

# DRAFT

## Board of Governors of the Federal Reserve System

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HCB & HCC updates to incorporate ASU 2022-01 changes

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Instructions for Preparation of

# Consolidated Financial Statements for Holding Companies

Reporting Form FR Y-9C

Effective March 2022

# Schedule HC-B

- (2) Preferred stock of U.S.-chartered corporations and business trusts that by its terms either must be redeemed by the issuing corporation or trust or is

**Line Item 7 Unallocated portfolio layer fair value hedge basis adjustments.**

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

As defined in Accounting Standards Update No. 2022-01, Derivatives and Hedging (Topic 815), "Fair Value Hedging Portfolio Layer Method" (ASU 2022-01), the portfolio layer method was added to allow entities to apply hedge accounting to a single closed portfolio of financial assets or one or more beneficial interests secured by a portfolio of financial instruments that is not expected to be affected by prepayments, defaults, or other factors affecting the timing and amount of cash flows for the designated hedge period. Under ASU 2022-01, different types of qualifying assets can be grouped together in a portfolio layer hedge.

Per the standard, an institution should not adjust the recorded investment or the discount rate of the individual assets or individual beneficial interest included in the single, closed portfolio for a basis adjustment that is maintained on a closed portfolio basis. As such, an institution that applies the portfolio layer method to a closed portfolio of AFS debt securities should not allocate the portfolio layer FVHBAs to a more granular level. Institutions should report these unallocated amounts in this item 7, column C.

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

trading issued by non-U.S.-chartered corporations, foreign governments, or special international organizations.

Other Foreign debt securities include:

- (1) Bonds, notes, debentures, equipment trust certificates, and commercial paper issued by non-U.S.-chartered corporations.
- (2) Debt securities issued by foreign governmental units.
- (3) Debt securities issued by international organizations such as the International Bank for Reconstruction and Development (World Bank), Inter-American Development Bank, and Asian Development Bank.
- (4) Preferred stock of non-U.S.-chartered corporations that by its terms either must be redeemed by the issuing enterprise or is redeemable at the option of the investor (i.e., redeemable or limited-life preferred stock).

NOTE: Investments in equity securities, including investments in mutual funds, with readily determinable fair values not held for trading that were previously reportable in Schedule HC-B, item 7, columns C and D, should be reported in Schedule HC, item 2(c), "Equity securities with readily determinable fair values not held for trading".

~~Line Item 7 Not applicable.~~

**Line Item 8 Total.**

Report the sum of items 1 through 6b. For holding companies that have *not* adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), the total of column A for this item must equal Schedule HC, item 2(a), "Held-to-maturity securities." The total for column D must equal Schedule HC, item 2(b), "Available-for-sale debt securities."

For holding companies that have adopted ASU 2016-13, which governs the accounting for credit losses, the total of column A for this item must equal Schedule HC, item 2(a), "Held-to-maturity securities" plus Schedule HI-B, Part II, item 7, column B, balance end of current period for "Held-to-maturity debt securities," and the total of column D for this item must equal Schedule HC, item 2(b), "Available-for-sale debt securities."

**Line Item M1 Pledged securities.**

Report the amortized cost of all held-to-maturity debt securities included in Schedule HC-B, column A, above; the fair value of all available-for-sale debt securities included in Schedule HC-B, column D above; and the fair value of all equity securities with readily determinable fair values not held for trading included in Schedule HC, item 2c that are pledged to secure deposits, repurchase transactions, or other borrowings (regardless of the balance of the deposits or other liabilities against which the securities are pledged), as performance bonds under futures or forward contracts, or for any other purpose. Include as pledged securities:

- (1) Held-to-maturity debt securities, available-for-sale debt securities, and equity securities with readily determinable fair values not held for trading that have been "loaned" in securities borrowing/lending transactions that do not qualify as sales under ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," as amended).
- (2) Held-to-maturity debt securities, available-for-sale debt securities, and equity securities with readily determinable fair values not held for trading securities held by consolidated variable interest entities (VIEs) that can be used only to settle obligations of

# Schedule HC-C

adopted ASC Topic 842, including the lease receivable, unamortized initial direct costs (if applicable), and the unguaranteed residual asset, net of any deferred selling profit on a direct financing lease; and

- (3) Leveraged leases accounted for under ASC Topic 840 (including leveraged leases that were grandfathered upon the adoption of ASC Topic 842 and remain grandfathered).

Holding companies should report the total amount of these leases in domestic offices in column B and a breakdown of these leases for the fully consolidated holding company between leases to individuals for household, family, and other personal expenditures and all other leases in column A. For further discussion of leases where the holding company is the lessor, refer to

To the extent possible, the preferred treatment is to report the specific loan categories net of both unearned income and net unamortized loan fees. A reporting bank should enter (on the FFIEC 041, in column B; on the FFIEC 031, in columns A and B, as appropriate) unearned income and net unamortized loan fees only to the extent that these amounts are included in (i.e., not deducted from) the various loan items of this schedule (Schedule RC-C, part I, items 1 through 9).

As defined in Accounting Standards Update No. 2022-01, Derivatives and Hedging (Topic 815), "Portfolio Layer Method" (ASU 2022-01), the portfolio layer method was added to allow entities to apply hedge accounting to a closed portfolio of financial assets or one or more beneficial interests secured by a portfolio of financial instruments that is not expected to be affected by prepayments, defaults, or other factors affecting the timing and amount of cash flows for the designated hedge period. Under ASU 2022-01, different types of qualifying assets can be grouped together in a portfolio layer hedge.

Per the standard, an institution should not adjust the recorded investment or the discount rate of the individual assets or individual beneficial interest included in the closed portfolio for a basis adjustment that is maintained on the closed portfolio basis. As such, an institution that applies the portfolio method to a closed portfolio of loans should not allocate the portfolio layer fair value hedge basis adjustments (FVHBAs) to a more granular level and should include these unallocated amounts in this item 11.

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

## Line Item 10(b) All other leases.

Report in column A the net investments in all leases to lessees other than for household, family, and other personal expenditure purposes. Include direct financing leases accounted for under ASC Topic 840, Leases, by an

institution that has not adopted ASC Topic 842, Leases; direct financing and sales-type leases accounted for under ASC Topic 842 by an institution that has adopted this topic; and leveraged leases accounted for under ASC Topic 840 (including those that were grandfathered upon the adoption of ASC Topic 842 and remain grandfathered).

## Line Item 10(c) Lease finance receivable.

Holding companies with less than \$5 billion should report in column A, all outstanding balances relating to lease finance receivables acquired by the fully consolidated holding company. Include direct financing leases accounted for under ASC Topic 840, Leases, by an institution that has not adopted ASC Topic 842, Leases; direct financing and sales-type leases accounted for under ASC Topic 842 by an institution that has adopted this topic; and leveraged leases accounted for under ASC Topic 840 (including those that were grandfathered upon the adoption of ASC Topic 842 and remain grandfathered).

## Line Item 11 LESS: Any unearned income on loans reflected in items 1–9 above.

To the extent possible, the preferred treatment is to report the specific loan categories net of both unearned income and net unamortized loan fees. A reporting holding company should enter in columns A and B of this item, as appropriate, unearned income and net unamortized loan fees only to the extent that these amounts are included in (i.e., not deducted from) the various loan items (items 1 through 9) of this schedule. If a holding company reports each loan item of this schedule net of both unearned income and net unamortized loan fees, enter a zero in this item.

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

## Line Item 12 Total loans and leases, held for investment and held for sale.

Report in columns A and B, as appropriate, the sum of items 1 through 10 less the amount reported in item 11.