred to here as a "respondent." This pass-through reserve relationship is legally and for supervisory purposes considered to constitute an asset/debt relationship between the respondent and the correspondent, and an asset/debt relationship between the correspondent and the Federal Reserve. The required reporting of the "pass-through reserve balances" reflects this structure of asset/debt relationships.

In the balance sheet of the respondent bank, the pass-through reserve balances are to be treated as a claim on the correspondent (not as a claim on the Federal Reserve) and, as such, are to be reflected in the balance sheet of the Consolidated Report of Condition, Schedule RC, item 1.a, "Noninterest-bearing balances and currency and coin," or item 1.b, "Interest-bearing balances," as appropriate. For respondent banks with foreign offices or with \$300 million or more in total assets, the pass-through reserve balances would also be reflected in Schedule RC-A, item 2, "Balances due from depository institutions in the U.S."

In the balance sheet of the correspondent bank, the pass-through reserve balances are to be treated as balances due to respondents and, to the extent that the balances have actually been passed through to the Federal Reserve, as balances due from the Federal Reserve. The balances due to respondents are to be reflected in the balance sheet of the Consolidated Report of Condition, Schedule RC, item 13.a, "Deposits in domestic offices," and on in Schedule RC-E, Deposit Liabilities, (Part I), item 4.¹ The balances due from the Federal Reserve are to be reflected on the balance sheet in Schedule RC, item 1.b, "Interest-bearing balances," and, for correspondent banks with foreign offices or with \$300 million or more in total assets, in Schedule RC-A, item 4.

The reporting of pass-through reserve balances by correspondent and respondent banks differs from the required reporting of excess balance accounts by participants and agents, which is described in the Glossary entry for "Excess Balance Accounts."

Perpetual Preferred Stock: See "Preferred Stock."

Placements and Takings: Placements and takings are deposits between a foreign office of the reporting bank and a foreign office of another bank and are to be treated as due from or due to depository institutions. Such transactions are always to be reported gross and are not to be netted as reciprocal balances.

Preauthorized Transfer Account: See "Deposits."

Preferred Stock: Preferred stock is a form of ownership interest in a bank or other company which entitles its holders to some preference or priority over the owners of common stock, usually with respect to dividends or asset distributions in a liquidation.

Limited-life preferred stock is preferred stock that has a stated maturity date or that can be redeemed at the option of the holder. It excludes those issues of preferred stock that automatically convert into perpetual preferred stock or common stock at a stated date.

Perpetual preferred stock is preferred stock that does not have a stated maturity date or that cannot be redeemed at the option of the holder. It includes those issues of preferred stock that automatically convert into common stock at a stated date.

¹ When an Edge or Agreement Corporation acts as a correspondent, its balances due to respondents are to be reflected on the FFIEC 031 report form in Schedule RC, item 13.b, "Deposits in foreign offices," and in Schedule RC-E, Part II, item 2, if applicable.

Premiums and Discounts: A premium arises when an institution purchases a security, loan, or other asset at a price in excess of its par or face value, typically because the current level of interest rates for such assets is less than its contract or stated rate of interest. The difference between the purchase price and par or face value represents the premium, which all institutions are required to amortize.

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

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

If an institution holds a large number of similar debt securities, loans, or other assets for which prepayments are probable and the timing and amount of prepayments can be reasonably estimated, the institution may consider estimates of future principal prepayments in the calculation of the constant effective yield necessary to apply the interest method.

For callable debt securities that have explicit, non-contingent call features and are callable at fixed prices and on preset dates, ASC Subtopic 310-20, Receivables - Nonrefundable Fees and Other Costs, requires the amortization period to be limited to its earliest call date for any premiums on such debt securities. Under ASC Subtopic 310-20, the excess of the amortized cost basis of such a callable debt security over the amount repayable by the issuer at the earliest call date (i.e., the premium) must be amortized to the earliest call date (unless the institution applies the guidance that allows estimates of future principal prepayments to be considered in the effective yield calculation). If the call option is not exercised at its earliest call date, the institution must reset the effective yield using the payment terms of the debt security.¹

A premium or discount may also arise when the reporting institution, acting either as a lender or a borrower, is involved in an exchange of a note for assets other than cash and the interest rate is either below the market rate or not stated, or the face amount of the note is materially different from the fair value of the noncash assets exchanged. The noncash assets and the related note shall be recorded at either the fair value of the noncash assets or the market value of the note, whichever is more clearly determinable. The market value of the note would be its present value as determined by discounting all future payments on the note using an appropriate interest rate, i.e., a rate comparable to that on new loans of similar risk. The difference between the face amount and the recorded value of the note is a premium or discount. This discount or premium shall be accounted for as an adjustment of the interest income or expense over the life of the note using the interest method described above. For further information, see ASC Subtopic 835-30, Interest – Imputation of Interest.

Start-Up Activities (cont.):

should not be reported as expenses of the bank. Accordingly, any unreimbursed costs paid by the bank on behalf of the holding company should be reported as a cash dividend to the holding company in Schedule RI-A, item 9. In addition, if a new bank and holding company are being formed at the same time, the costs of the bank's start-up activities, including its organization costs, should be reported as start-up costs for the bank. If the holding company pays these costs for the bank but is not reimbursed by the bank, the bank should treat the holding company's forgiveness of payment as a capital contribution, which should be reported in Schedule RI-A, item 11, "Other transactions with stockholders (including a parent holding company)," and in Schedule RI-E, item 5.

STRIPS: See "Coupon Stripping, Treasury Receipts, and STRIPS."

Subordinated Notes and Debentures: A subordinated note or debenture is a form of debt issued by a bank or a consolidated subsidiary. When issued by a bank, a subordinated note or debenture is not insured by a federal agency, is subordinated to the claims of depositors, and has an original weighted average maturity of five years or more. Such debt shall be issued by a bank with the approval of, or under the rules and regulations of, the appropriate federal bank supervisory agency and is to be reported in Schedule RC, item 19, "Subordinated notes and debentures."

When issued by a subsidiary, a note or debenture may or may not be explicitly subordinated to the deposits of the parent bank and is to be reported in Schedule RC, item 16, "Other borrowed money," or item 19, "Subordinated notes and debentures," as appropriate.

Those subordinated notes and debentures that are to be reported in Schedule RC, item 19, include mandatory convertible debt.

Subsidiaries: The treatment of subsidiaries in the Consolidated Reports of Condition and Income depends upon the degree of ownership held by the reporting bank.

A majority-owned subsidiary of the reporting bank is a subsidiary in which the parent bank directly or indirectly owns more than 50 percent of the outstanding voting stock.

A significant subsidiary of the reporting bank is a majority-owned subsidiary that meets any one or more of the following tests:

- (1) The bank's direct and indirect investment in and advances to the subsidiary equals five percent or more of the total equity capital of the parent bank.

NOTE: For the purposes of this test, the amount of direct and indirect investments and advances is either (a) the amount carried on the books of the parent bank or (b) the parent's proportionate share in the total equity capital of the subsidiary, whichever is greater.

- (2) The parent bank's proportional share (based on equity ownership) of the subsidiary's gross operating income or revenue amounts to five percent or more of the gross operating income or revenue of the consolidated parent bank.
- (3) The subsidiary's income or loss before income taxes amounts to five percent or more of the parent bank's income or loss before income taxes.
- (4) The subsidiary is, in turn, the parent of one or more subsidiaries which, when consolidated with the subsidiary, constitute a significant subsidiary as defined in one or more of the above tests.

An associated company is a corporation in which the bank, directly or indirectly, owns 20 to 50 percent of the outstanding voting stock *and* over which the bank exercises significant influence. This 20 to 50 percent ownership is presumed to carry "significant" influence unless the bank can demonstrate the contrary to the satisfaction of the appropriate federal supervisory authority.

Subsidiaries (cont.):

A corporate joint venture is a corporation owned and operated by a group of banks or other businesses ("joint venturers"), no one of which has a majority interest, as a separate and specific business or project for the mutual benefit of the joint venturers. Each joint venturer may participate, directly or indirectly, in the management of the joint venture. An entity that is a majority-owned subsidiary of one of the joint venturers is not a corporate joint venture.

The equity ownership in majority-owned subsidiaries that are not consolidated on the Consolidated Reports of Condition and Income (in accordance with the guidance in the General Instructions on the Scope of the "Consolidated Bank" Required to be Reported in the Submitted Reports) and in associated companies is accounted for using the equity method of accounting and is reported in Schedule RC, item 8, "Investments in unconsolidated subsidiaries and associated companies," or item 9, "Direct and indirect investments in real estate ventures," as appropriate.

Ownership in a corporate joint venture is to be treated in the same manner as an associated company (defined above) only to the extent that the equity share represents significant influence over management. Otherwise, equity holdings in a joint venture are treated as holdings of corporate stock and income is recognized only when distributed in the form of dividends.

See also "Equity Method of Accounting."

Suspense Accounts: Suspense accounts are temporary holding accounts in which items are carried until they can be identified and their disposition to the proper account can be made. Such accounts may also be known as interoffice or clearing accounts. The balances of suspense accounts as of the report date should not automatically be reported as "Other assets" or "Other liabilities." Rather, the items included in these accounts should be reviewed and material amounts should be reported in the appropriate accounts of the Consolidated Reports of Condition and Income.

Sweep Deposits: "Sweep deposit" means a deposit held at the reporting institution by a customer or counterparty through a contractual feature that automatically transfers to the reporting institution from another regulated financial company at the close of each business day amounts under the agreement governing the account from which the amount is being transferred. (Note: This definition of a "sweep deposit" is distinctly separate from the existing "retail sweep arrangements" and "retail sweep programs" definitions in the "Reporting of Retail Sweep Arrangements Affecting Transaction and Nontransaction Accounts" section of the Glossary entry for "Deposits.")

"Affiliate sweep deposit" means a sweep deposit that is deposited in accordance with a contract between a customer or counterparty and the reporting institution, a controlled subsidiary of the reporting institution, or a company that is a controlled subsidiary of the same top-tier company of which the reporting institution is a controlled subsidiary.

"Non-affiliate sweep deposit" means a sweep deposit that is deposited in accordance with a contract between a customer or counterparty and an entity that is not affiliated with the reporting institution.

"Affiliate retail sweep deposit" means a sweep deposit that is deposited in accordance with a contract between a "retail customer or counterparty" and the reporting institution, a controlled subsidiary of the reporting institution, or a company that is a controlled subsidiary of the same top-tier company of which the reporting institution is a controlled subsidiary.

Sweep Deposits (cont.):

"Non-affiliate retail sweep deposit" means a sweep deposit that is deposited in accordance with a contract between a "retail customer or counterparty" and an entity that is not affiliated with the reporting institution.

"Retail customer or counterparty" means a customer or counterparty that is:

- (1) An individual;
- (2) A business customer, but solely if and to the extent that:
 - (i) The reporting institution manages its transactions with the business customer, including deposits, unsecured funding, and credit facility and liquidity facility transactions, in the same way it manages its transactions with individuals;
 - (ii) Transactions with the business customer have liquidity risk characteristics that are similar to comparable transactions with individuals; and
 - (iii) The total aggregate funding raised from the business customer is less than \$1.5 million; or
- (3) A living or testamentary trust that:
 - (i) Is solely for the benefit of natural persons;
 - (ii) Does not have a corporate trustee; and
 - (iii) Terminates within 21 years and 10 months after the death of grantors or beneficiaries of the trust living on the effective date of the trust or within 25 years, if applicable under state law.

Syndications: A syndication is a participation, usually involving shares in a single loan, in which several participants agree to enter into an extension of credit under a bona fide binding agreement that provides that, regardless of any event, each participant shall fund and be at risk only up to a specified percentage of the total extension of credit or up to a specified dollar amount. In a syndication, the participants agree to the terms of the participation prior to the execution of the final agreement and the contract is executed by the obligor and by all the participants, although there is usually a lead institution organizing or managing the credit. Large commercial and industrial loans, large loans to finance companies, and large foreign loans may be handled through such syndicated participations.

Time Deposits: See "Deposits."

Trade Date and Settlement Date Accounting: For purposes of the Consolidated Reports of Condition and Income, the preferred method for reporting transactions in held-to-maturity securities, available-for-sale securities, and trading assets (including money market instruments) other than derivative contracts (see the Glossary entry for "Derivative Contracts") is on the basis of trade date accounting. However, if the reported amounts under settlement date accounting would not be materially different from those under trade date accounting, settlement date accounting is acceptable. Whichever method a bank elects should be used consistently, unless the bank has elected settlement date accounting and subsequently decides to change to the preferred trade date method.

Under trade date accounting, assets purchased shall be recorded in the appropriate asset category on the trade date and the bank's obligation to pay for those assets shall be reported in Schedule RC-G, item 4, "All other liabilities." Conversely, when an asset is sold, it shall be removed on the trade date from the asset category in which it was recorded, and the proceeds receivable resulting from the sale shall be reported in Schedule RC-F, item 6, "All other assets." Any gain or loss resulting from such transaction shall also be recognized on the trade date. On the settlement date, disbursement of the payment or receipt of the proceeds will eliminate the respective "All other liabilities" or "All other assets" entry resulting from the initial recording of the transaction.

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Trade Date and Settlement Date Accounting (cont.):

Under settlement date accounting, assets purchased are not recorded until settlement date. On the trade date, no entries are made. Upon receipt of the assets on the settlement date, the asset is reported in the proper asset category and payment is disbursed. The selling bank, on the trade date, would make no entries. On settlement date, the selling bank would reduce the appropriate asset category and reflect the receipt of the payment. Any gain or loss resulting from such transaction would be recognized on the settlement date.

Each participant in the syndicate, including the lead bank, records its own share of the participated loan and the total amount of the loan is not entered on the books of one bank to be shared through transfers of loans. Thus, the initial operation and distribution of this type of participation does not require a determination as to whether a transfer that should be accounted for as a sale has occurred. However, any subsequent transfers of shares, or parts of shares, in the syndicated loan would be subject to the provisions of ASC Topic 860, Transfers and Servicing, governing whether these transfers should be accounted for as a sale or a secured borrowing. (See the Glossary entry for "Transfers of Financial Assets.")

Telephone Transfer Account: See "Deposits."

Term Federal Funds: See "Federal Funds Transactions."

Trading Account: Trading activities typically include (a) regularly underwriting or dealing in securities; interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts; other financial instruments; and other assets for resale, (b) acquiring or taking positions in such items principally for the purpose of selling in the near term or otherwise with the intent to resell in order to profit from short-term price movements, and (c) acquiring or taking positions in such items as accommodations to customers, provided that acquiring or taking such positions meets the definition of "trading" in ASC Topic 320, Investments—Debt Securities, and ASC Topic 815, Derivatives and Hedging, and the definition of "trading purposes" in ASC Topic 815.

For purposes of the Consolidated Reports of Condition and Income, all debt securities within the scope of ASC Topic 320 that a bank has elected to report at fair value under a fair value option with changes in fair value reported in current earnings should be classified as trading securities.

In addition, for purposes of these reports, banks may classify assets (other than debt securities within the scope of ASC Topic 320 for which a fair value option is elected) and liabilities as trading if the bank applies fair value accounting, with changes in fair value reported in current earnings, and manages these assets and liabilities as trading positions, subject to the controls and applicable regulatory guidance related to trading activities.

For example, a bank would generally not classify a loan to which it has applied the fair value option as a trading asset unless the bank holds the loan, which it manages as a trading position, for one of the following purposes: (1) for market making activities, including such activities as accumulating loans for sale or securitization; (2) to benefit from actual or expected price movements; or (3) to lock in arbitrage profits.

All trading assets should be segregated from a bank's other assets and reported in Schedule RC, item 5, "Trading assets." In addition, banks that (1) reported total trading assets (Schedule RC, item 5) of \$10 million or more in any of the four preceding calendar quarters, or (2) meet the FDIC's definition of a large or highly complex institution for deposit insurance assessment purposes should detail the types of assets and liabilities in the trading account in Schedule RC-D, Trading Assets and Liabilities, and the levels within the fair value measurement hierarchy in which the trading assets and liabilities fall in Schedule RC-Q, Assets and Liabilities Measured at Fair Value on a Recurring Basis. A bank's failure to establish a separate account for assets that are used for trading purposes does not prevent such assets from being designated as trading for purposes of these reports. For further information, see ASC Topic 320.

Trading Account (cont.):

All trading account assets should be reported at their fair value as defined by ASC Topic 820, Fair Value Measurement, with unrealized gains and losses recognized in Schedule RI, item 5.c, "Trading revenue." When a security or other asset is acquired, a bank should determine whether it intends to hold the asset for trading or for investment (e.g., for debt securities, available-for-sale or held-to-maturity). A bank should not record a newly acquired asset in a suspense account and later determine whether it was acquired for trading or investment purposes. Regardless of how a bank categorizes a newly acquired asset, management should document its decision.

All trading liabilities should be segregated from other transactions and reported in Schedule RC, item 15, "Trading liabilities." The trading liability account includes the fair value of derivative contracts held for trading that are in loss positions and short positions arising from sales of securities and other assets that the institution does not own or sales of more of a security or other asset than the institution owns. (See the Glossary entry for "Short Position.") Trading account liabilities should be reported at fair value as defined by ASC Topic 820 with unrealized gains and losses recognized in Schedule RI, item 5.c, "Trading revenue."

Given the nature of the trading account, transfers into or from the trading category should be rare. Transfers between a trading account and any other account of the bank must be recorded at fair value at the time of the transfer. For a security transferred from the trading category, the unrealized holding gain or loss at the date of the transfer will already have been recognized in earnings and should not be reversed. For a security transferred into the trading category, the unrealized holding gain or loss at the date of the transfer should be recognized in earnings.

Transaction Account: See "Deposits."

Transfers of Financial Assets: The accounting and reporting standards for transfers of financial assets are set forth in ASC Topic 860, Transfers and Servicing. Banks must follow ASC Topic 860 for purposes of these reports. ASC Topic 860 limits the circumstances in which a financial asset, or a portion of a financial asset, should be derecognized when the transferor has not transferred the entire original financial asset or when the transferor has continuing involvement with the transferred financial asset. ASC Topic 860 also defines a "participating interest" (which is discussed more fully below) and establishes the accounting and reporting standards for loan participations, syndications, and other transfers of portions of financial assets. A summary of these accounting and reporting standards follows. For further information, see ASC Topic 860.

A financial asset is cash, evidence of an ownership interest in another entity, or a contract that conveys to the bank a contractual right either to receive cash or another financial instrument from another entity or to exchange other financial instruments on potentially favorable terms with another entity. Most of the assets on a bank's balance sheet are financial assets, including balances due from depository institutions, securities, federal funds sold, securities purchased under agreements to resell, loans and lease financing receivables, and interest-only strips receivable.¹ However, servicing assets are not financial assets. Financial assets also include financial futures contracts, forward contracts, interest rate swaps, interest rate caps, interest rate floors, and certain option contracts.

A transferor is an entity that transfers a financial asset, an interest in a financial asset, or a group of financial assets that it controls to another entity. A transferee is an entity that receives a financial asset, an interest in a financial asset, or a group of financial assets from a transferor.

In determining whether a bank has surrendered control over transferred financial assets, the bank must first consider whether the entity to which the financial assets were transferred would be required to be

¹ ASC Topic 860 defines an interest-only strip receivable as the contractual right to receive some or all of the interest due on a bond, mortgage loan, collateralized mortgage obligation, or other interest-bearing financial asset.