# Instructions for Preparation of

# Consolidated Reports of Condition and Income

# FFIEC 051

**Updated March 2025**

# Instructions for Preparation of Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only and Total Assets Less than $5 Billion (FFIEC 051)

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# GENERAL INSTRUCTIONS

Schedules RC and RC-B through RC-T constitute the FFIEC 051 version of the Consolidated Report of Condition and its supporting schedules. Schedules RI and RI-A through RI-E constitute the Consolidated Report of Income and its supporting schedules. Schedule SU – Supplemental Information collects additional information in the FFIEC 051 on certain complex or specialized activities in which an institution may engage. The Consolidated Reports of Condition and Income are commonly referred to as the Call Report. For purposes of these General Instructions, the Financial Accounting Standards Board (FASB) Accounting Standards Codification is referred to as the "ASC." In addition, a FASB Accounting Standards Update is referred to as "ASU."

Unless the context indicates otherwise, the term "bank" in the Call Report instructions refers to both banks and savings associations.

## WHO MUST REPORT ON WHAT FORMS

Every national bank, state member bank, insured state nonmember bank, and savings association is required to file a consolidated Call Report normally as of the close of business on the last calendar day of each calendar quarter, i.e., the report date. The specific reporting requirements for a bank depend upon the size of the bank, whether it has any "foreign" offices, and the capital standards applicable to the bank. Banks must file the appropriate report form as described below:

(1) BANKS WITH FOREIGN OFFICES: Banks of any size that have any "foreign" offices (as defined below) must file quarterly the *Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices* (FFIEC 031). For purposes of these reports, all of the following constitute "foreign" offices:

(a) An International Banking Facility (IBF);
(b) A branch or consolidated subsidiary in a foreign country; and
(c) A majority-owned Edge or Agreement subsidiary.

In addition, for banks chartered and headquartered in the 50 states of the United States and the District of Columbia, a branch or consolidated subsidiary in Puerto Rico or a U.S. territory or possession is a "foreign" office. However, for purposes of these reports, a branch at a U.S. military facility located in a foreign country is a "domestic" office.

(2) BANKS WITHOUT FOREIGN OFFICES: Banks that have domestic offices only must file quarterly:

(a) The *Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices* (FFIEC 031) if the bank:
(i) Is an advanced approaches institutions for regulatory capital purposes,[1] regardless of asset size; or

[1] An advanced approaches institution as defined in the federal supervisor's regulatory capital rules is (i) a subsidiary of a global systemically important bank holding company, as identified pursuant to 12 CFR 217.402; (ii) a Category II institution; (iii) a subsidiary of a depository institution that uses the advanced approaches pursuant to subpart E of 12 CFR part 3 (OCC), 12 CFR part 217 (Board), or 12 CFR part 324 (FDIC) to calculate its risk-based capital requirements; (iv) a subsidiary of a bank holding company or savings and loan holding company that uses the advanced approaches pursuant to subpart E of 12 CFR part 217 to calculate its risk-based capital requirements; or (v) an institution that elects to use the advanced approaches to calculate its risk-based capital requirements.

Category II institutions include institutions that have (1) at least $700 billion in total consolidated assets or (2) at least $75 billion in cross-jurisdictional activity and at least $100 billion in total consolidated assets. In addition, depository institution subsidiaries of Category II institutions are considered Category II institutions.

(ii) Has total consolidated assets of $100 billion or more,[1] including a bank of this size that is subject to Category III capital standards[2];

(b) The *Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only* (FFIEC 041) if the bank has total consolidated assets less than $100 billion, including a bank of this size that is subject to Category III capital standards, but excluding a bank of this size that is an advanced approaches institution; or

(c) The *Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only and Total Assets Less than $5 Billion* (FFIEC 051) subject to the eligibility criteria discussed below, as appropriate to the reporting institution. An institution eligible to file the FFIEC 051 report may choose instead to file the FFIEC 041 report.

For banks chartered and headquartered in Puerto Rico or a U.S. territory or possession, a branch or consolidated subsidiary in one of the 50 states of the United States, the District of Columbia, Puerto Rico, or a U.S. territory or possession is a "domestic" office.

For those institutions filing the FFIEC 031 or FFIEC 041, a separate instruction book covers both of these report forms. Please refer to this separate instruction book for the General Instructions for the FFIEC 031 and the FFIEC 041 report forms.

### *Eligibility to File the FFIEC 051*

Institutions with domestic offices only and total assets less than $5 billion, excluding (1) those that are advanced approaches institutions or are subject to Category III capital standards for regulatory capital purposes and (2) those that are large or highly complex institutions for deposit insurance assessment purposes,[3] are eligible to file the FFIEC 051 Call Report. An institution's total assets are measured as of June 30 each year to determine the institution's eligibility to file the FFIEC 051 beginning in March of the following year. Institutions are expected to file the same report form, either the FFIEC 051 or the FFIEC 041, for each quarterly report date in a given year.

For an institution otherwise eligible to file the FFIEC 051, the institution's primary federal regulatory agency, jointly with the state chartering authority, if applicable, may require the institution to file the FFIEC 041 instead based on supervisory needs. In making this determination, the appropriate agency may consider criteria including, but not limited to, whether the eligible institution is significantly engaged in one or more complex, specialized, or other higher risk activities, such as those for which limited information is reported in the FFIEC 051 compared to the FFIEC 041 (trading; derivatives; mortgage banking; fair value option usage; servicing, securitization, and asset sales; and variable interest entities). The agencies anticipate making such determinations only in a limited number of cases.

### *Close of Business*

The term "close of business" refers to the time established by the reporting bank as the cut-off time for receipt of work for posting transactions to its general ledger accounts for that day. The time designated as the close of business should be reasonable and applied consistently. The posting of a transaction to the general ledger means that both debit and credit entries are recorded as of the same date. In addition, entries made to general ledger accounts in the period subsequent to the close of business on the report date that are applicable to the period covered by the Call Report (e.g., adjustments of accruals, posting of

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[1] The $100 billion asset-size test is based on the total assets reported as of June 30 each year to determine whether the institution must file the FFIEC 031 report form beginning in March of the following year.

[2] Category III institutions include institutions, which are not advanced approaches institutions, that have (1) at least $250 billion in average total consolidated assets or (2) at least $100 billion in average total consolidated assets and at least $75 billion in average total nonbank assets, average weighted short-term wholesale funding, or average off-balance sheet exposure. In addition, depository institution subsidiaries of Category III institutions are considered Category III institutions.

[3] See 12 CFR § 327.8 and 12 CFR § 327.16(f).

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 Reporting*[1]

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 or semiannually as of the June 30 and December 31 report dates based on the amount of such assets and income. All other banks with fiduciary powers must complete the applicable items of Schedule RC-T annually as of the December 31 report date.

For all institutions filing the FFIEC 051, Schedule RC-C, Part II, Loans to Small Businesses and Small Farms, must be completed semiannually as of the June 30 and December 31 report dates.

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 051, as applicable:

(1) Schedule RI-E, items 1.a through 1.j, on components of other noninterest income;

(2) Schedule RI-E, items 2.a through 2.p, on components of other noninterest expense;

(3) Schedule RC-C, Part I, Memorandum items 8.b and 8.c

(4) Schedule RC-C, Part I, Memorandum items 15.a through 15.c, on reverse mortgages;

(5) Schedule RC-E, Memorandum item 1.e, "Preferred deposits;"

(6) Schedule RC-M, item 6, “Does the reporting bank sell private label or third-party mutual funds and annuities?”;

(7) Schedule RC-M, item 7, “Assets under the reporting bank’s management in proprietary mutual funds and annuities”;

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[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 031 and the FFIEC 041 for a listing of data items reported less frequently than quarterly on those report forms.

(8) 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?”;

(9) Schedule RC-M, item 11, “Does the bank act as trustee or custodian for Individual Retirement Accounts, Health Savings Accounts, and other similar accounts?“;

(10) Schedule RC-M, item 12, “Does the bank provide custody, safekeeping, or other services involving the acceptance of orders for the sale or purchase of securities?”; and

(11) Schedule RC-M, items 14.a and 14.b, on assets of captive insurance and reinsurance subsidiaries.

The following items, if applicable, are to be completed annually as of the December 31 report date only by institutions with $1 billion or more in total assets (measured as of June 30 of the preceding year) filing the FFIEC 051:

(1) Schedule RI, Memorandum item 15, “Components of service charges on deposit accounts” (if the institution answered “Yes” to Schedule RC-E, Memorandum item 5, which asks whether the institution offers one or more consumer deposit account products);

(2) Schedule RC-E, Memorandum items 6 and 7, on the amount of deposits in transaction and nontransaction savings consumer deposit account products (if the bank answered “Yes” to Schedule RC-E, Memorandum item 5, which asks whether the bank offers one or more consumer deposit account products).

The following items are to be reported semiannually as of the June 30 and December 31 report dates by all institutions filing the FFIEC 051, as applicable:

(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 1.a.(1) through 1.f.(5), on “Loan modifications to borrowers experiencing financial difficulty that are in compliance with their modified terms” by loan category”;

(3) Schedule RC-C, Part I, Memorandum item 4, “Adjustable-rate closed-end loans secured by first liens on 1–4 family residential properties (included in Schedule RC-C, Part I, item 1.c.(2)(a))”;

(4) Schedule RC-C, Part I, Memorandum item 8.a, on closed-end 1-4 family residential mortgage loans with negative amortization features;

(5) Schedule RC-C, Part I, Memorandum item 12, columns A through C, “Loans (not considered purchased credit-deteriorated) and leases held for investment that were acquired in business combinations with acquisition dates in the current calendar year”;

(6) Schedule RC-C, Part I, Memorandum item 16, “Revolving, open-end loans secured by 1–4 family residential properties and extended under lines of credit that have converted to non-revolving closed-end status (included in item 1.c.(1) above)”;

(7) Schedule RC-E, Memorandum item 1.a, “Total Individual Retirement Accounts (IRAs) and Keogh Plan accounts”;

(8) Schedule RC-E, Memorandum item 5, “Does your institution offer one or more consumer deposit account products, i.e., transaction account or nontransaction savings account deposit products intended primarily for individuals for personal, household, or family use?”;

(10) Schedule RC-F, items 6.a through 6.j, on components of all other assets;

(11) Schedule RC-G, items 4.a through 4.h, on components of all other liabilities;

(12) Schedule RC-L, items 9.c through 9.f, on components of all other off-balance sheet liabilities;

(13) Schedule RC-L, items, 10.b through 10.e, on components of all other off-balance sheet assets;

(14) Schedule RC-L, items 11.a and 11.b, on year-to-date merchant credit card sales volume;

(15) Schedule RC-M, items 8.a through 8.c, on website addresses and physical office trade names;

(16) Schedule RC-N, Memorandum items 1.a.(1) through 1.f.(5), columns A through C, on loan modifications to borrowers experiencing financial difficulty by loan category that are past due 30 days or more and still accruing or are on nonaccrual;

(17) Schedule RC-N, Memorandum item, 5, columns A through C, on past due and nonaccrual loans and leases held for sale;

(18) Schedule RC-N, Memorandum items 7 and 8, on additions to and sales of nonaccrual assets during the previous six months;

(19) Schedule RC-R, Part II, items 1 through 25, columns A through U, as applicable, on the risk weighting of assets and other exposures for risk-based capital purposes; and

(20) Schedule RC-R, Part II, Memorandum item 1, on the current credit exposure of all derivatives and Memorandum items 2 and 3, columns A through C, on the notional amounts of derivatives by remaining maturity and underlying risk exposure.

The following items are to be completed semiannually as of the June and December 31 report dates only by institutions with $1 billion or more in total assets (measured as of June 30 of the preceding year) filing the FFIEC 051:

(1) Schedule RI-C, items 1 through 6, columns A and B, on disaggregated data on the allowance for credit losses on loans and leases; and

(2) Schedule RI-C, items 7 through 11, on disaggregated data on the allowance for credit losses on held-to-maturity debt securities.

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 031 and the FFIEC 041 for information on the differences in the level of detail within the FFIEC 031 and the FFIEC 041 report forms.

Differences in the level of detail within the FFIEC 051 report form are as follows:

(1) Banks with specified loan categories included in Schedule RC-C, Part I, Memorandum item 1.f, "All other loans" that exceed 10 percent of total loan modifications to borrowers experiencing financial difficulty that are in compliance with their modified terms must report the amount of such modifications in Memorandum items 1.f.(1), 1.f.(4)(a), 1.f.(4)(b), and 1.f.(4)(c).

(2) 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 must report certain additional information on these loans in Schedule RC-C, Part I, Memorandum items 8.b and 8.c, annually in the December report only.

(3) Banks that reported construction, land development, and other land loans in Schedule RC-C, Part I, item 1.a, 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.

(4) Banks that reported 501 or more international remittance transfers in Schedule RC-M, item 16.a in either or both of the current report or the prior December report in which item 16.a was required to be completed must report certain additional information on their international remittance transfer activities during the calendar year ending on the report date in Schedule RC-M, items 16.b.(1), 16.b.(2) and 16.b.(3).

(5) Banks with specified loan categories included in Schedule RC-N, Memorandum item 1.f, "All other loans" that exceed 10 percent of total loan modifications to borrowers experiencing financial difficulty that are past due 30 days or more or are in nonaccrual status must report the amount of such modifications in Memorandum items 1.f.(1), 1.f.(4)(a), 1.f.(4)(b), and 1.f.(4)(c).

(6) 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 report information on their fiduciary and related services income and on fiduciary settlements and losses in Schedule RC-T.

(7) Banks with total fiduciary assets greater than $100 million but less than or equal to $250 million (as of the preceding December 31) and with gross fiduciary and related services income less than or equal to 10 percent of revenue (net interest income plus noninterest income) for the preceding calendar year must report information on fiduciary settlements and losses in Schedule RC-T.

(8) Banks with collective investment funds and common trust funds with a total market value of $1 billion or more as of the preceding December 31 must report a breakdown of these funds by type of fund in Schedule RC-T, Memorandum items 3.a through 3.g, quarterly or annually, as appropriate.

(9) Banks that, for each of the two calendar quarters preceding the current calendar quarter, had either (a) more than $10 million in sales of 1-4 family residential mortgage loans during the calendar quarter, or (b) more than $10 million in 1-4 family residential mortgage loans held for sale or trading at calendar quarter-end must complete Schedule SU, items 2.a and 2.b.

(10) Banks servicing either (a) any closed-end 1-4 family residential mortgages or (b) more than $10 million in financial assets other than closed-end 1-4 family residential mortgages must report the total volume of such servicing in Schedule SU, item 6.a.

(11) Banks that, together with affiliated institutions, have outstanding credit card receivables that exceed $500 million as of the report date or are credit card specialty institutions as defined for Uniform Institution Performance Report purposes must report certain information on retail credit card fees and finance charges in Schedule SU, items 8.a through 8.d.

***Shifts in Reporting Status***

All shifts in reporting status within the FFIEC 051 report form (except as noted below) are to begin with the March Call Report. Such a shift will take place only if the reporting bank's total assets, agricultural loans, or credit card lines, as reflected in the Consolidated Report of Condition for June of the previous calendar year, equal or exceed the following criteria:

(1) When *total assets equal or exceed $100 million*, a bank must begin to complete Schedule RC-K, item 13, for the quarterly average of "Other borrowed money."

(2) W*hen loans to finance agricultural production and other loans to farmers exceed 5 percent of total loans and leases held for investment and held for sale* at a bank with less than $300 million in total assets, the bank must begin to report the following information for these agricultural loans: interest and fee income, quarterly average, past due and nonaccrual loans, charge-offs and recoveries, and, if certain additional criteria are met, loan modifications to borrowers experiencing financial difficulty.

(3) *When total assets equal or exceed $300 million*, a bank must begin to complete certain Memorandum items providing the following information on loans to finance agricultural production and other loans to farmers: interest and fee income, quarterly average, past due and nonaccrual loans, charge-offs and recoveries, and, if certain additional criteria are met, loan modifications to borrowers experiencing financial difficulty.

(4) *When total assets equal or exceed $1 billion*, a bank must begin to complete the following items, as applicable:
- Schedule RI, Memorandum item 15, “Components of service charges on deposit accounts” (if the bank answered “Yes” to Schedule RC-E, Memorandum item 5, which asks whether the bank offers one or more consumer deposit account products);
- Schedule RI-C, items 1 through 6, columns A and B, on disaggregated data on the allowance for credit losses on loans and leases;
- Schedule RI-C, items 7 through 11, on disaggregated data on the allowance for credit losses for held-to-maturity debt securities;
- Schedule RC-E, Memorandum items 6 and 7, on the amount of deposits in transaction and nontransaction savings consumer deposit account products (if the bank answered “Yes” to Schedule RC-E, Memorandum item 5, which asks whether the bank offers one or more consumer deposit account products); and
- Schedule RC-O, Memorandum item 2, “Estimated amount of uninsured deposits including related interest accrued and unpaid.”

Once a bank reaches the $100 million, $300 million, or $1 billion total asset threshold or exceeds the agricultural loan percentage threshold and begins to report the additional required information described above, it *must* continue to report the applicable additional information in subsequent years unless its total assets or loan percentage subsequently fall to less than the applicable threshold for four consecutive quarters. In this case, the institution may cease reporting the data items to which the threshold applies in the quarter after the four consecutive quarters in which its total assets or agricultural loans have fallen below the applicable threshold. However, if the institution exceeds the threshold as of a subsequent June 30 report date, the data items would again be required to be reported beginning in March of the following year.

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For example, if June 30, 2019, is the first June 30 as of which an institution reports $300 million or more in total assets, the institution must begin reporting the data items to which the $300 million total assets threshold applies as of the March 31, 2020, report date. If the institution reports less than $300 million in total assets each quarter-end from September 30, 2019, through June 30, 2020, it may cease reporting the data items applicable to institutions with $300 million or more in total assets beginning September 30, 2020. In contrast, if instead the institution reports $300 million or more in total assets as of September 30 and December 31, 2019, but then reports less than $300 million in total assets each quarter-end from March 31, 2020, through December 31, 2020, it may cease reporting the data items applicable to institutions with $300 million or more in total assets beginning March 31, 2021.

For a bank that files the FFIEC 051 report, other shifts in reporting status occur when:

(1) The bank establishes or acquires any "foreign" office. The bank must begin filing the FFIEC 031 report form (Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices) for the first quarterly report date following the commencement of operations by the "foreign" office. However, a bank with "foreign" offices that divests itself of *all* its "foreign" offices must continue filing the FFIEC 031 report form through the end of the calendar year in which the cessation of all operations of its "foreign" offices was completed.

(2) The institution is involved in a business combination, a transaction between entities under common control, or a branch acquisition that is not a business combination. Beginning with the first quarterly report date following the effective date of such a transaction involving an institution and one or more other depository institutions, the resulting institution, regardless of its size prior to the transaction, must (a) file the FFIEC 031 report form if it acquires any "foreign" office, or has total consolidated assets of $100 billion or more, and (b) report the additional required information on the FFIEC 031 report form (described in the General Instructions section of the instruction book for the FFIEC 031 and FFIEC 041 report forms) or FFIEC 051 report form (described above), as appropriate, if after the consummation of the transaction, its consolidated total assets surpass the total asset thresholds, it exceeds the credit card lines threshold, or on the FFIEC 051 report form, it exceeds the agricultural loan percentage.

(3) The institution becomes an advanced approaches institution for regulatory capital purposes. The institution must begin filing the FFIEC 031 report form for the first quarterly report date after the date it becomes such an institution.

(4) The institution becomes a Category III institution for regulatory capital purposes or a large or highly complex institution for deposit insurance assessment purposes. The institution must begin filing the FFIEC 041 report form for the first quarterly report date after the date it becomes such an institution (unless it establishes or acquires a “foreign office” in the same quarter that it becomes such an institution, in which case the institution must begin filing the FFIEC 031 report form for that first quarterly report date).

In addition, beginning with the first quarterly report date after an operating depository institution that was not previously a member of the Federal Deposit Insurance Corporation (FDIC) becomes an FDIC-insured institution and is eligible to, and chooses to, file the FFIEC 051, it must report the additional required information described above, based on its total assets and agricultural loans at the time it becomes FDIC-insured.

## ORGANIZATION OF THE INSTRUCTION BOOK

This instruction book covers the FFIEC 051 report form.[1] It is divided into the following sections:

(1) The General Instructions describe overall reporting requirements.

[1] A separate instruction book covers both the FFIEC 031 and the FFIEC 041 report forms.

(2) The Line Item Instructions for each schedule of the Consolidated Report of Income.

(3) The Line Item Instructions for each schedule of the Consolidated Report of Condition.

(4) The Line Item Instructions for Schedule SU – Supplemental Information.

The instructions and definitions in sections (2), (3), and (4) are not necessarily self-contained; reference to more detailed treatments in the Glossary may be needed.

(5) The Glossary presents, in alphabetical order, definitions and discussions of accounting and reporting issues and other topics that require more extensive treatment than is practical to include in the line item instructions or that are relevant to several line items or to the overall preparation of these reports. The Glossary is not, and is not intended to be, a comprehensive discussion of the principles of bank accounting or reporting.

In determining the required treatment of particular transactions or portfolio items or in determining the definitions and scope of the various items, the General Instructions, the line item instructions, and the Glossary (all of which are extensively cross-referenced) must be used jointly. A single section does not necessarily give the complete instructions for completing all the items of the reports.

The instruction book for the FFIEC 051 report form is available on the Internet on the FFIEC's website (https://www.ffiec.gov/forms051.htm) and on the FDIC's website (https://www.fdic.gov/regulations/resources/call/call.html).

## PREPARATION OF THE REPORT

Banks are required to prepare and file the Call Report in accordance with these instructions. All reports shall be prepared in a consistent manner.

The bank's financial records shall be maintained in such a manner and scope so as to ensure that the Call Report can be prepared and filed in accordance with these instructions and reflect a fair presentation of the bank's financial condition and results of operations.

Questions and requests for interpretations of matters appearing in any part of these instructions should be addressed to the bank's primary federal bank supervisory agency (i.e., the Federal Reserve Banks, the OCC, or the FDIC). Such inquiries will be referred for resolution to the Task Force on Reports of the Federal Financial Institutions Examination Council (FFIEC). Regardless of whether a bank requests an interpretation of a matter appearing in these instructions, when a bank's primary federal bank supervisory agency's interpretation of the instructions differs from the bank's interpretation, the supervisory agency may require the bank to prepare its Call Report in accordance with the agency's interpretation and to amend previously submitted reports.

## SIGNATURES

Either the cover (signature) page of any agency-supplied sample set of report forms, a photocopy of this cover page, or a copy of the cover page printed from the bank's report preparation software or from the FFIEC's or the FDIC's website should be used to fulfill the signature and attestation requirement.

### *Electronic Signatures*

Electronic signatures may be used instead of physical (ink) signatures, provided the institution's electronic signature process satisfies the following principles:

- Form of signature: May be an image of the signer's physical signature or application of an electronic signature. The electronic signature can be applied through various means, including clicking a box or entering a Personal Identification Number (PIN).

- Intent to sign: The institution's appropriate officer or director must intend to sign the Call Report as the attestation that it is prepared in accordance with the instructions and is true and correct, as stated on the signature page of the Call Report. This intent and capacity must be included as part of the electronic signature process by using an electronic version of the relevant attestation text on the Call Report signature page.
- Association of signature: The electronic signature process must associate the signature with a full version of the bank's Call Report. This association can be made by using a process that appends the signature data to the record signed, or which establishes a database-type link between the signature data and the record signed. The bank must include the date of signing as part of the signature process to validate that the electronic signature occurred prior to Call Report submission.
- Identification and authentication of signer: The bank must use a reliable information technology system identification and authentication method or process that associates access to and execution of the electronic signature transaction with the identity of the signer, such as requiring the institution's officer or director to log into the institution's systems to verify identity.
- Integrity of the signed record: An institution must have sufficient data security and data integrity practices to ensure that the Call Report with electronic signature is safely stored, readily retrievable, and cannot be lost or altered. The Call Report with electronic signature must be retained for the same timeframe as if it were a paper Call Report.

### *Chief Financial Officer Declaration*

The chief financial officer of the bank (or the individual performing an equivalent function) shall sign a declaration on the cover (signature) page attesting to the correctness of the Consolidated Reports of Condition and Income that the bank has filed with the appropriate supervisory agency.

### *Director Attestation*

*National banks, state member banks, and savings associations* – The correctness of the Consolidated Reports of Condition and Income shall be attested to by at least three directors of the reporting bank, other than the officer signing the chief financial officer declaration, as indicated on the cover (signature) page.

*State nonmember banks* – The correctness of the Consolidated Reports of Condition and Income shall be attested to by at least two directors of the reporting bank, other than the officer signing the chief financial officer declaration, as indicated on the cover (signature) page.

## SUBMISSION OF THE REPORTS

Each bank must file its Call Report data in one of the following two ways:

- A bank may use computer software to prepare and edit its report data and then electronically submit the data directly to the FFIEC's Central Data Repository (CDR), an Internet-based system for data collection (https://cdr.ffiec.gov/cdr/).

- The institution may complete its report in paper form and arrange with a software vendor or another party to convert its paper report into the electronic format that can be processed by the CDR. The software vendor or other party then must electronically submit the institution's data file to the CDR.

The filing of a Call Report in paper form directly with the FDIC (for national banks, FDIC-supervised banks, and savings associations) or with the appropriate Federal Reserve District Bank (for state member banks) is not an acceptable method of submission.

Regardless of the method a bank uses to file its Call Report, the bank remains responsible for the accuracy of the data in its Call Report. Banks are required to submit a Call Report by the submission date (as defined below) that passes FFIEC-published validation criteria (validity edits and quality edits) or that contains explanations for any quality edits that are not passed. These validation criteria are published in advance of each quarter end. Specific "Guidelines for Resolving Edits" are available on the FFIEC's website (http://www.ffiec.gov/find/documents/resolvingedits.pdf).

In order to submit their completed reports to the CDR, banks (or third parties with whom they have made submission arrangements) must use software that meets the technical specifications for producing files that are able to be processed by the CDR. (These technical specifications are available on the FFIEC's website.) Vendors whose software has been successfully tested with regard to this ability are listed in each quarter's Financial Institution Letter for the Call Report. Alternatively, banks may develop their own reporting software and test directly with the CDR.

Submitted reports that are unable to be processed by the CDR, or that have not been adequately validated by the bank, will be rejected and will require correction and resubmission. In either case, if such resubmission is received by the CDR after the submission date for the report (as defined below), the submitting bank may be subject to the penalties prescribed for late submission.

Each bank is responsible for ensuring that the data reported each quarter reflects fully and accurately the data item reporting requirements for that report date, including any changes that may be made from time to time. This responsibility cannot be transferred or delegated to software vendors, servicers, or others outside the reporting bank.

A bank filing its Call Report with the CDR electronically or under the paper-based alternative must maintain in its files a signed and attested record of its completed report each quarter. This record should be either a computer printout showing at least the caption of each item in the Call Report and the

reported amount, a computer-generated facsimile of the report form, or a copy of the printed report form. The signed cover page, as discussed under “Signatures” above, should be attached to the printout, computer-generated facsimile, or copy of the form that the bank places in its files.

State banks should refer to their appropriate state bank supervisory authority for information concerning state requirements for submitting copies of the Call Report filed with federal bank supervisory authorities.

### *Submission Date*

The term "submission date" is defined as the date by which a bank's completed Call Report must be received in electronic form by the CDR. Except as indicated below, the CDR must receive the data file for a bank's Call Report, with all corrections made and all explanations provided consistent with the “Guidelines for Resolving Edits” (http://www.ffiec.gov/find/documents/resolvingedits.pdf), no more than 30 calendar days after the report date. For example, the March 31 report must be received by April 30 and the June 30 report by July 30.

Any bank contracting with a third party to convert its reports to the electronic format for the CDR must ensure that it delivers its hard-copy reports to the third party in sufficient time for (1) the third party to enter the data into the appropriate format; (2) the bank to research and resolve any identified edit exceptions; and (3) the third party to electronically transmit the original submission and any necessary resubmissions to the CDR by the submission deadline. Early submission is strongly encouraged so that the bank has ample time to research and resolve any edit exceptions identified through the submission process. No extensions of time for submitting reports are granted.

Any bank that has more than one foreign office, other than a "shell" branch or an IBF, may take an additional limited period of time to submit its Call Report. The CDR must receive the data file for such a bank's Call Report no more than 35 calendar days after the report date. Such banks are urged to use the additional time only if absolutely necessary and to make every effort to report as soon as possible, preferably within the 30-day submission period.

### *Amended Reports*

A bank's primary federal bank supervisory authority may require the filing of an amended Call Report if reports as previously submitted contain significant errors, as determined by the supervisory authority, in how the reporting bank classified or categorized items in the reports, i.e., on what line of the report an item has been reported.

When dealing with the recognition and measurement of events and transactions in the Call Report, amended reports may be required if a bank's primary federal bank supervisory authority determines that the reports as previously submitted contain errors that are material for the reporting bank. Materiality is a qualitative characteristic of accounting information that is addressed in FASB Concepts Statement No. 8, “Conceptual Framework for Financial Reporting,” as follows: "Information is material if omitting it or misstating it could influence decisions that users make on the basis of the financial information of a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude or both of the items to which the information relates in the context of an individual entity’s financial report."

## RETENTION OF REPORTS

In general, a bank should maintain in its files a signed and attested record of its completed Call Report, including any amended reports, and the related workpapers and supporting documentation[1] for three years after the report date, unless any applicable state requirements mandate a longer retention period. This three-year time period is consistent with the time period specified in Section 7(b)(4) of the Federal Deposit Insurance Act, which provides that each insured depository institution shall maintain all records that the FDIC may require for verifying the correctness of any deposit insurance assessment on the institution until the later of the end of the three-year period beginning on the due date of the assessment, or in the case of a dispute between the insured depository institution and the FDIC with respect to such assessment, the date of a final determination of any such dispute.

## SCOPE OF THE "CONSOLIDATED BANK" REQUIRED TO BE REPORTED IN THE SUBMITTED REPORTS

In their Call Reports submitted to the federal bank supervisory agencies, banks and their subsidiaries shall present their financial condition and results of operations on a consolidated basis in accordance with U.S. generally accepted accounting principles (GAAP). All majority-owned subsidiaries shall be consolidated unless either the subsidiary is not "significant" or control of the subsidiary does not rest with the parent bank (see "Exclusions from the Coverage of the Consolidated Report" below). See the Glossary entry for "subsidiaries" for the definition of "significant subsidiary." Accordingly, in the Call Report for a bank with domestic offices only, the bank shall consolidate the operations of:

(1) The bank's head office;

(2) All branches of the bank;

(3) All domestic majority-owned subsidiaries that are "significant," including domestic subsidiaries that are commercial banks, savings banks, or savings and loan associations that must file separate Call Reports (or separate reports of a comparable nature) with any state or federal financial institutions supervisory authority;

(4) All nonsignificant domestic majority-owned subsidiaries that the bank has elected to consolidate on a consistent basis in both the Consolidated Report of Condition and the Consolidated Report of Income; and

(5) All variable interest entities (VIEs) in which the bank, or a consolidated subsidiary of the bank, has a controlling financial interest and, thus, is the primary beneficiary. For further information, refer to the Glossary entry for “variable interest entity.”

Each bank shall account for any investments in unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the bank exercises significant influence according to the equity method of accounting. The equity method of accounting is described in the instructions for Schedule RC, item 8. (Refer to the Glossary entry for "subsidiaries" for the definitions of the terms subsidiary, associated company, and corporate joint venture.)

### *Exclusions from the Coverage of the Consolidated Report*

*Subsidiaries where control does not rest with the parent* – If control of a majority-owned subsidiary does not rest with the parent bank because of legal or other reasons (e.g., the subsidiary is in

[1] Supporting documentation may include, but is not limited to, overdraft reports, trust department records, and records of other material adjustments to deposits.

bankruptcy), the subsidiary is not to be consolidated for purposes of the report.[1] Thus, the bank's investment in such a subsidiary is not eliminated in consolidation but will be reflected in the report in the balance sheet item for "Investments in unconsolidated subsidiaries and associated companies" (Schedule RC, item 8) or “Direct and indirect investments in real estate ventures” (Schedule RC, item 9), as appropriate. Other transactions of the bank with such a subsidiary will be reflected in the appropriate items of the report in the same manner as transactions with unrelated outside parties. Additional guidance on this topic is provided in accounting standards, including ASC Subtopic 810-10, Consolidation – Overall (formerly FASB Statement No. 94, “Consolidation of All Majority-Owned Subsidiaries”).

*Trust accounts* – For purposes of the Call Report, the reporting bank's trust department is not to be consolidated into the reporting bank's balance sheet or income statement. However, information concerning the bank’s trust activities must be reported in Schedule RC-T, Fiduciary and Related Services. Assets held in or administered by the bank's trust department and the income earned on such assets are excluded from all of the other schedules of the Call Report except when trust funds are deposited by the trust department of the reporting bank in the commercial or some other department of the reporting bank.

When such trust funds are deposited in the bank, they are to be reported as deposit liabilities in Schedule RC-E in the deposit category appropriate to the beneficiary. Interest paid by the bank on such deposits is to be reported as part of the reporting bank's interest expense.

However, there are two exceptions:

(1) *Uninvested trust funds (cash)* held in the bank's trust department, which are *not* included on the balance sheet of the reporting bank, *must* be reported in Schedule RC-O, Other Data for Deposit Insurance Assessments; and

(2) The *fees* earned by the trust department for its fiduciary activities and the *operating expenses* of the trust department are to be reported in the bank's income statement (Schedule RI) on a gross basis as if part of the consolidated bank.

*Custody accounts* – All custody and safekeeping activities (i.e., the holding of securities, jewelry, coin collections, and other valuables in custody or in safekeeping for customers) are *not* to be reflected on any basis in the balance sheet of the Consolidated Report of Condition unless cash funds held by the bank in safekeeping for customers are commingled with the general assets of the reporting bank. In such cases, the commingled funds would be reported in the Consolidated Report of Condition as deposit liabilities of the bank.

## RULES OF CONSOLIDATION

For purposes of these reports, all offices (i.e., branches, subsidiaries, and VIEs) that are within the scope of the consolidated bank as defined above are to be reported on a consolidated basis. Unless the instructions specifically state otherwise, this consolidation shall be on a line-by-line basis, according to the caption shown. As part of the consolidation process, the results of all transactions and all intercompany balances (e.g., outstanding asset/debt relationships) between offices, subsidiaries, and other entities *included* in the scope of the consolidated bank are to be *eliminated* in the consolidation and must be *excluded* from the Call Report. (For example, eliminate in the consolidation (1) loans made by

[1] In contrast, by definition, control of a VIE is deemed to rest with the parent if the parent or its consolidated subsidiary has a controlling financial interest in the VIE and, thus, is the primary beneficiary, in which case the VIE must be consolidated for purposes of the Call Report.

the bank to a consolidated subsidiary and the corresponding liability of the subsidiary to the bank, (2) a consolidated subsidiary's deposits in the bank and the corresponding cash or interest-bearing asset balance of the subsidiary, and (3) the intercompany interest income and expense related to such loans and deposits of the bank and its consolidated subsidiary.)

Exception: For purposes of reporting the total assets of captive insurance and reinsurance subsidiaries in Schedule RC-M, Memoranda, items 14.a and 14.b, only, banks should measure the subsidiaries' total assets before eliminating intercompany transactions between the consolidated subsidiary and other offices or subsidiaries of the consolidated bank. Otherwise, captive insurance and reinsurance subsidiaries should be reported on a consolidated basis as described in the preceding paragraph.

*Subsidiaries of subsidiaries* – For a subsidiary of a bank which is in turn the parent of one or more subsidiaries:

(1) Each subsidiary shall consolidate its majority-owned subsidiaries in accordance with the consolidation requirements set forth above.

(2) Each subsidiary shall account for any investments in unconsolidated subsidiaries, corporate joint ventures over which the bank exercises significant influence, and associated companies according to the equity method of accounting.

*Noncontrolling (minority) interests* – A noncontrolling interest, sometimes called a minority interest, is the portion of equity in a bank's subsidiary not attributable, directly or indirectly, to the parent bank. Report noncontrolling interests in the reporting bank's consolidated subsidiaries in Schedule RC, item 27.b, "Noncontrolling (minority) interests in consolidated subsidiaries," of the Consolidated Report of Condition. Report the portion of consolidated net income reported in Schedule RI, item 12, that is attributable to noncontrolling interests in consolidated subsidiaries of the bank in Schedule RI, item 13, of the Consolidated Report of Income.

*Deposit insurance assessments* – When one FDIC-insured institution that files the FFIEC 051 owns another FDIC-insured institution as a subsidiary, the parent institution should complete items 1 through 11 (except item 9.a) and Memorandum items 1 through 3 of Schedule RC-O by accounting for the insured institution subsidiary under the equity method of accounting instead of consolidating it, i.e., on an "unconsolidated single FDIC certificate number basis." (However, an FDIC-insured institution that owns another FDIC-insured institution should complete item 9.a of Schedule RC-O by consolidating its subsidiary institution.) In contrast, when an FDIC-insured institution consolidates entities other than FDIC-insured institutions for purposes of Schedule RC, Balance Sheet, the parent institution should complete items 1 through 11 and Memorandum items 1 through 3 of Schedule RC-O on a consolidated basis with respect to these other entities. However, all deposits of subsidiaries (except an insured depository institution subsidiary) that are consolidated and, therefore, eliminated from reported deposits on the balance sheet (Schedule RC, item 13.a) must be reported in Schedule RC-O, items 1 and 2 and Memorandum items 1 and 2, as appropriate. Similarly, the interest accrued and unpaid on these deposits, which is eliminated in consolidation from reported other liabilities on the balance sheet (Schedule RC, item 20), also must be reported in these Schedule RC-O items.

*Cutoff dates for consolidation* – All *branches* must be consolidated as of the report date. For purposes of consolidation, the date of the financial statements of a *subsidiary* should, to the extent practicable, match the report date of the parent bank, but in no case differ by more than 93 days from the report date.

## PUBLICATION REQUIREMENTS FOR THE CONSOLIDATED REPORT OF CONDITION

There are no federal requirements for a bank to publish the balance sheet of the Consolidated Report of Condition in a newspaper. However, state-chartered banks should consult with their state banking authorities concerning the applicability of any state publication requirements.

## RELEASE OF INDIVIDUAL BANK REPORTS

All schedules of the FFIEC 051 Call Report submitted by each reporting bank, including the optional narrative statement at the end of the Call Report, are available to the public from the federal bank supervisory agencies with the exception of any amounts reported in Schedule RI-E, item 2.g, "FDIC deposit insurance assessments," and, for report dates beginning June 30, 2020, in Schedule RC-C, Part I, Memorandum items 17.a and 17.b, for eligible loan modifications under Section 4013 of the 2020 Coronavirus Aid, Relief, and Economic Security Act. Refer to the discussion of "Release of Individual Bank Reports" in the General Instructions section of the instructions for the FFIEC 031 and FFIEC 041 Call Reports for information on items reported in the FFIEC 041 Call Report before the March 2017 implementation of the FFIEC 051 Call Report that are not publicly disclosed on an individual bank basis.

All publicly available individual institution data are posted on the FFIEC's Central Data Repository (CDR) Public Data Distribution website (https://cdr.ffiec.gov/public/) as soon as the data have been submitted, placed in an accepted status, and prepared for publication in the CDR.

A reporting institution may request confidential treatment for some or all of the portions of the Call Report that will be made publicly available if the institution is of the opinion that disclosure of specific commercial or financial information in the report would likely cause substantial harm to its competitive position. In certain limited circumstances, the reporting institution's primary federal supervisor may approve confidential treatment of some or all of the items for which such treatment has been requested if the institution has clearly provided a compelling justification for the request. A request for confidential treatment must be submitted in writing prior to the submission of the report. The written request must identify the specific items for which confidential treatment is requested, provide justification for the confidential treatment requested for the identified items, and demonstrate the specific nature of the harm that would result from public release of the information. Merely stating that competitive harm would result is not sufficient. Information for which confidential treatment is requested may subsequently be released by the reporting institution's primary federal supervisor in accordance with the terms of 12 CFR 4.16 (OCC), 12 CFR 261.16 (Federal Reserve Board), 12 CFR 309.6 (FDIC), or as otherwise provided by law.

## APPLICABILITY OF U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES TO REGULATORY REPORTING REQUIREMENTS

For recognition and measurement purposes, the regulatory reporting requirements applicable to the Call Report shall conform to U.S. generally accepted accounting principles (GAAP) as set forth in the FASB's Accounting Standards Codification. Nevertheless, because the Call Report is an institution-level report, each institution (together with its consolidated subsidiaries) is considered an "accounting entity" for regulatory reporting purposes and normally must prepare its Call Report on a separate entity basis.

A bank or savings association that is a private company, as defined in U.S. GAAP (and discussed in the Glossary entry for "public business entity"), is permitted to use private company accounting alternatives issued by the FASB when preparing its Call Reports, except as provided in Section 37(a) of the Federal Deposit Insurance Act (12 U.S.C. 1831n(a)) as described in the following sentence. If the banking agencies determine that a particular accounting principle within U.S. GAAP, including a private company accounting alternative, is inconsistent with the statutorily specified supervisory objectives, the banking agencies may prescribe an accounting principle for regulatory reporting purposes that is no less stringent than U.S. GAAP. In such a situation, an institution would not be permitted to use that particular private

company accounting alternative or other accounting principle within U.S. GAAP for Call Report purposes. The banking agencies would provide appropriate notice if they were to disallow any such accounting alternative or accounting principle under the statutory process.

When reporting events and transactions not covered in principle by Call Report instructions or authoritative U.S. GAAP standards, institutions are encouraged to discuss the event or transaction with their primary federal bank supervisory agency. However, regardless of whether an institution discusses a reporting issue with its supervisory agency, when an institution's supervisory agency's interpretation of how U.S. GAAP should be applied to a specified event or transaction (or series of related events or transactions) differs from the institution's interpretation, the supervisory agency may require the institution to reflect the event(s) or transaction(s) in its Call Report in accordance with the agency's interpretation and to amend previously submitted reports.

The Call Report instructions contain certain specific reporting guidance that falls within the range of acceptable practice under U.S. GAAP. These instructions have been adopted to achieve safety and soundness and other public policy objectives and to ensure comparability. Should the need arise in the future, other specific reporting guidance that falls within the range of U.S. GAAP may be issued. Current Call Report instructions providing such specific reporting guidance include the nonaccrual rules in the Glossary entry for "Nonaccrual Status," the measurement of an allowance for credit losses for collateral dependent loans in the Glossary entry for "Allowances for Credit Losses," which references the Interagency Policy Statement on Allowances for Credit Losses (Revised April 2023) on this subject, the separate entity method of accounting for income taxes of depository institution subsidiaries of holding companies in the Glossary entry for "Income Taxes," and the treatment of property dividends in the Glossary entry for "Dividends."

Certain provisions of AICPA Statement of Position (SOP) No. 92-3, “Accounting for Foreclosed Assets,” have been incorporated into the Glossary entry for “Foreclosed Assets,” which institutions must follow for Call Report purposes, even though SOP 92-3 was rescinded subsequent to the issuance of ASC Topic 360, Property, Plant, and Equipment. The application of these provisions of SOP 92-3 represents prevalent practice in the banking industry and is consistent with safe and sound banking practices and the accounting objectives set forth in Section 37(a) of the Federal Deposit Insurance Act (12 U.S.C. 1831n(a)).

There may be areas in which an institution wishes more technical detail on the application of accounting standards and procedures to the requirements of these instructions. Such information may often be found in the appropriate entries in the Glossary section of these instructions or, in more detail, in the U.S. GAAP standards. Selected sections of the U.S. GAAP standards are referenced in the instructions where appropriate. The accounting entries in the Glossary are intended to serve as an aid in specific reporting situations rather than as a comprehensive statement on accounting for depository institutions.

### *Subsequent Events*

Subsequent events are events or transactions that occur after the Call Report balance sheet date, e.g., December 31, but before the Call Report is filed. Consistent with ASC Topic 855, Subsequent Events (formerly FASB Statement No. 165, “Subsequent Events”), an institution shall recognize in the Call Report the effects of all subsequent events (not addressed in other ASC Topics) that provide additional evidence about conditions that existed at the date of the Call Report balance sheet (Schedule RC), including the estimates inherent in the process of preparing the Call Report, e.g., a loss that has been incurred but not yet confirmed as of the Call Report balance sheet date.

## ACCRUAL BASIS REPORTING

*All* banks, regardless of size, shall prepare all schedules of the Call Report on an accrual basis. However, banks may report particular accounts on a cash basis, except for the four listed below, if the results would not materially differ from those obtained using an accrual basis.

*All* banks *must* report the following on an accrual basis:

(1) Income from installment loans;
(2) Amortization of premiums paid on held-to-maturity and available-for-sale securities (see the Glossary entry for "Premiums and Discounts");
(3) Income taxes (see the Glossary entry for "Income Taxes"); and
(4) Depreciation on premises and fixed assets.

*All* banks shall establish and maintain an allowance for credit losses on all financial assets and off-balance-sheet credit exposures within the scope of ASC Topic 326, Financial Instruments–Credit Losses, at levels that are appropriate to cover estimated credit losses associated with these assets and exposures. Accounting for credit losses is discussed in more detail in the Glossary entries for "Allowances for Credit Losses" and “Purchased Credit-Deteriorated Assets.”

No interest or discount shall be accrued on any asset which must be carried in nonaccrual status. Refer to the Glossary entry for "Nonaccrual Status" for further information.

## MISCELLANEOUS GENERAL INSTRUCTIONS

### *Rounding*

On the FFIEC 051 Call Report, all dollar amounts must be reported in thousands, with the figures rounded to the nearest thousand. Items less than $500 will be reported as zero.

Rounding may result in details not adding to their stated totals. The only permissible differences between totals and the sums of their components are those attributable to the mechanics of rounding.

On the Consolidated Report of Condition, Schedule RC, item 12, "Total assets," and Schedule RC, item 29, "Total liabilities and equity capital," which must be equal, must be derived.

### *Negative Entries*

Except for the items listed below, negative entries are not appropriate on the Consolidated Report of Condition and shall not be reported. Hence, assets with credit balances must be reported in liability items and liabilities with debit balances must be reported in asset items, as appropriate, and in accordance with these instructions. The Consolidated Report of Condition items for which negative entries may be made, if appropriate, are:

(1) Schedule RC:

- item 8, "Investments in unconsolidated subsidiaries and associated companies,"
- item 9, “Direct and indirect investments in real estate ventures,”
- item 26.a, "Retained earnings,"
- item 26.b, "Accumulated other comprehensive income,"
- item 26.c, “Other equity capital components,”
- item 27.a, “Total bank equity capital,” and
- item 28, “Total equity capital.”

(2) Schedule RC-B, item 7, “Unallocated portfolio layer fair value hedge basis adjustments.”

(3) Schedule RC-C, item 10, on "Lease financing receivables (net of unearned income)," item 11, “LESS: Any unearned income on loans reflected in items 1-9, above,” and Memorandum item 13.b, on “Amount of interest capitalized from interest reserves on construction, land development, and other land loans that is included in interest and fee income on loans during the quarter.”

(4) Schedule RC-R:

- Part I, item 2, “Retained earnings,”
- Part I, item 3, “Accumulated other comprehensive income (AOCI),”
- Part I, items 9.a through 9.f, AOCI-related adjustments,
- Part I, items 10.a and 10.b, Other deductions from (additions to) common equity tier 1 capital before threshold-based deductions,
- Part I, item 12, "Subtotal,"
- Part I, item 19, “Common equity tier 1 capital,”
- Part I, item 26, "Tier 1 capital,"
- Part I, item 29, “Other deductions from (additions to) assets for leverage ratio purposes,”
- Part I, item 31, “Leverage ratio,”
- Part I, items 47.a and 47.b, "Total capital,"
- Part I, items 49 through 51, Risk-based capital ratios,
- Part I, item 53, “Eligible retained income,” and
- Part II, column B, “Adjustments to Totals Reported in Column A,” for the asset categories in items 1 through 11.

When negative entries do occur in one or more of these items, they must be reported with a minus (-) sign rather than in parentheses.

On the Consolidated Report of Income, negative entries may appear as appropriate.[1] Income items with a debit balance and expense items with a credit balance must be reported with a minus (-) sign.

### *Verification*

All addition and subtraction should be double-checked before reports are submitted. Totals and subtotals in supporting materials should be cross-checked to corresponding items elsewhere in the reports. Before a report is submitted, all amounts should be compared with the corresponding amounts in the previous report. If there are any unusual changes from the previous report, a brief explanation of the changes should be attached to the submitted reports.

Banks should retain workpapers and other records used in the preparation of these reports.

### *Transactions Occurring Near the End of a Reporting Period*

Transactions between banks occurring near the end of a reporting period may not be reported by the parties to the transaction in such a manner as to cause the asset (or liability) either to disappear entirely from the Consolidated Reports of Condition submitted for that report date or to appear on both of the submitted reports, regardless of the time zones in which the banks are located, the time zone in which the transaction took place, or the actual zone clock times at the effective moment of the transaction.

In the case of a transaction occurring in different reporting periods for the parties because of time zone differences, the parties may decide between themselves on the reporting period in which they will all,

[1] In addition, in Schedule SU—Supplemental Information, negative entries may be reported for item 3.c, “Year-to-date net gains (losses) recognized in earnings on fair value option assets,” and item 3.d, “Year-to-date net gains (losses) recognized in earnings on fair value option liabilities.”

consistently, report the transaction as having occurred, so that in any given reporting period, the asset (or liability) transferred will appear somewhere and without duplication in the reports submitted by the parties to the transaction.

If, in such cases, the parties do not agree on the reporting period in which the transaction is to be treated as having occurred on the reports of all parties, i.e., if they do not agree on which party will reflect the asset (or liability) on its reports for these purposes, the transaction will be deemed to have occurred prior to midnight in the time zone of the buyer (or transferee) and must be reported accordingly by all parties to the transaction.

If, in fact, the parties, in their submitted reports, treat the transaction as having occurred in different reporting periods, the parties will be required to amend their submitted reports on the basis of the standard set forth in the preceding paragraph.

## LEGAL ENTITY IDENTIFIER

The Legal Entity Identifier (LEI) is a 20-digit alpha-numeric code that uniquely identifies entities that engage in financial transactions. An institution must provide its LEI on the cover page of the Call Report only if the institution already has an LEI. The LEI must be a currently issued, maintained, and valid LEI, not an LEI that has lapsed. An institution that does not have an LEI is not required to obtain one for purposes of reporting it on the Call Report.

# LINE ITEM INSTRUCTIONS FOR THE CONSOLIDATED REPORT OF INCOME

The line item instructions should be read in conjunction with the Glossary and other sections of these instructions. See the discussion of the Organization of the Instruction Books in the General Instructions. For purposes of these Consolidated Report of Income instructions, the Financial Accounting Standards Board (FASB) Accounting Standards Codification is referred to as the "ASC."

# SCHEDULE RI – INCOME STATEMENT

## General Instructions

Report in accordance with these instructions all income and expense of the institution for the calendar year-to-date. Include adjustments of accruals and other accounting estimates made shortly after the end of a reporting period which relate to the income and expense of the reporting period.

For qualifying fair value and cash flow hedges, institutions should report both of the following in earnings in Schedule RI in the same income statement item that is used to present the earnings effect of the hedged item:

(1) The change in the fair value of the hedging instrument that is included in the assessment of hedge effectiveness; and
(2) Amounts excluded from the assessment of hedge effectiveness in accordance with ASC Topic 815, Derivatives and Hedging.

In addition, for qualifying net investment hedges, institutions should report amounts reclassified from accumulated other comprehensive income to earnings in Schedule RI in the same income statement item that is used to present the earnings effect of the hedged net investment.

For further information on fair value, cash flow, and net investment hedges, see the Glossary entry for "Derivative Contracts."

An institution that began operating during the year-to-date reporting period should report in the appropriate items of Schedule RI all income earned and expenses incurred since commencing operations. The institution should report pre-opening income earned and expenses incurred from inception until the date operations commenced using one of the two methods described in the Glossary entry for "Start-up Activities."

Business Combinations, Pushdown Accounting Transactions, and Transactions between Entities under Common Control – If the reporting institution entered into a business combination that became effective during the year-to-date reporting period and has been accounted for under the acquisition method, report the income and expense of the acquired institution or business only after its acquisition. If the reporting institution was acquired in a transaction that became effective during the reporting period, retained its separate corporate existence, and elected to apply pushdown accounting in its separate financial statements (including its Consolidated Reports of Condition and Income), Schedule RI should only include amounts from the date of the institution's acquisition through the end of the year-to-date reporting period. If the reporting institution was involved in a transaction between entities under common control that became effective during the year-to-date reporting period and has been accounted for in a manner similar to a pooling of interests, report the income and expense of the combined entities for the entire calendar year-to-date as though they had combined at the beginning of the year. For further information on business combinations, pushdown accounting, and transactions between entities under common control, see the Glossary entry for "Business Combinations."

## General Instructions (cont.)

Assets and Liabilities Accounted for under the Fair Value Option – Under U.S. generally accepted accounting principles (GAAP) (i.e., ASC Subtopic 825-10, Financial Instruments – Overall, ASC Subtopic 815-15, Derivatives and Hedging – Embedded Derivatives, and ASC Subtopic 860-50, Transfers and Servicing – Servicing Assets and Liabilities), the institution may elect to report certain assets and liabilities at fair value with changes in fair value recognized in earnings. This election is generally referred to as the fair value option. If the institution has elected to apply the fair value option to interest-bearing financial assets and liabilities, it should report the interest income on these financial assets (except any that are in nonaccrual status) and the interest expense on these financial liabilities for the year-to-date in the appropriate interest income and interest expense items on Schedule RI, not as part of the reported change in fair value of these assets and liabilities for the year-to-date. The institution should measure the interest income or interest expense on a financial asset or liability to which the fair value option has been applied using either the contractual interest rate on the asset or liability or the effective yield method based on the amount at which the asset or liability was first recognized on the balance sheet. Although the use of the contractual interest rate is an acceptable method under GAAP, when a financial asset or liability has a significant premium or discount upon initial recognition, the measurement of interest income or interest expense under the effective yield method more accurately portrays the economic substance of the transaction. In addition, in some cases, GAAP requires a particular method of interest income recognition when the fair value option is elected. For example, when the fair value option has been applied to a beneficial interest in securitized financial assets within the scope of ASC Subtopic 325-40, Investments-Other – Beneficial Interests in Securitized Financial Assets, interest income should be measured in accordance with this Subtopic. When the fair value option has been applied to an acquired loan or debt security under ASC 326-20, "Financial Instruments-Credit Losses – Measured at Amortized Cost," interest income on the loan or debt security should be measured in accordance with Subtopic 310-10, "Receivables – Overall," regardless of whether or not management has determined the asset to be purchased credit-deteriorated (PCD).

For further information, see the Glossary entry for "Purchased Credit-Deteriorated Assets."

Revaluation adjustments, excluding amounts reported as interest income and interest expense, 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 should be reported as "Other noninterest income" in Schedule RI, item 5.l. However, an institution should report in Schedule RI-A, item 10, "Other comprehensive income," 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.

## Item Instructions

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

**1** **Interest income:**

**1.a** **Interest and fee income on loans.** Report in the appropriate subitem all interest, fees, and similar charges levied against or associated with all assets reportable as loans in Schedule RC-C, Part I, items 1 through 9.

Deduct interest rebated to customers on loans paid before maturity from gross interest earned on loans; do *not* report as an expense.

Include as interest and fee income on loans:

(1) Interest on all assets reportable as loans extended directly, purchased from others, sold

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

**1.a** (cont.)

under agreements to repurchase, or pledged as collateral for any purpose.

(2) Loan origination fees, direct loan origination costs, and purchase premiums and discounts on loans held for investment, all of which should be deferred and recognized over the life of the related loan as an adjustment of yield in accordance with ASC Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs as described in the Glossary entry for "Loan Fees." See exclusion (3) on page 3.

(3) Loan commitment fees (net of direct loan origination costs) that must be deferred over the commitment period and recognized over the life of the related loan as an adjustment of yield under ASC Subtopic 310-20 as described in the Glossary entry for "loan fees."

(4) Investigation and service charges, fees representing a reimbursement of loan processing costs, renewal and past-due charges, prepayment penalties, and fees charged for the execution of mortgages or agreements securing the bank's loans.

(5) Charges levied against overdrawn accounts based on the length of time the account has been overdrawn, the magnitude of the overdrawn balance, or which are otherwise equivalent to interest. See exclusion (6) below.

(6) Interest income earned on loans that are reported at fair value under a fair value option.

Exclude from interest and fee income on loans:

(1) Fees for servicing real estate mortgages or other loans that are not assets of the bank (report in Schedule RI, item 5.f, "Net servicing fees").

(2) Charges to merchants for the bank's handling of credit card or charge sales when the bank does not carry the related loan accounts on its books (report as "Other noninterest income" in Schedule RI, item 5.l). Banks may report this income net of the expenses (except salaries) related to the handling of these credit card or charge sales.

(3) Loan origination fees, direct loan origination costs, and purchase premiums and discounts on loans held for sale, all of which should be deferred until the loan is sold (rather than amortized). The net fees or costs and purchase premium or discount are part of the recorded investment in the loan. When the loan is sold, the difference between the sales price and the recorded investment in the loan is the gain or loss on the sale of the loan. See exclusion (4) below.

(4) Net gains (losses) from the sale of all assets reportable as loans (report in Schedule RI, item 5.i, “Net gains (losses) on sales of loans and leases”). Refer to the Glossary entry for "transfers of financial assets."

(5) Reimbursements for out-of-pocket expenditures (e.g., for the purchase of fire insurance on real estate securing a loan) made by the bank for the account of its customers. If the bank's expense accounts were charged with the amount of such expenditures, the reimbursements should be credited to the same expense accounts.

(6) Transaction or per item charges levied against deposit accounts for the processing of checks drawn against insufficient funds that the bank assesses regardless of whether it decides to pay, return, or hold the check, so-called "NSF check charges" (report as "Service charges on deposit accounts," in Schedule RI, item 5.b). See inclusion (5) above.

(7) Interchange fees earned from credit card transactions (report as “Other noninterest income” in Schedule RI, item 5.l).

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

**1.a.(1)** **Interest and fee income on loans secured by real estate:**

**1.a.(1)(a)** **Interest and fee income on loans secured by 1-4 family residential properties.** Report all interest, fees, and similar charges levied against or associated with all loans secured by 1-4 family residential properties reportable in Schedule RC-C, Part I, item 1.c.

**1.a.(1)(b)** **Interest and fee income on all other loans secured by real estate.** Report all interest, fees, and similar charges levied against or associated with all loans secured by real estate reportable in Schedule RC-C, Part I, items 1.a, 1.b, 1.d, and 1.e. Include interest and fee income on loans secured by 1-4 family residential construction loans, but exclude such income on all other loans secured by 1-4 family residential properties.

**1.a.(2)** **Interest and fee income on commercial and industrial loans.** Report all interest, fees, and similar charges levied against or associated with all loans reportable in Schedule RC-C, Part I, item 4, "Commercial and industrial loans."

**1.a.(3)** **Interest and fee income on loans to individuals for household, family, and other personal expenditures.** Report in the appropriate subitem all interest, fees, and similar charges levied against or associated with all loans reportable in Schedule RC-C, Part I, item 6, "Loans to individuals for household, family, and other personal expenditures."

**1.a.(3)(a)** **Interest and fee income on credit cards.** Report all interest, fees, and similar charges levied against or associated with all extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards reportable in Schedule RC-C, Part I, item 6.a, "Credit cards." Include in this item any reversals of uncollectible credit card fees and finance charges and any additions to a contra-asset account for uncollectible credit card fees and finance charges that the bank maintains and reports separately from its allowance for credit losses on loans and leases.

Exclude annual or other periodic fees paid by holders of credit cards issued by the bank (report in Schedule RI, item 5.l, "Other noninterest income").

**1.a.(3)(b)** **Interest and fee income on other loans to individuals for household, family, and other personal expenditures.** Report all interest, fees, and similar charges levied against or associated with all other loans to individuals for household, family, and other personal expenditures reportable in Schedule RC-C, Part I, item 6.b, "Other revolving credit plans," item 6.c, “Automobile loans,” and item 6.d, “Other consumer loans.”

**1.a.(4)** Not applicable.

**1.a.(5)** **Interest and fee income on all other loans.** Report interest, fees, and similar charges levied against or associated with loans reportable in Schedule RC-C, Part I, item 2, “Loans to depository institutions and acceptances of other banks,” item 3, “Loans to finance agricultural production and other loans to farmers,” item 8, “Obligations (other than securities and leases) of states and political subdivisions in the U.S.,” and item 9, “Loans to nondepository financial institutions and other loans.”

**1.a.(6)** **Total interest and fee income on loans.** Report the sum of items 1.a.(1) through 1.a.(5).

**1.b** **Income from lease financing receivables.** Report all income from leases reportable in Schedule RC-C, Part I, item 10, "Lease financing receivables (net of unearned income)." (See the Glossary entry for "lease accounting.")

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

**1.b** (cont.)

Include income from:

(1) Direct financing and sales-type leases accounted for under ASC Topic 842; and

(2) Leveraged leases that were grandfathered upon the adoption of ASC Topic 842 and remain grandfathered).

Exclude from income from lease financing receivables:

(1) Any investment tax credits associated with leased property (include in Schedule RI, item 9, "Applicable income taxes (on item 8.c)").

(2) Provisions for credit losses on leases (report in Schedule RI, item 4, "Provisions for credit losses ").

(3) Rental fees applicable to operating leases for furniture and equipment rented to others (report as "Other noninterest income" in Schedule RI, item 5.l).

**1.c** **Interest income on balances due from depository institutions.** Report all income on assets reportable in Schedule RC, item 1.b, “Interest-bearing balances due from depository institutions,” including interest-bearing balances maintained to satisfy reserve balance requirements, excess balances, and term deposits due from Federal Reserve Banks. Include interest income earned on interest-bearing balances due from depository institutions that are reported at fair value under a fair value option.

**1.d** **Interest and dividend income on securities.** Report in the appropriate subitem all income on debt securities that are reportable in Schedule RC-B, Securities. Include accretion of discount and deduct amortization of premium on debt securities. Refer to the Glossary entry for "premiums and discounts." Include in the appropriate subitem prepayment penalties received on debt securities.

Also include dividend income on equity securities with readily determinable fair values not held for trading that are reportable in Schedule RC, item 2.c.

Include interest on debt securities held in the bank's held-to-maturity and available-for-sale portfolios and dividends on equity securities with readily determinable fair values not held for trading, even if such securities have been lent, sold under agreements to repurchase that are treated as borrowings, or pledged as collateral for any purpose.

Include interest received at the sale of debt securities to the extent that such interest had not already been accrued on the bank's books.

Do not deduct accrued interest included in the purchase price of debt securities from income on securities and do not charge to expense. Record such interest in a separate asset account (to be reported in Schedule RC, item 11, "Other assets") to be offset upon collection of the next interest payment.

Report income from detached U.S. Government security coupons and ex-coupon U.S. Government securities not held for trading in Schedule RI, item 1.d.(3), as interest and dividend income on "All other securities." Refer to the Glossary entry for "coupon stripping, Treasury receipts, and STRIPS."

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

**1.d** (cont.) Exclude from interest and dividend income on securities:

(1) Realized gains (losses) on held-to-maturity securities and on available-for-sale debt securities (report in Schedule RI, items 6.a and 6.b, respectively).

(2) Net unrealized holding gains (losses) on available-for-sale debt securities (include the amount of such net unrealized holding gains (losses) in Schedule RC, item 26.b, "Accumulated other comprehensive income," and the calendar year-to-date change in such net unrealized holding gains (losses) in Schedule RI-A, item 10, "Other comprehensive income").

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

(4) Income from advances to, or obligations of, majority-owned subsidiaries not consolidated, associated companies, and those corporate joint ventures over which the bank exercises significant influence (report as "Noninterest income" in the appropriate subitem of Schedule RI, item 5).

**1.d.(1)** **Interest and dividend income on U.S. Treasury securities and U.S. Government agency obligations (excluding mortgage-backed securities).** Report income from all securities reportable in Schedule RC-B, item 1, "U.S. Treasury securities," and item 2, "U.S. Government agency obligations." Include accretion of discount on U.S. Treasury bills.

**1.d.(2)** **Interest and dividend income on mortgage-backed securities.** Report income from all securities reportable in Schedule RC-B, item 4, "Mortgage-backed securities."

**1.d.(3)** **Interest and dividend income on all other securities.** Report income from all securities reportable in Schedule RC-B, item 3, "Securities issued by states and political subdivisions in the U.S.," item 5, "Asset-backed securities and structured financial products," and item 6, "Other debt securities." Also include dividend income from all securities reportable in Schedule RC, item 2.c, "Equity securities with readily determinable fair values not held for trading."

Exclude from interest and dividend income on all other securities:

(1) Income from equity securities that do not have readily determinable fair values (report as "Other interest income" in Schedule RI, item 1.g).

(2) The bank's proportionate share of the net income or loss from its investments in the stock of unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the bank exercises significant influence (report income or loss before discontinued operations as "Noninterest income" in the appropriate subitem of Schedule RI, item 5, and report the results of discontinued operations in Schedule RI, item 11).

**1.e** Not applicable.

**1.f** **Interest income on federal funds sold and securities purchased under agreements to resell.** Report the gross revenue from assets reportable in Schedule RC, item 3, "Federal funds sold and securities purchased under agreements to resell." Include interest income earned on federal funds sold and securities purchased under agreements to resell that are reported at fair value under a fair value option.

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

**1.f** (cont.) Report the expense of federal funds purchased and securities sold under agreements to repurchase in Schedule RI, item 2.b; do not deduct from the gross revenue reported in this item. However, if amounts recognized as payables under repurchase agreements have been offset against amounts recognized as receivables under reverse repurchase agreements and reported as a net amount in Schedule RC, Balance Sheet, in accordance with ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements"), the income and expense from these agreements may be reported on a net basis in Schedule RI, Income Statement.

**1.g** **Other interest income.** Report interest and dividend income on assets other than those assets properly reported in Schedule RC, items 1 through 4. Include interest income on receivables arising from foreclosures on fully and partially government-guaranteed mortgage loans that are reportable in Schedule RC-F, item 6. Include dividend income on "Equity investments without readily determinable fair values" that are reportable in Schedule RC-F, item 4. Also include interest income on interest-only strips receivable (not in the form of a security) that are reportable in Schedule RC-F, item 3. However, exclude interest and dividends on venture capital investments (loans and securities), which should be reported in item 5.l, below.

Include interest income on trading assets that are reportable in Schedule RC, item 5, including accretion of discount on assets held for trading that have been issued on a discount basis, such as U.S. Treasury bills and commercial paper.

Exclude gains (losses) and fees from trading assets, which should be reported as trading revenue in Schedule RI, item 5.l, "Other noninterest income." Also exclude revaluation adjustments from the periodic marking to fair value of derivative contracts held for trading purposes, which should be reported as trading revenue in Schedule RI, item 5.l. The effect of the periodic net settlements on these derivative contracts should be included as part of the revaluation adjustments from the periodic marking to market of the contracts.

**1.h** **Total interest income.** Report the sum of items 1.a.(6) through 1.g.

**2** **Interest expense:**

**2.a** **Interest on deposits.** Report in the appropriate subitem all interest expense, including amortization of the cost of merchandise or property offered in lieu of interest payments, on deposits reportable in Schedule RC, item 13.a.(2), "Interest-bearing deposits in domestic offices,".

Exclude the cost of gifts or premiums (whether in the form of merchandise, credit, or cash) given to depositors at the time of the opening of a new account or an addition to, or renewal of, an existing account (report in Schedule RI, item 7.d, "Other noninterest expense").

Include as interest expense on the appropriate category of deposits finders' fees, brokers' fees, and other fees related to any type of interest-bearing brokered deposit account (e.g., money market deposit accounts) that represent an adjustment to the interest rate paid on deposits the reporting bank acquires through brokers. If these fees are paid in advance and are material, they should be capitalized and amortized over the term of the related deposits. However, exclude fees levied by brokers that are, in substance, retainer fees or that otherwise do not represent an adjustment to the interest rate paid on brokered deposits (e.g., flat fees to administer the account) (report such fees in Schedule RI, item 7.d, "Other noninterest expense").

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

**2.a (cont.)** Also include interest expense incurred on deposits that are reported at fair value under a fair value option. Deposits with demand features (e.g., demand and savings deposits) are generally not eligible for the fair value option.

Deduct from the gross interest expense of the appropriate category of time deposits penalties for early withdrawals, or portions of such penalties, that represent the forfeiture of interest accrued or paid to the date of withdrawal. If material, portions of penalties for early withdrawals that exceed the interest accrued or paid to the date of withdrawal should not be treated as a reduction of interest expense but should be included in "Other noninterest income" in Schedule RI, item 5.l.

**2.a.(1)** **Interest on transaction accounts.** Report interest expense on all interest-bearing transaction accounts (interest-bearing demand deposits, NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts) reportable in Schedule RC-E, items 1 through 6, column A, "Total transaction accounts." Exclude all costs incurred by the bank in connection with noninterest-bearing demand deposits. See the Glossary entry for "deposits" for the definitions of “interest-bearing deposit accounts,” “demand deposits,” "NOW accounts," "ATS accounts," and "telephone or preauthorized transfer accounts."

**2.a.(2)** **Interest on nontransaction accounts.** Report in the appropriate subitem interest expense on all deposits reportable in Schedule RC-E, items 1 through 6, column C, "Total nontransaction accounts."

**2.a.(2)(a)** **Interest on savings deposits.** Report interest expense on all deposits reportable in Schedule RC-E, Memorandum item 2.a.(1), "Money market deposit accounts (MMDAs),” and Memorandum item 2.a.(2), "Other savings deposits."

**2.a.(2)(b)** **Interest on time deposits of $250,000 or less.** Report interest expense on all deposits reportable in Schedule RC-E, Memorandum item 2.b, "Total time deposits of less than $100,000," and Memorandum item 2.c, “Total time deposits of $100,000 through $250,000.”

**2.a.(2)(c)** **Interest on time deposits of more than $250,000.** Report interest expense on all deposits reportable in Schedule RC-E, Memorandum item 2.d, "Total time deposits of more than $250,000."

**2.b** **Expense of federal funds purchased and securities sold under agreements to repurchase.** Report the gross expense of all liabilities reportable in Schedule RC, item 14, "Federal funds purchased and securities sold under agreements to repurchase." Include interest expense incurred on federal funds purchased and securities sold under agreements to repurchase that are reported at fair value under a fair value option.

Report the income of federal funds sold and securities purchased under agreements to resell in Schedule RI, item 1.f; do not deduct from the gross expense reported in this item. However, if amounts recognized as payables under repurchase agreements have been offset against amounts recognized as receivables under reverse repurchase agreements and reported as a net amount in Schedule RC, Balance Sheet, in accordance with ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 41, “Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements”), the income and expense from these agreements may be reported on a net basis in Schedule RI, Income Statement.

**2.c** **Other interest expense.** Report the interest expense on all liabilities reportable in Schedule RC, item 15, "Trading liabilities"; item 16, "Other borrowed money"; and item 19,

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

**2.c** (cont.) "Subordinated notes and debentures." Include interest expense incurred on other borrowed money and subordinated notes and debentures reported at fair value under a fair value option.

Include amortization of debt issuance costs associated with other borrowed money and subordinated notes and debentures (unless these liabilities are reported at fair value under a fair value option, in which case issuance costs should be expensed as incurred).

Exclude dividends declared or paid on limited-life preferred stock (report dividends declared in Schedule RI-A, item 8).

**2.d** Not applicable.

**2.e** **Total interest expense.** Report the sum of Schedule RI, items 2.a through 2.c.

**3** **Net interest income.** Report the difference between Schedule RI, item 2.e, "Total interest expense," and Schedule RI, item 1.h, "Total interest income." If the amount is negative, report it with a minus (-) sign.

**4** **Provisions for credit losses.** Report amounts expensed as provisions for credit losses (or reversals of provisions) during the calendar year-to-date on all financial assets and off-balance-sheet credit exposures within the scope of the ASC Topic 326, Financial Instruments–Credit Losses. Financial assets within the scope of the standard include those measured at amortized cost (including loans held for investment and held-to-maturity debt securities), net investments in leases, and available-for-sale debt securities. Off-balance sheet credit exposures within the scope of the standard include loan commitments, financial standby letters of credit, and financial guarantees not accounted for as insurance, but excluding those exposures that are unconditionally cancellable by the issuer.

Financial assets within the scope of the standard include those measured at amortized cost (including loans held for investment and held-to-maturity debt securities), net investments in leases, and available-for-sale debt securities. Provisions for credit losses (or reversals of provisions) on financial assets measured at amortized cost and net investments in leases represent the amounts necessary to adjust the related allowances for credit losses at the quarter-end report date for management's current estimate of expected credit losses on these assets. Provisions for credit losses (or reversals of provisions) on off-balance-sheet credit exposures represent the amounts necessary to adjust the related allowances for credit losses at the quarter-end report date for management's current estimate of expected credit losses on these exposures. Provisions for credit losses (or reversals of provisions) on available-for-sale debt securities represent changes during the calendar year-to-date in the amount of impairment related to credit losses on individual available-for-sale debt securities.

Exclude the initial allowance gross-up amounts established upon the purchase of credit-deteriorated financial assets, which are recorded at the date of acquisition as an addition to the purchase price to determine the initial amortized cost basis of the assets.

The amount reported in this item must equal the sum of Schedule RI-B, Part II, item 5, columns A through C, plus Schedule RI-B, Part II, Memorandum items 5 and 7. Report negative amounts with a minus (-) sign.

The amount reported in item 4 may differ from the bad debt expense deduction taken for federal income tax purposes.

Refer to the Glossary entries for "Allowances for Credit Losses" and "Purchased Credit-Deteriorated Assets" for additional information.

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

**5** **Noninterest income:**

**5.a** **Income from fiduciary activities.** Report ***gross*** income from services rendered by the institution's trust department or any of its consolidated subsidiaries acting in any fiduciary capacity. Include commissions and fees on sales of annuities by the institution's trust department (or by a consolidated trust company subsidiary) that are executed in a fiduciary capacity. For institutions required to complete Schedule RC-T, items 14 through 22, this item must equal the amount reported in Schedule RC-T, item 22.

Exclude net fiduciary settlements, surcharges, and other losses. Such losses should be reported on a ***net*** basis in Schedule RI, item 7.d, "Other noninterest expense, and, if applicable, in Schedule RC-T, item 24 and Memorandum item 4. Net losses are gross losses less recoveries (including those from insurance payments). If the institution's trust department or a consolidated subsidiary acting in any fiduciary capacity 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 RI, item 7.d, and, if applicable, in Schedule RC-T, item 24, and 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 this item 5.a and, if applicable, in Schedule RC-T, items 14 through 22, 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 commissions and fees received for the accumulation or disbursement of funds deposited to Individual Retirement Accounts (IRAs), Keogh Plan accounts, Health Savings Accounts, Medical Savings Accounts, and Coverdell Education Savings Accounts when they are not handled by the institution's trust department (report in Schedule RI, item 5.b, "Service charges on deposit accounts").

Report a zero if the institution has no trust department and no consolidated subsidiaries that render services in any fiduciary capacity.

**5.b** **Service charges on deposit accounts.** Report in this item amounts charged depositors, net of amounts refunded to depositors, including, but not limited to, service charges and fees levied on deposit accounts:

(1) For the maintenance of deposit accounts with the institution, so-called "maintenance charges."

(2) For the failure to maintain specified minimum deposit balances.

(3) Based on the number of checks drawn on and deposits made in deposit accounts.

(4) For checks drawn on so-called "no minimum balance" deposit accounts.

(5) For withdrawals from nontransaction deposit accounts.

(6) For the closing of savings accounts before a specified minimum period of time has elapsed.

(7) For accounts which have remained inactive for extended periods of time or which have become dormant.

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

**5.b** (cont.)

(8) For deposits to or withdrawals from deposit accounts through the use of automated teller machines or remote service units.

(9) For the processing of checks drawn against insufficient funds, so-called "NSF check charges," that the institution assesses regardless of whether it decides to pay, return, or hold the check. Exclude subsequent charges levied against overdrawn accounts based on the length of time the account has been overdrawn, the magnitude of the overdrawn balance, or which are otherwise equivalent to interest (report in the appropriate subitem of Schedule RI, item 1.a, "Interest and fee income on loans").

(10) For issuing stop payment orders.

(11) For certifying checks.

(12) For the accumulation or disbursement of funds deposited to Individual Retirement Accounts (IRAs), Keogh Plan accounts, Health Savings Accounts, Medical Savings Accounts, and Coverdell Education Savings Accounts when not handled by the institution's trust department. Report such commissions and fees received for accounts handled by the institution's trust department in Schedule RI, item 5.a, "Income from fiduciary activities."

(13) For wire transfer services provided to the institution's depositors.

Exclude penalties paid by depositors for the early withdrawal of time deposits (report as "Other noninterest income" in Schedule RI, item 5.l, or deduct from the interest expense of the related category of time deposits, as appropriate).

**5.c** Not applicable.

**5.d** **Income from securities-related and insurance activities.** For items 5.d.(1) and 5.d.(2) below, when an institution partners with, or otherwise joins with, a third party to conduct securities brokerage, investment banking, investment advisory, securities underwriting, insurance and annuity sales, insurance underwriting, or any other securities-related and insurance activities, and any fees and commissions generated by these activities are shared with the third party, the reporting institution should report its share of the fees or commissions in the appropriate subitem of this item 5.d rather than reporting the gross fees and commissions in the appropriate subitem and the third party's share of the fees and commissions in Schedule RI, item 7.d, "Other noninterest expense.

**5.d.(1)** **Fees and commissions from securities brokerage, investment banking, advisory, and underwriting activities.** Report fees and commissions from securities brokerage activities, from the sale and servicing of mutual funds, from the purchase and sale of securities and money market instruments where the bank is acting as agent for other banks or customers, and from the lending of securities owned by the bank or by bank customers (if these fees and commissions are not included in Schedule RI, item 5.a, "Income from fiduciary activities," or as trading revenue in item 5.l, "Other noninterest income"). However, exclude fees and commissions from the sale of annuities (fixed, variable, and other) to bank customers by the bank or any securities brokerage subsidiary (report such income in Schedule RI, item 5.d.(2), "Income from insurance activities").

Also report fees and commissions from underwriting (or participating in the underwriting of) securities, private placements of securities, investment advisory and management services, merger and acquisition services, and other related consulting fees. Include fees and commissions from the placement of commercial paper, both for transactions issued in the bank's name and transactions in which the bank acts as an agent for a third party issuer.

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

**5.d.(1)** (cont.) Also include the bank's proportionate share of the income or loss before discontinued operations from its investments in equity method investees that are principally engaged in securities brokerage, investment banking, advisory, or securities underwriting activities. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence.

**5.d.(2)** **Income from insurance activities.** Report fees and commissions from sales of annuities (fixed, variable, and other) by the bank and any subsidiary of the bank and fees earned from customer referrals for annuities to insurance companies and insurance agencies external to the consolidated bank. Also include management fees earned from annuities.

However, exclude fees and commissions from sales of annuities by the bank's trust department (or by a consolidated trust company subsidiary) that are executed in a fiduciary capacity (report in Schedule RI, item 5.a, "Income from fiduciary activities").

Also report the amount of premiums earned by bank subsidiaries engaged in insurance underwriting or reinsurance activities. Include earned premiums from (a) life and health insurance and (b) property and casualty insurance, whether (direct) underwritten business or ceded or assumed (reinsured) business. Insurance premiums should be reported net of any premiums transferred to other insurance underwriters/reinsurers in conjunction with reinsurance contracts.

Report income from insurance product sales and referrals, including:

(1) Service charges, commissions, and fees earned from insurance sales, including credit, life, health, property, casualty, and title insurance products.

(2) Fees earned from customer referrals for insurance products to insurance companies and insurance agencies external to the consolidated bank.

Also include management fees earned from separate accounts and universal life products.

Also include the bank's proportionate share of the income or loss before discontinued operations from its investments in equity method investees that are principally engaged in annuity sales, insurance underwriting or reinsurance activities, or insurance product sales and referrals. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence.

**5.e** Not applicable.

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

**5.f** **Net servicing fees.** Report income from servicing real estate mortgages, credit cards, and other financial assets held by others. Report any premiums received in lieu of regular servicing fees on such loans only as earned over the life of the loans. For servicing assets and liabilities measured under the amortization method, banks should report servicing income net of the related servicing assets' amortization expense, include impairments recognized on servicing assets, and also include increases in servicing liabilities recognized when subsequent events have increased the fair value of the liability above its carrying amount. For servicing assets and liabilities remeasured at fair value under the fair value option, include changes in the fair value of these servicing assets and liabilities. For further information on servicing, see the Glossary entry for "servicing assets and liabilities."

**5.g and 5.h** Not applicable.

**5.i** **Net gains (losses) on sales of loans and leases.** Report the amount of net gains (losses) on sales and other disposals of loans and leases (reportable in Schedule RC-C), including in the bank's own securitization transactions, and unrealized losses (and subsequent recoveries of such net unrealized losses) on loans and leases held for sale, including in the bank's own securitization transactions. .

**5.j** **Net gains (losses) on sales of other real estate owned.** Report the amount of net gains (losses) on sales and other disposals of other real estate owned (reportable in Schedule RC, item 7), increases and decreases in the valuation allowance for foreclosed real estate, and write-downs of other real estate owned subsequent to acquisition (or physical possession) charged to expense. Do not include as a loss on other real estate owned any amount charged to the allowance for credit losses on loans and leases at the time of foreclosure (actual or physical possession) for the difference between the carrying value of a loan and the fair value less cost to sell of the foreclosed real estate.

**5.k** **Net gains (losses) on sales of other assets.** Report the amount of net gains (losses) on sales and other disposals of assets not required to be reported elsewhere in the income statement (Schedule RI). Include net gains (losses) on sales and other disposals of premises and fixed assets; personal property acquired for debts previously contracted (such as automobiles, boats, equipment, and appliances); and coins, art, and other similar assets.

Do not include net gains (losses) on sales and other disposals of held-to-maturity securities, available-for-sale debt securities, equity securities with readily determinable fair values not held for trading, loans and leases (either directly or through securitization), trading assets, and other real estate owned (report these net gains (losses) in the appropriate items of Schedule RI).

Do not include:
(1) The year-to-date change in net unrealized gains (losses) on equity securities with readily determinable fair values not held for trading.
(2) The year-to-date change in net unrealized holding gains (losses) on equity securities and other equity investments without readily determinable fair values not held for trading that are measured at fair value through earnings.
(3) Impairment, if any, plus or minus changes resulting from observable price changes on equity securities and other equity investments without readily determinable fair values not held for trading for which this measurement election is made.

These amounts should be reported in Schedule RI, item 8.b.

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

**5.l** **Other noninterest income.** Report all operating income of the bank for the calendar year to date not required to be reported elsewhere in Schedule RI.

In the December report only, disclose in Schedule RI-E, items 1.a through 1.j, each component of other noninterest income, and the dollar amount of such component, that is greater than $100,000 and exceeds 7 percent of the other noninterest income reported in this item. If net losses have been reported in this item for a component of "Other noninterest income," use the absolute value of such net losses to determine whether the amount of the net losses is greater than $100,000 and exceeds 7 percent of "Other noninterest income" and should be reported in Schedule RI-E, item 1. (The absolute value refers to the magnitude of the dollar amount without regard to whether the amount represents net gains or net losses.)

For each component of other noninterest income that exceeds the disclosure threshold in the preceding paragraph and for which a preprinted caption has not been provided in Schedule RI-E, items 1.a through 1.g, describe the component with a clear but concise caption in Schedule RI-E, items 1.h through 1.j. These descriptions should not exceed 50 characters in length (including spacing between words).

For disclosure purposes in Schedule RI-E, items 1.a through 1.g, when components of "Other noninterest income" reflect a single credit for separate "bundled services" provided through third party vendors, disclose such amounts in the item with the preprinted caption that most closely describes the predominant type of income earned, and this categorization should be used consistently over time.

Include as other noninterest income:

(1) Service charges, commissions, and fees for such services as:

(a) The rental of safe deposit boxes. (Report the amount of such fees in Schedule RI-E, item 1.e, if this amount is greater than $100,000 and exceeds 7 percent of the amount reported in Schedule RI, item 5.l.)

(b) The safekeeping of securities for other depository institutions (if the income for such safekeeping services is not included in Schedule RI, item 5.a, "Income from fiduciary activities").

(c) The sale of bank drafts, money orders, cashiers' checks, and travelers' checks.

(d) The collection of utility bills, checks, notes, bond coupons, and bills of exchange.

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

**5.l** (cont.)

(e) The redemption of U.S. savings bonds.

(f) The handling of food stamps.

(g) The execution of acceptances and the issuance of commercial letters of credit, standby letters of credit, deferred payment letters of credit, and letters of credit issued for cash or its equivalent. Exclude income on bankers acceptances and trade acceptances (report such income in the appropriate subitem of Schedule RI, item 1.a, "Interest and fee income on loans," or in Schedule RI, item 1.g, "Other interest income," as appropriate).

(h) The notarizing of forms and documents.

(i) The negotiation or management of loans from other lenders for customers or correspondents.

(j) The providing of consulting and advisory services to others. Exclude income from investment advisory services, which is to be reported in Schedule RI, item 5.d.(1).

(k) The use of the bank's automated teller machines or remote service units by depositors of other depository institutions. (Report the amount of such income and fees in Schedule RI-E, item 1.c, if this amount is greater than $100,000 and exceeds 7 percent of the amount reported in Schedule RI, item 5.l.)

(l) Wire transfer services, except for wire transfers for which service charges or fees are levied on deposit accounts of the institution's depositors, for which the income is to be reported in Schedule RI, item 5.b, "Service charges on deposit accounts." (Report the amount of income and fees from wire transfers in Schedule RI-E, item 1.g, if this amount is greater than $100,000 and exceeds 7 percent of the amount reported in Schedule RI, item 5.l.)

(2) Income and fees from the sale and printing of checks. (Report the amount of such income and fees in Schedule RI-E, item 1.a, if this amount is greater than $100,000 and exceeds 7 percent of the amount reported in Schedule RI, item 5.l.)

(3) Gross rentals and other income from all real estate reportable in Schedule RC, item 7, "Other real estate owned." (Report the amount of such income in Schedule RI-E, item 1.d, if this amount is greater than $100,000 and exceeds 7 percent of the amount reported in Schedule RI, item 5.l.)

(4) Earnings on or other increases in the value of the cash surrender value of bank-owned life insurance policies. (Report the amount of such earnings or other increases in Schedule RI-E, item 1.b, if this amount is greater than $100,000 and exceeds 7 percent of the amount reported in Schedule RI, item 5.l.)

(5) Annual or other periodic fees paid by holders of credit cards issued by the bank. Fees that are periodically charged to cardholders shall be deferred and recognized on a straight-line basis over the period the fee entitles the cardholder to use the card.

(6) Charges to merchants for the bank's handling of credit card or charge sales when the bank does not carry the related loan accounts on its books. Banks may report this income net of the expenses (except salaries) related to the handling of these credit card or charge sales.

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

**5.l** (cont.)

(7) Interchange fees earned from bank card and credit card transactions. (Report the amount of such fees in Schedule RI-E, item 1.f, if this amount is greater than $100,000 and exceeds 7 percent of the amount reported in Schedule RI, item 5.l.)

(8) Gross income received for performing data processing services for others. Do not deduct the expense of performing such services for others (report in the appropriate items of noninterest expense).

(9) Loan commitment fees that are recognized during the commitment period (i.e., fees retrospectively determined and fees for commitments where exercise is remote) or included in income when the commitment expires and loan syndication fees that are not required to be deferred. Refer to the Glossary entry for "loan fees" for further information.

(10) Trading revenue (which may be a net gain or loss) from cash instruments and derivative contracts reportable in Schedule RC, item 5, "Trading assets," and Schedule RC, item 15, "Trading liabilities," including gains (losses) from trading such instruments and contracts, revaluation adjustments from the periodic marking to fair value of such instruments and contracts, and incidental income and expense related to the purchase and sale of such instruments and contracts.

(11) Net tellers' overages (shortages), net recoveries (losses) on forged checks, net recoveries (losses) on payment of checks over stop payment orders, and similar recurring operating gains (losses) of this type. Banks should consistently report these gains (losses) either in this item or in Schedule RI, item 7.d.

(12) Net gains (losses) from the sale or other disposal of branches (i.e., where the reporting bank sells a branch's assets to another depository institution, which assumes the deposit liabilities of the branch). Banks should consistently report these net gains (losses) either in this item or in Schedule RI, item 7.d.

(13) Net gains (losses) from all transactions involving foreign currency or foreign exchange other than trading transactions. Banks should consistently report these net gains (losses) either in this item or in Schedule RI, item 7.d.

(14) Rental fees applicable to operating leases for furniture and equipment rented to others.

(15) Interest received on tax refunds.

(16) Life insurance proceeds on policies for which the bank is the beneficiary.

(17) Credits resulting from litigation or other claims.

(18) Portions of penalties for early withdrawals of time deposits that exceed the interest accrued or paid on the deposit to the date of withdrawal, if material. Penalties for early withdrawals, or portions of such penalties, that represent the forfeiture of interest accrued or paid to the date of withdrawal are a reduction of interest expense and should be deducted from the gross interest expense of the appropriate category of time deposits in Schedule RI, item 2.a, "Interest on deposits."

| Item No. | Caption and Instructions |
|---|---|

**5.l** (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 (a) securities brokerage, investment banking, advisory, or securities underwriting activities or (b) insurance and reinsurance underwriting or insurance and annuity sales activities (the income from which should be reported in Schedule RI, items 5.d.(1) and 5.d.(2), 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) Revenue from venture capital activities (which may be a net gain or loss), which generally involves the providing of funds, whether in the form of loans or equity, and technical and management assistance, when needed and requested, to start-up or high-risk companies specializing in new technologies, ideas, products, or processes. For further information, see the instructions for Schedule RI, item 5.e, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

(26) Fee income (other than servicing fees and commercial paper placement fees) from the bank's securitization and structured finance transactions. (Report income from servicing securitized assets in Schedule RI, item 5.f, and fee income from the placement of commercial paper in Schedule RI, item 5.d.(1)).

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

**5.l** (cont.) (27) Income from non-conditional grants,[1] 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.

Exclude from Schedule RI, item 5.l, "Other noninterest income," income from seller's interests and residual interests retained by the bank in the bank's own securitization transactions (report in the appropriate subitem of Schedule RI, item 1, "Interest income").

**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 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 as trading revenue in Schedule RI, item 5.l, "Other noninterest income").

**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 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.

[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**

**6.b** (cont.) 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.

Exclude from this item:

(1) The change in net unrealized holding gains (losses) on available-for-sale debt securities during the calendar year to date (report in Schedule RI-A, item 10, "Other comprehensive income").

(2) Realized and unrealized gains (losses) during the calendar year to date on equity securities with readily determinable fair values not held for trading (report in Schedule RI, item 8.b, "Change in net unrealized holding gains (losses) on equity securities not held for trading").

(3) Realized gains (losses) on held-to-maturity securities (report in Schedule RI, item 6.a, above) and on trading securities (report in Schedule RI, item 5.c, "Trading revenue").

(4) Provisions for credit losses (and reversals of provisions) that increase (and decrease) the allowance for credit losses on available-for-sale debt securities (report in Schedule RI, item 4, "Provisions for credit losses").

**7** **Noninterest expense:**

**7.a** **Salaries and employee benefits.** Report salaries and benefits of all officers and employees of the bank and its consolidated subsidiaries including guards and contracted guards, temporary office help, dining room and cafeteria employees, and building department officers and employees (including maintenance personnel). Include as employees individuals who, in form, are employed by an affiliate but who, in substance, do substantially all of their work for the reporting bank. However, banking organizations should not segregate the compensation component of other intercompany cost allocations arising from arrangements other than that described in the preceding sentence for purposes of this item.

Include as salaries and employee benefits:

(1) Gross salaries, wages, overtime, bonuses, incentive compensation, and extra compensation.

(2) Social security taxes and state and federal unemployment taxes paid by the bank.

(3) Costs of the bank's retirement plan, pension fund, profit-sharing plan, employee stock ownership plan, employee stock purchase plan, and employee savings plan. For defined benefit pension plans and other postretirement plans, report only the service cost component of net benefit cost for such plans in this item 7.a; the other cost components of net benefit cost should be reported in Schedule RI, item 7.d, "Other noninterest expense."

(4) Premiums (net of dividends received) on health and accident, hospitalization, dental, disability, and life insurance policies for which the bank is not the beneficiary.

| Item No. | Caption and Instructions |
|---|---|
| **7.a** (cont.) | (5) Cost of office temporaries whether hired directly by the bank or through an outside agency. |
| | (6) Workmen's compensation insurance premiums. |
| | (7) The net cost to the bank for employee dining rooms, restaurants, and cafeterias. |
| | (8) Accrued vacation pay earned by employees during the calendar year-to-date. |
| | (9) The cost of medical or health services, relocation programs and reimbursements of moving expenses, tuition reimbursement programs, and other so-called fringe benefits for officers and employees. |
| | (10) Compensation expense (service component and interest component) related to deferred compensation agreements. |

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

**7.a** (cont.) Exclude from salaries and employee benefits (report in Schedule RI, item 7.d, "Other noninterest expense"):

(1) Amounts paid to attorneys, accountants, management consultants, investment counselors, and other professionals who are not salaried officers or employees of the bank (except if these professionals, in form, are employed by an affiliate of the reporting bank but, in substance, do substantially all of their work for the reporting bank).

(2) Expenses related to the testing and training of officers and employees.

(3) The cost of bank newspapers and magazines prepared for distribution to bank officers and employees.

(4) Expenses of life insurance policies for which the bank is the beneficiary. (However, when these expenses relate to bank-owned life insurance policies with cash surrender values, banks may report the net earnings on or the net increases in the value of these cash surrender values in Schedule RI, item 5.l, above.)

(5) The cost of athletic activities in which officers and employees participate when the purpose may be construed to be for marketing or public relations, and employee benefits are only incidental to the activities.

(6) Dues, fees and other expenses associated with memberships in country clubs, social or private clubs, civic organizations, and similar clubs and organizations.

**7.b** **Expenses of premises and fixed assets.** Report all noninterest expenses related to the use of premises, equipment, furniture, and fixtures reportable in Schedule RC, item 6, "Premises and fixed assets," net of rental income. If this net amount is a credit balance, report it with a minus (-) sign.

Deduct rental income from gross premises and fixed asset expense. Rental income includes all rentals charged for the use of buildings not incident to their use by the reporting institution and its consolidated subsidiaries, including rentals by regular tenants of the institution's buildings, income received from short-term rentals of other bank facilities, and income from subleases. Also deduct income from stocks and bonds issued by nonmajority-owned corporations and investments in limited partnerships or limited liability companies whose principal activity is the ownership of premises, equipment, furniture, or fixtures occupied or used (or to be occupied or used) by the institution, its branches, or its consolidated subsidiaries and are reportable in Schedule RC, item 6, "Premises and fixed assets."

Include as expenses of premises and fixed assets:

(1) Normal and recurring depreciation and amortization charges against, and any impairments on, assets reportable in Schedule RC, item 6, "Premises and fixed assets," including right-of-use (ROU) assets for finance leases accounted for in accordance with ASC Topic 842. Include depreciation and amortization charges regardless of whether they represent direct reductions in the carrying value of the assets or additions to accumulated depreciation or amortization accounts. Any method of depreciation or amortization conforming to accounting principles that are generally acceptable for financial reporting purposes may be used. However, depreciation for premises and fixed assets may be based on a method used for federal income tax purposes if the results would not be materially different from depreciation based on the asset's estimated useful life.

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

**7.b** (cont.)

(2) For operating leases accounted for in accordance with ASC Topic 842 by a lessee institution, a single lease cost for the expenses related to lease liabilities and the amortization of ROU assets for leased premises, equipment, furniture, and fixtures; variable lease payments not included in lease liabilities; and any impairments of ROU assets.

(3) Cost of ordinary repairs to premises (including leasehold improvements), equipment, furniture, and fixtures.

(4) Cost of service or maintenance contracts for equipment, furniture, and fixtures.

(5) Cost of leasehold improvements, equipment, furniture, and fixtures charged directly to expense and not placed on the bank's books as assets.

(6) Insurance expense related to the use of premises, equipment, furniture, and fixtures including such coverages as fire, multi-peril, boiler, plate glass, flood, and public liability.

(7) All property tax and other tax expense related to premises (including leasehold improvements), equipment, furniture, and fixtures, including deficiency payments, net of all rebates, refunds, or credits.

(8) Any portion of a lessee institution’s payments to lessors representing executory costs such as insurance, maintenance, and taxes.

(9) Cost of heat, electricity, water, and other utilities connected with the use of premises and fixed assets.

(10) Cost of janitorial supplies and outside janitorial services.

(11) Fuel, maintenance, and other expenses related to the use of the bank-owned automobiles, airplanes, and other vehicles for bank business.

Exclude from expenses of premises and fixed assets:

(1) Salaries and employee benefits (report such expenses for all officers and employees of the bank and its consolidated subsidiaries in Schedule RI, item 7.a, "Salaries and employee benefits").

(2) Interest on mortgages, liens, or other encumbrances on premises or equipment owned, including the portion of lease payments representing the interest expense on lease liabilities for finance leases accounted for in accordance with ASC Topic 842 (report in Schedule RI, item 2.c, "Interest on trading liabilities and other borrowed money").

(3) All expenses associated with other real estate owned (report in Schedule RI, item 7.d, "Other noninterest expense").

(4) Gross rentals from other real estate owned and fees charged for the use of parking lots properly reported as other real estate owned, as well as safe deposit box rentals and rental fees applicable to operating leases for furniture and equipment rented to others (report in Schedule RI, item 5.l).

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

**7.c.(1)** **Goodwill impairment losses.** Report any impairment losses recognized during the period on goodwill. Exclude goodwill impairment losses associated with discontinued operations (report such losses on a net-of-tax basis in Schedule RI, item 11, "Discontinued operations, net of applicable income taxes").

An institution that meets the definition of a private company in U.S. generally accepted accounting principles and has elected the accounting alternative for the amortization of goodwill in ASC Subtopic 350-20, Intangibles-Goodwill and Other – Goodwill (formerly FASB Statement No. 142, "Goodwill and Other Intangible Assets"), as amended by Accounting Standards Update No. 2014-02, "Accounting for Goodwill," should report the amortization expense of goodwill in this item. Exclude goodwill amortization expense associated with discontinued operations (report such expense on a net-of-tax basis in Schedule RI, item 11, "Discontinued operations, net of applicable income taxes"). A private company that elects the accounting alternative for the subsequent measurement of goodwill should amortize each amortizable unit of goodwill on a straight-line basis over ten years (or less than ten years if the private company demonstrates that another useful life is more appropriate).

Except when the private company accounting alternative described above has been elected, goodwill should not be amortized. However, regardless of whether goodwill is amortized, it must be tested for impairment as described in the Glossary entry for "goodwill."

**7.c.(2)** **Amortization expense and impairment losses for other intangible assets.** Report the amortization expense of and any impairment losses on intangible assets (other than goodwill and servicing assets) reportable in Schedule RC-M, item 2.c. Under ASC Topic 350, Intangibles-Goodwill and Other (formerly FASB Statement No. 142, "Goodwill and Other Intangible Assets"), intangible assets that have indefinite useful lives should not be amortized, but must be tested at least annually for impairment. Intangible assets that have finite useful lives must be amortized over their useful lives and must be reviewed for impairment in accordance with ASC Topic 360, Property, Plant, and Equipment (formerly FASB Statement No. 144, "Accounting for the Impairment of Long-Lived Assets").

Exclude the amortization expense of and any impairment losses on servicing assets, which should be netted against the servicing income reported in Schedule RI, item 5.f, "Net servicing fees," above.

**7.d** **Other noninterest expense.** Report all operating expenses of the bank for the calendar year-to-date not required to be reported elsewhere in Schedule RI.

In the December report only, disclose in Schedule RI-E, items 2.a through 2.p, each component of other noninterest expense, and the dollar amount of such component, that is greater than $100,000 and exceeds 7 percent of the other noninterest expense reported in this item. If net gains have been reported in this item for a component of "Other noninterest expense," use the absolute value of such net gains to determine whether the amount of the net gains is greater than $100,000 and exceeds 7 percent of "Other noninterest expense" and should be reported in Schedule RI-E, item 2. (The absolute value refers to the magnitude of the dollar amount without regard to whether the amount represents net gains or net losses.)

For each component of other noninterest expense that exceeds the disclosure threshold in the preceding paragraph and for which a preprinted caption has not been provided in Schedule RI-E, items 2.a.through 2.m, describe the component with a clear but concise caption in Schedule RI-E, items 2.n through 2.p. These descriptions should not exceed 50 characters in length (including spacing between words).

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

**7.d** (cont.) For disclosure purposes in Schedule RI-E, items 2.a through 2.m, when components of "Other noninterest expense" reflect a single charge for separate "bundled services" provided by third party vendors, disclose such amounts in the item with the preprinted caption that most closely describes the predominant type of expense incurred, and this categorization should be used consistently over time.

Include as other noninterest expense:

(1) Fees paid to directors and advisory directors for attendance at board of directors' or committee meetings (including travel and expense allowances). (Report the amount of such fees in Schedule RI-E, item 2.c, if this amount is greater than $100,000 and exceeds 7 percent of the amount reported in Schedule RI, item 7.d.)

(2) Cost of data processing services performed for the bank by others. (Report the amount of such expenses in Schedule RI-E, item 2.a, if this amount is greater than $100,000 and exceeds 7 percent of the amount reported in Schedule RI, item 7.d.)

(3) Advertising, promotional, public relations, marketing, and business development expenses. Such expenses include the cost of athletic activities in which officers and employees participate when the purpose may be construed to be for marketing or public relations, and employee benefits are only incidental to the activities. (Report the amount of such expenses in Schedule RI-E, item 2.b, if this amount is greater than $100,000 and exceeds 7 percent of the amount reported in Schedule RI, item 7.d.)

(4) Cost of gifts or premiums (whether in the form of merchandise, credit, or cash) given to depositors at the time of the opening of a new account or an addition to, or renewal of, an existing account, if not included in advertising and marketing expenses above.

(5) Retainer fees, legal fees, and other fees and expenses paid to attorneys who are not bank officers or employees and to outside law firms. (Report the amount of such expenses in Schedule RI-E, item 2.f, if this amount is greater than $100,000 and exceeds 7 percent of the amount reported in Schedule RI, item 7.d.)

(6) Cost of printing, stationery, and office supplies. (Report the amount of such expenses in Schedule RI-E, item 2.d, if this amount is greater than $100,000 and exceeds 7 percent of the amount reported in Schedule RI, item 7.d.)

(7) Postage and mailing expenses. (Report the amount of such expenses in Schedule RI-E, item 2.e, if this amount is greater than $100,000 and exceeds 7 percent of the amount reported in Schedule RI, item 7.d.)

(8) Telecommunications expenses, including any expenses associated with telephone, telegraph, cable, and internet services (including web page maintenance). (Report the amount of such expenses in Schedule RI-E, item 2.k, if this amount is greater than $100,000 and exceeds 7 percent of the amount reported in Schedule RI, item 7.d.)

(9) Federal deposit insurance assessments. (Report the amount of such assessments in Schedule RI-E, item 2.g, if this amount is greater than $100,000 and exceeds 7 percent of the amount reported in Schedule RI, item 7.d.)

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

**7.d** (cont.)

(10) Premiums on fidelity insurance (blanket bond, excess employee dishonesty bond), directors' and officers' liability insurance, life insurance policies for which the bank is the beneficiary, and other insurance policies for which the premiums are not included in salaries and employee benefits, expenses of premises and fixed assets, and expenses of other real estate owned. (Report the amount of such insurance expenses in Schedule RI-E, item 2.m, if this amount is greater than $100,000 and exceeds 7 percent of the amount reported in Schedule RI, item 7.d.)

(11) Assessment expense, examination expense, and other fees levied by the Comptroller of the Currency or a state chartering authority, net of any assessment credits during the period.

(12) Legal fees and other direct costs incurred to effect foreclosures on real estate and subsequent noninterest expenses related to holdings of real estate owned other than bank premises (including depreciation charges, if appropriate). (Report the amount of such expenses in Schedule RI-E, item 2.l, if this amount is greater than $100,000 and exceeds 7 percent of the amount reported in Schedule RI, item 7.d.)

(13) Net losses (gains) from the sale or other disposal of branches (i.e., where the reporting bank sells a branch's assets to another depository institution, which assumes the deposit liabilities of the branch). Banks should consistently report these net losses (gains) either in this item or in Schedule RI, item 5.l.

(14) Net losses (gains) from all transactions involving foreign currency or foreign exchange other than trading transactions. Banks should consistently report these net losses (gains) either in this item or in Schedule RI, item 5.l.

(15) Management fees assessed by the bank’s parent holding company, whether for specific services rendered or of a general (prorated) nature.

(16) Sales taxes, taxes based on the number of shares of bank stock outstanding, taxes based on the bank's total assets or total deposits, taxes based on the bank's gross revenues or gross receipts, capital stock taxes, and other taxes not included in other categories of expense. Exclude any state and local taxes based on a net amount of revenues less expenses (report as applicable income taxes in Schedule RI, item 9).

(17) Fees levied by deposit brokers that are, in substance, retainer fees or that otherwise do not represent an adjustment to the interest rate paid on deposits the reporting bank acquires through brokers. However, report as interest expense on the appropriate category of deposits those finders' fees and brokers' fees that do represent an adjustment to the interest rate paid on brokered deposits.

(18) Research and development costs and costs incurred in the internal development of computer software.

(19) Charges resulting from litigation or other claims.

(20) Charitable contributions including donations by Clifford Trusts.

(21) Fees for accounting, auditing, and attestation services; retainer fees; and other fees and expenses paid to accountants and auditors who are not bank officers or employees. (Report the amount of such expenses in Schedule RI-E, item 2.h, if this amount is greater than $100,000 and exceeds 7 percent of the amount reported in Schedule RI, item 7.d.)

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

**7.d** (cont.)

(22) Fees for consulting and advisory services, retainer fees, and other fees and expenses to management consultants, investment advisors, and other professionals (other than attorneys providing legal services and accountants providing accounting, auditing, and attestation services) who are not bank officers or employees. (Report the amount of such expenses in Schedule RI-E, item 2.i, if this amount is greater than $100,000 and exceeds 7 percent of the amount reported in Schedule RI, item 7.d.)

(23) Net losses (gains) 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 losses (gains) either in this item or in Schedule RI, item 5.l. For further information, see the Glossary entries for "derivative contracts" and "trading account."

(24) Net tellers' shortages (overages), net losses (recoveries) on forged checks, net losses (recoveries) on payment of checks over stop payment orders, and similar recurring operating losses (gains) of this type. Banks should consistently report these losses (gains) either in this item or in Schedule RI, item 5.l.

(25) Net losses resulting from fiduciary and related services. Net losses are gross losses less recoveries (including those from insurance payments). Gross losses include settlements, surcharges, and other losses arising from errors, misfeasance, or malfeasance on fiduciary accounts and related services and should reflect losses recognized on an accrual basis. Recoveries may be for current or prior years' losses from fiduciary and related services and should be reported when payment is actually realized. 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, the full amount of this loss must be recognized on an accrual basis and reported in this item as "Other noninterest expense." An institution should not report such a loss as a reduction of the gross income from fiduciary and related services it reports in 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.) For institutions required to complete Schedule RC-T, item 24, the amount of net losses from fiduciary and related services also is reported in that item.

(26) Losses from robberies, defalcations, and other criminal acts not covered by the bank's blanket bond.

(27) Travel and entertainment expenses, including costs incurred by bank officers and employees for attending meetings and conventions.

(28) Dues, fees, and other expenses associated with memberships in country clubs, social or private clubs, civic organizations, and similar clubs and organizations.

(29) Civil money penalties and fines.

(30) All service charges, commissions, and fees levied by others for the repossession of assets and the collection of the bank's loans or other assets, including charged-off loans or other charged-off assets.

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

**7.d** (cont.)

(31) Expenses (except salaries) related to handling credit card or charge sales received from merchants when the bank does not carry the related loan accounts on its books. Banks are also permitted to net these expenses against their charges to merchants for the bank's handling of these sales in Schedule RI, item 5.l.

(32) Expenses related to the testing and training of officers and employees.

(33) The cost of bank newspapers and magazines prepared for distribution to bank officers and employees or to others.

(34) Depreciation expense of furniture and equipment rented to others under operating leases.

(35) Cost of checks provided to depositors.

(36) Amortization expense of purchased computer software and of the costs of computer software to be sold, leased, or otherwise marketed capitalized in accordance with the provisions of ASC Subtopic 985-20, Software – Costs of Software to Be Sold, Leased or Marketed.

(37) Net losses (gains) from the extinguishment of liabilities (debt), including losses resulting from the payment of prepayment penalties on borrowings such as Federal Home Loan Bank advances. However, if a bank's debt extinguishments normally result in net gains over time, then the bank should consistently report its net gains (losses) in Schedule RI, item 5.l, "Other noninterest income."

(38) Automated teller machine (ATM) and interchange expenses from bank card and credit card transactions. (Report the amount of such expenses in Schedule RI-E, item 2.j, if this amount is greater than $100,000 and exceeds 7 percent of the amount reported in Schedule RI, item 7.d.)

(39) The cost components of net benefit cost of defined benefit pension plans and other postretirement plans other than the service cost component of such plans. (Report the service cost component of such plans in Schedule RI, item 7.a, “Salaries and employee benefits.”)

Exclude from other noninterest expense:

(1) Material expenses incurred in the issuance of subordinated notes and debentures (capitalize such expenses and amortize them over the life of the related notes and debentures using the effective interest method and report the expense in Schedule RI, item 2.c, "Other interest expense"). For further information, see the Glossary entry for “Debt issuance costs.”

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

**7.d** (cont.)

(2) Expenses incurred in the sale of preferred and common stock (deduct such expenses from the sale proceeds and credit the net amount to the appropriate stock account. For perpetual preferred and common stock only, report the net sales proceeds in Schedule RI-A, item 5, "Sale, conversion, acquisition, or retirement of capital stock, net").

(3) Depreciation and other expenses related to the use of bank-owned automobiles, airplanes, and other vehicles for bank business (report in Schedule RI, item 7.b, "Expenses of premises and fixed assets").

(4) Charge-offs of the cost basis of individual held-to-maturity and available-for-sale debt securities resulting from credit losses (report as deductions from the applicable allowance for credit losses in columns B and C, respectively, of Schedule RI-B, Part II, item 3, “Charge-offs”).

(5) Any write-off recorded when the fair value of an available-for-sale debt security is less than its amortized cost basis and (i) the institution intends to sell the security or (ii) it is more likely than not that the institution will be required to sell the security before recovery of its amortized cost basis (report in Schedule RI, item 6.b, "Realized gains (losses) on available-for-sale securities”).

(6) Provisions for credit losses on off-balance-sheet credit exposures; (report these provisions in Schedule RI-B, Part II, Memorandum item 7, and include them in Schedule RI, item 4, “Provisions for credit losses”).

(7) Revaluation adjustments to the carrying value of all assets and liabilities reported in Schedule RC at fair value under a fair value option. Except as noted below, institutions should report net decreases (increases) in fair value on such servicing assets and liabilities in Schedule RI, item 5.f, and on such financial assets and liabilities in Schedule RI, item 5.l. Institutions should report 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”) in Schedule RI-A, item 10, “Other comprehensive income.” Interest income earned and interest expense incurred on fair value option financial assets and liabilities should be excluded from the net decreases (increases) in fair value and reported in the appropriate interest income or interest expense items on Schedule RI.

**7.e** **Total noninterest expense.** Report the sum of items 7.a through 7.d.

**8.a** **Income (loss) before change in net unrealized holding gains (losses) on equity securities not held for trading, applicable income taxes, and discontinued operations.** Report the institution’s pretax income from continuing operations before any change in net unrealized holding gains (losses) on equity securities and other equity investments not held for trading. This amount is determined by taking item 3, "Net interest income"; minus item 4, "Provisions for credit losses "; plus item 5.m, "Total noninterest income"; plus item 6.a, "Realized gains (losses) on held-to-maturity securities"; plus item 6.b, "Realized gains (losses) on available-for-sale securities," minus item 7.e, "Total noninterest expense." If the result is negative, report it with a minus (-) sign.

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

**8.b** **Change in net unrealized holding gains (losses) on equity securities not held for trading.** Report the year-to-date change in net unrealized holding gains (losses) on equity securities with readily determinable fair values not held for trading. ASC Topic 321, Investments-Equity Securities, includes provisions governing the accounting for investments in equity securities and eliminates the concept of available-for-sale equity securities. ASC Topic 321 requires holdings of equity securities (except those accounted for under the equity method or that result in consolidation), including other ownership interests (such as interests in partnerships, unincorporated joint ventures, and limited liability companies), to be measured at fair value with changes in the fair value recognized through net income. However, an institution may choose to measure equity securities and other equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer

Include the year-to-date change in net unrealized holding gains (losses) on equity securities and other equity investments without readily determinable fair values not held for trading that are measured at fair value through earnings. Also include impairment, if any, plus or minus changes resulting from observable price changes during the year-to-date reporting period on equity securities and other equity investments without readily determinable fair values not held for trading for which this measurement election is made.

Include realized gains (losses) on equity securities and other equity investments during the year-to-date reporting period. A realized gain (loss) arises if an institution sells an equity security or other equity investment, but had not yet recorded in earnings the change in value to the point of sale since the last value change was recorded.

See the Glossary entry for “Securities Activities” for further information on accounting for investments in equity securities.

**8.c** **Income (loss) before applicable income taxes and discontinued operations.** Report the institution’s pretax income from continuing operations as the sum of Schedule RI, item 8.a, "Income (loss) before change in net unrealized holding gains (losses) on equity securities not held for trading, applicable income taxes, and discontinued operations," and Schedule RI, item 8.b, "Change in net unrealized holding gains (losses) on equity securities not held for trading." If the amount is negative, report it with a minus (-) sign.

**9** **Applicable income taxes (on item 8.c).** Report the total estimated federal, state, and local income tax expense applicable to item 8.c, "Income (loss) before applicable income taxes and discontinued operations." Include both the current and deferred portions of these income taxes. If the amount is a tax benefit rather than tax expense, report it with a minus (-) sign.

Include as applicable income taxes all taxes based on a net amount of taxable revenues less deductible expenses. Exclude from applicable income taxes all taxes based on gross revenues or gross receipts (report such taxes in Schedule RI, item 7.d, "Other noninterest expense").

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

**9** (cont.) Include income tax effects of changes in tax laws or rates. Also include the effect of changes in the valuation allowance related to deferred tax assets resulting from a change in estimate of the realizability of deferred tax assets, excluding the effect of any valuation allowance changes related to unrealized holding gains (losses) on available-for-sale securities that are charged or credited directly to the separate component of equity capital for "Accumulated other comprehensive income" (Schedule RC, item 26.b).

Include the tax benefit of an operating loss carryforward or carryback for which the source of the income or loss in the current year is reported in Schedule RI, item 8.a, "Income (loss) before unrealized holding gains (losses) on equity securities not held for trading, applicable income taxes, and discontinued operations."

Also include the dollar amount of any material adjustments or settlements reached with a taxing authority (whether negotiated or adjudicated) relating to disputed income taxes of prior years.

Exclude the estimated federal, state, and local income taxes applicable to:

(1) Schedule RI, item 11, "Discontinued operations, net of applicable income taxes."

(2) Schedule RI-A, item 2, "Cumulative effect of changes in accounting principles and corrections of material accounting errors."

(3) Schedule RI-A, item 10, "Other comprehensive income."

Refer to the Glossary entry for "income taxes" for additional information.

**10** **Income (loss) before discontinued operations.** Report Schedule RI, item 8.c, "Income (loss) before applicable income taxes and discontinued operations," minus Schedule RI, item 9, "Applicable income taxes (on item 8.c)." If the amount is negative, report it with a minus (-) sign.

**11** **Discontinued operations, net of applicable income taxes.** Report the results of discontinued operations, if any, net of applicable income taxes, as determined in accordance with the provisions of ASC Subtopic 205-20, Presentation of Financial Statements – Discontinued Operations (formerly FASB Statement No. 144, "Accounting for the Impairment of Long-Lived Assets"). If the amount reported in this item is a net loss, report it with a minus (-) sign. State the dollar amount of the results of, and describe each of, the reporting institution's discontinued operations included in this item and the applicable income tax effect in Schedule RI-E, item 3.

**12** **Net income (loss) attributable to bank and noncontrolling (minority) interests.** Report the sum of Schedule RI, items 10 and 11. If this amount is a net loss, report it with a minus (-) sign.

**13** **LESS: Net income (loss) attributable to noncontrolling (minority) interests.** Report that portion of consolidated net income reported in Schedule RI, item 12, above, attributable to noncontrolling interests in consolidated subsidiaries of the bank. A noncontrolling interest, also called a minority interest, is the portion of equity in a bank's subsidiary not attributable, directly or indirectly, to the parent bank. If the amount reported in this item is a net loss, report it with a minus (-) sign.

**14** **Net income (loss) attributable to bank.** Report Schedule RI, item 12, less item 13. If this amount is a net loss, report it with a minus (-) sign.

## Memoranda

| Item No. | Caption and Instructions |
|---|---|
| **1 and 2** | Not applicable. |
| **3** | **Income on tax-exempt loans and leases to states and political subdivisions in the U.S.** Report the bank's best estimate of the income earned on:<br><br>(1) Tax-exempt loans to states and political subdivisions in the U.S. reportable in Schedule RC-C, Part I, item 8. This income will have been included in Schedule RI, item 1.a.(5), Interest and fee income on "All other loans," above.<br><br>(2) Tax-exempt leases to states and political subdivisions in the U.S. reportable in Schedule RC-C, Part I, item 10. This income will have been included in Schedule RI, item 1.b, "Income from lease financing receivables," above.<br><br>Tax-exempt loans and leases are those loans and leases to states and political subdivisions in the U.S. whose income is excludable from gross income for federal income tax purposes, regardless of whether the income from the loan or lease must be included in the bank's alternative minimum taxable income and regardless of the federal income tax treatment of the interest expense incurred to carry the loan or lease. |

## Memoranda

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

**4** **Income on tax-exempt securities issued by states and political subdivisions in the U.S.** Report the bank's best estimate of the income earned on those securities issued by states and political subdivisions in the U.S. reportable in Schedule RC-B, item 3, the income from which is excludable from gross income for federal income tax purposes, regardless of whether the income from the securities must be included in the bank's alternative minimum taxable income and regardless of the federal income tax treatment of the interest expense incurred to carry the securities.

**5** **Number of full-time equivalent employees at end of current period**. Report the number of full-time equivalent employees of the bank and its consolidated subsidiaries as of the report date (round to the nearest whole number). For purposes of this Memorandum item, a bank should include as employees individuals who, in form, are employed by an affiliate but who, in substance, do substantially all of their work for the reporting bank. However, banking organizations should not segregate the compensation component of other intercompany cost allocations arising from arrangements other than that described in the preceding sentence nor calculate the related pro rata number of full-time equivalent employees for purposes of this Memorandum item.

To convert the number of part-time employees to full-time equivalent employees, add the total number of hours all part-time and temporary employees worked during the quarter ending on the report date and divide this amount by the number of hours a full-time employee would have been expected to work during the quarter. Round the result to the nearest whole number and add it to the number of full-time employees. (A full-time employee may be expected to work more or less than 40 hours each week, depending on the policies of the reporting bank.)

**6** **Interest and fee income on loans to finance agricultural production and other loans to farmers.**

Memorandum items 6 is to be completed by:

- banks with $300 million or more in total assets, and
- banks with less than $300 million in total assets and with loans to finance agricultural production and other loans to farmers (as reported in Schedule RC-C, Part I, item 3) exceeding five percent of total loans and leases held for investment and held for sale (Schedule RC-C, Part I, item 12).

Report in this item all interest, fees, and similar charges levied against or associated with all loans reportable in Schedule RC-C, Part I, item 3, "Loans to finance agricultural production and other loans to farmers."

**7** **If the reporting institution has applied pushdown accounting this calendar year, report the date of the institution's acquisition.** Pushdown accounting is an acquired institution's establishment of a new accounting basis in its separate financial statements (including its Consolidated Reports of Condition and Income) when an acquirer obtains control of the acquired institution and the institution retains its separate corporate existence. Under ASU No. 2014-17, "Pushdown Accounting," which amended ASC Subtopic 805-50, Business Combinations–Related Issues, an acquired institution that retains its separate corporate

## Memoranda

| Item No. | Caption and Instructions |
|---|---|
| 7 (cont.) | existence may apply pushdown accounting upon a change-in-control event. A change-in-control event occurs when an acquirer obtains a controlling financial interest in the acquired institution. A controlling financial interest typically requires ownership of more than 50 percent of the voting rights in an acquired entity. For further information, see the “pushdown accounting” section of the Glossary entry for "business combinations."<br><br>If the reporting institution was acquired during the calendar year-to-date reporting period, has retained its separate corporate existence, and has elected to apply pushdown accounting in its separate financial statements (including its Consolidated Reports of Condition and Income) in accordance with the "pushdown accounting" section of the Glossary entry for "business combinations," report the date (year, month, and day) as of which the acquisition took place. For example, an institution that was acquired as of the close of business June 1, 2018, and elected to apply pushdown accounting in its separate financial statements (including its Consolidated Reports of Condition and Income) would report 20180601 in this Memorandum item for June 30, September 30, and December 31, 2018.<br><br>An acquired institution that has elected pushdown accounting also must report certain information on its loans and leases reported as held for investment after applying pushdown accounting in Schedule RC-C, Part I, Memorandum item 12, in the reports for June 30 and December 31 of the calendar year of acquisition, as appropriate, regardless of whether the institution still holds the loans and leases.<br><br>If the reporting institution has not been acquired during this calendar year or if the reporting institution has been acquired during this calendar year but it did not elect to apply pushdown accounting, the institution should report zeros (i.e., 00000000) for the date in this Memorandum item. |
| 8 - 10 | Not applicable. |
| 11 | **Does the reporting bank have a Subchapter S election in effect for federal income tax purposes for the current tax year?** Indicate in the boxes marked “YES” and “NO” whether the bank is, for federal income tax purposes, either an "S corporation" or a "qualifying subchapter S subsidiary," as defined in Internal Revenue Code Section 1361, as of the report date. In order to be an S corporation, the bank must have filed a valid election with the Internal Revenue Service and obtained the consent of all of its shareholders. An election for a bank to be a qualifying subchapter S subsidiary must have been made by a bank's parent holding company, which must also have made a valid election to be an S corporation. In addition, the bank (and its parent holding company, if applicable) must meet specific criteria for federal income tax purposes at all times during which the election remains in effect. These specific criteria include, for example, having no more than 100 qualifying shareholders and having only one class of stock outstanding. |

## Memoranda

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

**12 - 14** Not applicable.

NOTE: Memorandum items 15.a through 15.d are to be completed annually in the December report only by institutions with $1 billion or more in total assets[1] that answered "Yes" to Schedule RC-E, Memorandum item 5, “Does your institution offer one or more consumer deposit account products, i.e., transaction account or nontransaction savings account deposit products intended primarily for individuals for personal, household, or family use?”

**15** **Components of service charges on deposit accounts.** Report in the appropriate subitem the calendar year-to-date amount of the specified category of service charges on deposit accounts included in Schedule RI, item 5.b, “Service charges on deposit accounts.” Consistent with the instructions for Schedule RI, item 5.b, the amount of service charges on deposit accounts reported in Memorandum items 15.a through 15.d should be net of amounts refunded to depositors.

The specified categories of service charges to be reported in Schedule RI, Memorandum items 15.a through 15.c, are those levied against consumer deposit account products offered by the reporting institution during the calendar year to date that would be reportable in Schedule RC-E, Memorandum items 6.a, 6.b, 7.a.(1), and 7.b.(1).

Once a customer has opened a deposit account with the reporting institution that is a deposit product intended primarily for individuals for personal, household, or family use, the institution is not required thereafter to review the customer’s status or usage of the account to determine whether the transaction account is being used for personal, household, or family purposes. Thus, when reporting the amount of service charges on consumer deposit account products in Schedule RI, Memorandum items 15.a through 15.c, below, the reporting institution is not required to identify those individual accounts within the population of a particular consumer deposit account product that are not being used for personal, household, or family purposes and remove any service charges levied against these accounts from the total amounts of overdraft-related, periodic maintenance, and customer automated teller machine (ATM) fees charged to customer accounts within that consumer deposit product.

Treatment of Transfer Fees – If the reporting institution levies a service charge or fee on a consumer deposit account for a transfer between the account holder’s deposit account and

[1] In general, the determination as to whether an institution has $1 billion or more in total assets is measured as of June 30 of the previous calendar year. See pages 6a and 7 of the General Instructions for guidance on shifts in reporting status.

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**Memoranda**

| Item No. | Caption and Instructions |
|---|---|
| **15** (cont.) | another account (including a loan account) regardless of the means by which the transfer is effected (e.g., in person, by telephone, via an ATM, and via online account access), the transfer fee should be reported in Schedule RI, Memorandum item 15.d, "All other service charges on deposit accounts." In contrast, if the reporting institution levies a service charge or fee on a consumer deposit account for the account holder's use of an ATM to effect a transfer between the account holder's deposit account and another account (and not for the transfer itself), the service charge or fee is considered a fee for accessing the ATM and should be reported in Schedule RI, Memorandum item 15.c, "Consumer customer automated teller machine (ATM) fees levied on those transaction account and nontransaction savings account deposit products intended primarily for individuals for personal, household, or family use," and is not considered a transfer fee.<br><br>The sum of Memorandum items 15.a through 15.d must equal Schedule RI, item 5.b. |
| **15.a** | **Consumer overdraft-related service charges levied on those transaction account and nontransaction savings account deposit products intended primarily for individuals for personal, household, or family use.** For deposit account products intended, marketed, or presented to the public primarily for individuals for personal, household, or family use, report the amount of service charges and fees related to the processing of payments and debits against insufficient funds, including "nonsufficient funds (NSF) check charges," that the reporting institution assesses with respect to items that it either pays or returns unpaid, and all subsequent charges levied against overdrawn accounts, but excluding those fees equivalent to interest and reported in Schedule RI, item 1, "Interest and fee income on loans." |
| **15.b** | **Consumer account periodic maintenance charges levied on those transaction account and nontransaction savings account deposit products intended primarily for individuals for personal, household, or family use.** For deposit account products intended, marketed, or presented to the public primarily for individuals for personal, household, or family use, report the amount of service charges levied on such consumer deposit accounts for account holders' maintenance of their deposit accounts with the reporting institution (often labeled "monthly maintenance charges"). Include recurring fees not subject to waiver, which include fixed monthly or other periodic charges levied against a consumer deposit account for the maintenance of the account that the account holder cannot avoid under any circumstances, including, for example, by maintaining other deposit or loan accounts with the institution, maintaining a minimum deposit balance, or engaging in a specified level of account activity (such as the number of debit card transactions) during a month or other period. Also include maintenance charges subject to waiver during a month or other period that have not been waived, but have been levied against a consumer deposit account because of the account holder's failure to maintain specified minimum deposit balances or meet other requirements (e.g., requirements related to transacting and purchasing other services).<br><br>Exclude so-called "per-check fees" levied on consumer deposit accounts regardless of whether such fees are charged, for example, (a) for each check that is paid during a month or other period, (b) if a specified minimum account balance is not maintained during a month or other period, or (c) if the number of checks paid during a month or other period exceeds a specified number. "Per-check fees" should be reported in Schedule RI, Memorandum item 15.d, "All other service charges on deposit accounts." In addition, exclude so-called "per-item fees" that function in a manner similar to "per-check fees" and report such fees in Memorandum item 15.d. |

**Memoranda**

| Item No. | Caption and Instructions |
|---|---|
| **15.b** (cont.) | Also exclude event-based service charges and fees levied on consumer deposit accounts, such as stop payment fees and wire transfer fees. Such service charges and fees should be reported in Schedule RI, Memorandum item 15.d. |
| **15.c** | **Consumer customer automated teller machine (ATM) fees levied on those transaction account and nontransaction savings account deposit products intended primarily for individuals for personal, household, or family use.** For deposit account products maintained at the reporting institution and intended, marketed, or presented to the public primarily for individuals for personal, household, or family use, report the amount of service charges and fees levied against such consumer deposit accounts by the reporting institution for the account holder's use of ATMs or remote service units (RSUs) owned, operated, or branded by the institution, other institutions, or other third-party, non-bank ATM operators to access the account holder's consumer deposit accounts at the institution for purposes of conducting transactions and other activities. Such transactions and other activities include deposits to or withdrawals from consumer deposit accounts, account balance inquiries, and transfers between the account holder's consumer deposit account and another account (including a loan account). (See the "Treatment of Transfer Fees" above in the instructions for Schedule RI, Memorandum item 15.)<br><br>Exclude service charges levied by the reporting institution against deposit accounts maintained at other institutions for transactions conducted through the use of ATMs or RSUs owned, operated, or branded by the reporting institution. Also exclude debit card interchange fees. Such service charges and interchange fees should be reported in Schedule RI, item 5.l, "Other noninterest income," not in Schedule RI, item 5.b. |
| **15.d** | **All other service charges on deposit accounts.** Report all other service charges on deposit accounts levied by the reporting institution and not reported in Schedule RI, Memorandum items 15.a, 15.b, and 15.c. Include service charges and fees on the reporting institution's deposit account products intended for use by a broad range of depositors (which may include individuals), rather than being intended, marketed, or presented to the public primarily for individuals for personal, household, or family use. For deposit account products intended for use by a broad range of depositors, the reporting institution need not identify the fees charged to accounts held by individuals for personal, household, or family use and need not report these fees in one of the three categories of consumer deposit account fees above.<br><br>Include "per-check fees" and "per-item fees" (as discussed in the instructions to Schedule RI, Memorandum item 15.b, above) and event-based service charges and fees (such as stop payment fees and wire transfer fees) levied on deposit accounts, including consumer deposit accounts. See the instructions for Schedule RI, Memorandum item 15, above for information on the "Treatment of Transfer Fees." |

# SCHEDULE RI-A – CHANGES IN BANK EQUITY CAPITAL

## General Instructions

This schedule is to be completed quarterly by all banks.

Total bank equity capital includes perpetual preferred stock, common stock, surplus, retained earnings, and accumulated other comprehensive income. All amounts in Schedule RI-A, other than those reported in items 1, 3, and 12, should represent net aggregate changes for the calendar year-to-date. Report all net decreases and losses (net reductions in bank equity capital) with a minus (-) sign.

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

**1** **Total bank equity capital most recently reported for the December 31, 20xx, Reports of Condition and Income.** Report the bank's total equity capital balance as reported in the Reports of Condition and Income for the previous calendar year-end after the effect of all corrections and adjustments to total bank equity capital that were made in any amended report(s) for the previous calendar year-end.

For banks opened since January 1 of the current calendar year, report a zero in this item. Report the bank's opening (original) total equity capital in Schedule RI-A, item 5, "Sale, conversion, acquisition, or retirement of capital stock, net."

**2** **Cumulative effect of changes in accounting principles and corrections of material accounting errors.** Report the sum of the cumulative effect, net of applicable income taxes, of all changes in accounting principles adopted during the calendar year-to-date reporting period that were applied retroactively and for which prior years' financial statements were restated and all corrections resulting from material accounting errors that were made in prior years' Reports of Condition and Income and not corrected by the filing of an amended report for the period in which the error was made.

Include only those corrections that result from:

(1) Mathematical mistakes.

(2) Mistakes in applying accounting principles.

(3) Improper use of information which existed when the prior Reports of Condition and Income were prepared.

(4) A change from an accounting principle that is neither accepted nor sanctioned by bank supervisors to one that is acceptable to supervisors.

The effect of accounting errors differs from the effect of changes in accounting estimates. Changes in accounting estimates are an inherent part of the accrual accounting process. Report the effect of any changes in accounting estimates in the appropriate line items of Schedule RI, Income Statement.

The cumulative effect of a change in accounting principle is the difference between (1) the balance in the retained earnings account at the beginning of the year in which the change is made and (2) the balance in the retained earnings account that would have been reported

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

**2** (cont.) at the beginning of the year had the newly adopted accounting principle been applied in all prior periods.

State the dollar amount of and describe the cumulative effect of each accounting principle change and accounting error correction included in this item in Schedule RI-E, item 4.

Refer to the Glossary entry for "accounting changes" for additional information on how to report the effects of changes in accounting principles, corrections of errors, and changes in estimates.

**3** **Balance end of previous calendar year as restated.** Report the sum of items 1 and 2.

**4** **Net income (loss) attributable to bank.** Report the net income (loss) attributable to the bank for the calendar year-to-date as reported in Schedule RI, item 14, "Net income (loss) attributable to bank."

**5** **Sale, conversion, acquisition, or retirement of capital stock, net (excluding treasury stock transactions).** Report the changes in the bank's total equity capital resulting from:

(1) Sale of the bank's perpetual preferred stock or common stock. Limited-life preferred stock is not included in equity capital; any proceeds from the sale of limited-life preferred stock during the calendar year-to-date is not to be reported in this schedule.

(2) Exercise of stock options, including:

(a) Any income tax benefits to the bank resulting from the sale of the bank's own stock acquired under a qualified stock option within three years of its purchase by the employee who had been granted the option.

(b) Any tax benefits to the bank resulting from the exercise (or granting) of nonqualified stock options (on the bank's stock) based on the difference between the option price and the fair market value of the stock at the date of exercise (or grant).

(3) Conversion of convertible debt, limited-life preferred stock, or perpetual preferred stock into perpetual preferred or common stock.

(4) Redemption of perpetual preferred stock or common stock.

(5) Retirement of perpetual preferred stock or common stock.

(6) Capital-related transactions involving the bank's Employee Stock Ownership Plan.

(7) The awarding of share-based employee compensation classified as equity. Under ASC Topic 718, Compensation-Stock Compensation (formerly FASB Statement No. 123(R), “Share-Based Payment”), the compensation cost for such an award must be recognized over the requisite service period with a corresponding credit to equity. This reporting treatment applies regardless of whether the shares awarded to an employee are shares of bank stock or shares of stock in the bank's parent holding company.

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

**5** (cont.) Include in this item:

(1) The net decrease in equity capital that occurs when cash is distributed in lieu of fractional shares in a stock dividend.

(2) The net increase in equity capital when a stockholder who receives a fractional share from a stock dividend purchases the additional fraction necessary to make a whole share.

Exclude treasury stock transactions from this item (report such transactions in Schedule RI-A, item 6, below).

For banks opened since January 1 of the year-to-date reporting period, report opening (original) equity capital in this item. Pre-opening income earned and expenses incurred from the bank's inception until the date the bank commenced operations should be reported in the Report of Income using one of the two following methods, consistent with the manner in which the bank reports pre-opening income and expenses for other financial reporting purposes:

(1) Pre-opening income and expenses for the entire period from the bank's inception until the date the bank commenced operations should be reported in the appropriate items of Schedule RI, Income Statement, each quarter during the calendar year in which operations commenced; or

(2) Pre-opening income and expenses for the period from the bank's inception until the beginning of the calendar year in which the bank commenced operations should be included, along with the bank's opening (original) equity capital, in this item. The net amount of these pre-opening income and expenses should be identified and described in Schedule RI-E, item 7. Pre-opening income earned and expenses incurred during the calendar year in which the bank commenced operations should be reported in the appropriate items of Schedule RI, Income Statement, each quarter during the calendar year in which operations commenced.

**6** **Treasury stock transactions, net.** Report the change in the bank's total equity capital during the calendar year to date from the acquisition (without retirement) and resale or other disposal of the bank's own perpetual preferred stock or common stock, i.e., treasury stock transactions (see the Glossary entry for "treasury stock").

**7** **Changes incident to business combinations, net.** If the reporting institution purchased another institution or business during the year-to-date reporting period, report the fair value of any perpetual preferred or common shares issued (less the direct cost of issuing the shares). Exclude the fair value of limited-life preferred stock issued in connection with purchase acquisitions. Refer to the Glossary entry for "business combinations" for further information on purchase acquisitions.

If the reporting institution was acquired in a transaction that became effective during the reporting period, retained its separate corporate existence, and elected to apply pushdown accounting in its separate financial statements (including its Consolidated Reports of Condition and Income), report in this item the initial increase or decrease in equity capital that results from the application of pushdown accounting, i.e., the difference between the institution's total equity capital as of the end of the previous calendar year and its restated equity capital after the pushdown adjusting entries have been recorded as of the acquisition date. For further information on pushdown accounting, refer to the Glossary entry for "business combinations."

| Item No. | Caption and Instructions |
|---|---|
| 7 (cont.) | If the reporting institution was involved in a transaction between entities under common control that became effective during the year-to-date reporting period and has been accounted for in a manner similar to a pooling of interests, report in this item the historical equity capital balances as of the end of the previous calendar year of the institution or other business that was combined with the reporting institution in the transaction. For further information on transactions between entities under common control, refer to the Glossary entry for "business combinations." |
| 8 | **LESS: Cash dividends declared on preferred stock.** Report all cash dividends declared on limited-life preferred and perpetual preferred stock during the calendar year-to-date, including dividends not payable until after the report date.<br><br>Do not include dividends declared during the previous calendar year but paid in the current period.<br><br>Refer to the Glossary entry for "dividends" for further information on cash dividends. |
| 9 | **LESS: Cash dividends declared on common stock.** Report all cash dividends declared on common stock during the calendar year-to-date, including dividends not payable until after the report date.<br><br>Do not include dividends declared during the previous calendar year but paid in the current period.<br><br>For further information on cash dividends, see the Glossary entry for "dividends." |
| 10 | **Other comprehensive income.** Report the institution's other comprehensive income, including reclassification adjustments, for the calendar year-to-date, net of applicable income taxes, if any. Reclassification adjustments are adjustments made to avoid double counting of items in comprehensive income that are presented as part of net income for the calendar year-to-date reporting period that also had been presented as part of other comprehensive income in that reporting period or earlier reporting periods. If the amount to be reported in this item represents a reduction in the institution's equity capital, report the amount with a minus (-) sign.<br><br>Items of other comprehensive income include:<br><br>(1) The change in net unrealized holding gains (losses) on the institution's available-for-sale debt securities.<br><br>(2) Unrealized holding gains (losses) that result from a debt security being transferred into the available-for-sale category from the held-to-maturity category.<br><br>(3) For a debt security transferred into the held-to-maturity category from the available-for-sale category, amortization of the unrealized holding gain (loss) on the debt security at the date of transfer. Consistent with ASC Subtopic 320, Investments-Debt Securities, this unrealized holding gain (loss) should be amortized over the remaining life of the debt security as an adjustment of yield.<br><br>(4) The portion of other-than-temporary impairment losses on available-for-sale and held-to-maturity debt securities that was not recognized in earnings in accordance with ASC Topic 320, Investments-Debt Securities, subsequent decreases (if not |

**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) on derivative instruments that are designated as, and qualify as, cash flow hedges.

(6) For derivative instruments that are designated in qualifying hedging relationships, the year-to-date difference between the changes in fair value of components excluded from assessments of effectiveness and the initial value of the excluded components recognized in earnings under a systematic and rational method when the amortization approach for excluded components has been elected in accordance with ASC Topic 815, Derivatives and Hedging.

(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.

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

| Item No. | Caption and Instructions |
|---|---|
| 11 (cont.) | State the dollar amount of and describe each transaction included in this item in Schedule RI-E, item 5. State the dollar amount of and describe each transaction included |
| 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." |

# SCHEDULE RI-B – CHARGE-OFFS AND RECOVERIES ON LOANS AND LEASES AND CHANGES IN ALLOWANCES FOR CREDIT LOSSES

## Part I. Charge-offs and Recoveries on Loans and Leases

### General Instructions

This part has two columns. In column A report loans and leases charged off against the allowance for credit losses on loans and leases during the current calendar year-to-date. Also include in column A write-downs to fair value on loans (and leases) transferred to the held-for-sale account during the calendar year-to-date that occurred when (1) the reporting bank decided to sell loans that were not originated or otherwise acquired with the intent to sell and (2) the fair value of those loans had declined for any reason other than a change in the general market level of interest or foreign exchange rates. In column B report amounts recovered through the allowance for credit losses on loans and leases during the calendar year-to-date on loans and leases previously charged off.

For those banks required to establish and maintain an allocated transfer risk reserve as specified in Section 905(a) of the International Lending Supervision Act of 1983, include in column A loans and leases charged off against the allocated transfer risk reserve during the current calendar year-to-date. Include in column B amounts recovered through the allocated transfer risk reserve during the calendar year-to-date on loans and leases previously charged off against this reserve.

These instructions should be read in conjunction with the Glossary entry for "Allowances for Credit Losses."

Business Combinations, Pushdown Accounting Transactions, and Transactions between Entities under Common Control – If the reporting institution entered into a business combination that became effective during the year-to-date reporting period and has been accounted for under the acquisition method, include the charge-offs and recoveries of the acquired institution or other business only after its acquisition. Similarly, if the reporting institution was acquired in a transaction that became effective during the reporting period, retained its separate corporate existence, and elected to apply pushdown accounting in its separate financial statements (including its Consolidated Reports of Condition and Income), include only the charge-offs and recoveries from the date of the institution's acquisition through the end of the year-to-date reporting period. If the reporting institution was involved in a transaction between entities under common control that became effective during the year-to-date reporting period and has been accounted for in a manner similar to a pooling of interests, report the charge-offs and recoveries of the combined entities for the entire calendar year-to-date as though they had combined at the beginning of the year. For further information on business combinations, pushdown accounting, and transactions between entities under common control, see the Glossary entry for "business combinations."

### Item Instructions

| Item No. | Caption and Instructions |
|---|---|
| 1 | **Loans secured by real estate.** Report in the appropriate subitem and column loans secured by real estate (as defined for Schedule RC-C, Part I, item 1) charged off and recovered. |
| 1.a | **Construction, land development, and other land loans.** Report in the appropriate subitem and column construction, land development, and other land loans (as defined for Schedule RC-C, Part I, item 1.a) charged off and recovered. |

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| 1.a.(1) | **1-4 family residential construction loans.** Report in columns A and B, as appropriate, 1-4 family residential construction loans (as defined for Schedule RC-C, Part I, item 1.a.(1)) charged off and recovered. |
| 1.a.(2) | **Other construction loans and all land development and other land loans.** Report in columns A and B, as appropriate, other construction loans and all land development and other land loans (as defined for Schedule RC-C, Part I, item 1.a.(2)) charged off and recovered. |
| 1.b | **Secured by farmland.** Report in columns A and B, as appropriate, loans secured by farmland (as defined for Schedule RC-C, Part I, item 1.b) charged off and recovered. |
| 1.c | **Secured by 1-4 family residential properties.** Report in the appropriate subitem and column loans secured by 1-4 family residential properties (as defined for Schedule RC-C, Part I, item 1.c) charged off and recovered. |
| 1.c.(1) | **Revolving, open-end loans secured 1-4 family residential properties and extended under lines of credit.** Report in columns A and B, as appropriate, loans secured by revolving, open-end loans secured by 1-4 family residential properties and extended under line of credit (as defined for Schedule RC-C, Part I, item 1.c.(1)) charged-off and recovered. |
| 1.c.(2) | **Closed-end loans secured by 1-4 family residential properties.** Report in the appropriate subitem and column closed-end loans secured by 1-4 family residential properties (as defined for Schedule RC-C, Part I, item 1.c.(2)) charged-off and recovered. |
| 1.c.(2)(a) | **Secured by first liens.** Report in columns A and B, as appropriate, closed-end loans secured by first liens on 1-4 family residential properties (as defined for Schedule RC-C, Part I, item 1.c.(2)(a)) charged-off and recovered. |
| 1.c.(2)(b) | **Secured by junior liens.** Report in columns A and B, as appropriate, closed-end loans secured by junior liens on 1-4 family residential properties (as defined for Schedule RC-C, Part I, item 1.c.(2)(b)) charged-off and recovered. Include loans secured by junior liens in this item even if the bank also holds a loan secured by a first lien on the same 1-4 family residential property and there are no intervening junior liens. |
| 1.d | **Secured by multifamily (5 or more) residential properties.** Report in columns A and B, as appropriate, loans secured by multifamily (5 or more) residential properties (as defined for Schedule RC-C, Part I, item 1.d) charged-off and recovered. |
| 1.e | **Secured by nonfarm nonresidential properties.** Report in the appropriate subitem and column loans secured by nonfarm nonresidential properties (as defined for Schedule RC-C, Part I, item 1.e) charged off and recovered. |
| 1.e.(1) | **Loans secured by owner-occupied nonfarm nonresidential properties.** Report in columns A and B, as appropriate, loans secured by owner-occupied nonfarm nonresidential properties (as defined for Schedule RC-C, Part I, item 1.e.(1)) charged off and recovered. |
| 1.e.(2) | **Loans secured by other nonfarm nonresidential properties.** Report in columns A and B, as appropriate, loans secured by other nonfarm nonresidential properties (as defined for Schedule RC-C, Part I, item 1.e.(2)) charged off and recovered. |

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| **2** and **3** | Not applicable. |
| **4** | **Commercial and industrial loans.** Report in columns A and B, as appropriate, commercial and industrial loans (as defined for Schedule RC-C, Part I, item 4) charged-off and recovered. |
| **5** | **Loans to individuals for household, family, and other personal expenditures.** Report in the appropriate subitem and column loans to individuals for household, family, and other personal expenditures (as defined for Schedule RC-C, Part I, item 6) charged-off and recovered. |
| **5.a** | **Credit cards.** Report in columns A and B, as appropriate, all extensions of credit under credit cards (as defined for Schedule RC-C, Part I, items 6.a) charged-off and recovered. |
| **5.b** | **Automobile loans.** Report in columns A and B, as appropriate, all loans arising from retail sales of passenger cars and other vehicles such as minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use (as defined for Schedule RC-C, Part I, item 6.c) charged-off and recovered. |
| **5.c** | **Other (includes revolving credit plans other than credit cards and other consumer loans).** Report in columns A and B, as appropriate, all other extensions of credit to individuals for household, family, and other personal expenditures (as defined for Schedule RC-C, Part I, items 6.b and 6.d) charged-off and recovered. |
| **6** | Not applicable. |
| **7** | **All other loans.** Report in columns A and B, as appropriate, loans to depository institutions and acceptances of other banks, loans to finance agricultural production and other loans to farmers, obligations (other than securities and leases) of states and political subdivisions in the U.S., and loans to nondepository financial institutions and other loans (as defined for Schedule RC-C, Part I, items 2, 3, 8, and 9) charged-off and recovered. |
| **8** | **Lease financing receivables.** Report in columns A and B, as appropriate, all lease financing receivables (as defined for Schedule RC-C, Part I, item 10) charged-off and recovered. |
| **9** | **Total.** Report in columns A and B the sum of item 1 through 8. The amount reported in column A must equal Schedule RI-B, Part II, item 3, column A, "Charge-offs," below. The amount reported in column B must equal Schedule RI-B, Part II, item 2, column A, "Recoveries," below. |

**Part I. (cont.)**

**Memoranda**

| Item No. | Caption and Instructions |
|---|---|
| 1 | **Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in Schedule RI-B, Part I, items 4 and 7, above.** Report in columns A and B, as appropriate, loans to finance commercial real estate, construction, and land development activities ***not secured by real estate*** (as defined for Schedule RC-C, Part I, Memorandum item 3) charged off and recovered. Such loans will have been included in items 4 and 7 of Schedule RI-B, Part I, above. Exclude from this item all loans secured by real estate included in item 1 of Schedule RI-B, Part I, above. |
| 2 | Not applicable. |
| 3 | **Loans to finance agricultural production and other loans to farmers.**<br><br>Memorandum item 3 is to be completed by:<br>• banks with $300 million or more in total assets, and<br>• banks with less than $300 million in total assets and with loans to finance agricultural production and other loans to farmers (as reported in Schedule RC-C, Part I, item 3,) exceeding five percent of total loans and leases held for investment and held for sale (Schedule RC-C, Part I, item 12).<br><br>Report in columns A and B, as appropriate, loans to finance agricultural production and other loans to farmers (as defined for Schedule RC-C, Part I, item 3) charged off and recovered. Such loans will have been included in Schedule RI-B, Part I, item 7, above. |

## Part II. Changes In Allowances for Credit Losses

### General Instructions

This part has three columns for information on year-to-date activity in the allowances for credit losses, one for each of the following three asset categories: (1) loans and leases held for investment (column A), (2) held-to-maturity debt securities (column B), and (3) available-for-sale debt securities (column C).

Institutions should report reconcilements of the allowances for credit losses on loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities in columns A, B, and C, respectively.

For those banks required to establish and maintain an allocated transfer risk reserve as specified in Section 905(a) of the International Lending Supervision Act of 1983, the reconcilement should include in column A the activity in the allocated transfer risk reserve during the calendar year-to-date that relates to loans and leases held for investment. Institutions should report such activity that relates to held-to-maturity and available-for-sale debt securities in columns B and C, respectively.

Exclude the balances of the allowance for credit losses on off-balance sheet credit exposures reported in Schedule RC-G, item 3, and any capital reserves included in Schedule RC, item 26.a, "Retained earnings," and the effects of any transactions therein.

Refer to the Glossary entry for "Allowances for Credit Losses" for further information.

Business Combinations, Pushdown Accounting Transactions, and Transactions between Entities under Common Control – If the reporting institution entered into a business combination that became effective during the year-to-date reporting period and has been accounted for under the acquisition method, include the recoveries, charge-offs, and provisions of the acquired institution or other business only after its acquisition. Under ASC Topic 805, Business Combinations, the acquired loans and leases must be measured at their acquisition-date fair values. Therefore, the institution may not carry over the allowances for credit losses of the acquired institution or other business as of the acquisition date. However, for a reporting institution that has acquired financial assets in a business combination that management has determined to be purchased credit-deteriorated as of the acquisition date, the institution should report the initial allowance gross-up amounts established upon the purchase of these assets, which are recorded at the date of acquisition as an addition to the purchase price to determine the initial amortized cost basis of the assets, should be reported as positive amounts in the applicable columns of Schedule RI-B, Part II, item 6, “Adjustments.”

Similarly, if the reporting institution was acquired in a transaction that became effective during the year-to-date reporting period, retained its separate corporate existence, and elected to apply pushdown accounting in its separate financial statements (including its Consolidated Reports of Condition and Income), include only the recoveries, charge-offs, and provisions from the date of the institution's acquisition through the end of the year-to-date reporting period. When applying pushdown accounting, the reporting institution’s loans and leases must be restated to their acquisition-date fair values and the institution may not carry over its allowances for credit losses as of the acquisition date.

**Part II. (cont.)**

**General Instructions (cont.)**

As a consequence, the amounts reported in Schedule RI-B, Part II, item 1, columns A, B, and C, for the balances of the allowances for credit losses most recently reported for the end of the previous calendar year must be reported as negative amounts in Schedule RI-B, Part II, item 6, columns A, B, and C, "Adjustments." In addition, when applying pushdown accounting, for those financial assets that management has determined to be purchased credit-deteriorated as of the institution's acquisition date, the institution should report as positive amounts in the applicable columns of Schedule RI-B, Part II, item 6, "Adjustments," the initial allowance gross-up amounts established as of the acquisition date, which are recorded as an addition to the acquisition-date fair values of these purchased credit-deteriorated assets to determine their initial amortized cost basis.

If the reporting institution was involved in a transaction between entities under common control that became effective during the year-to-date reporting period and has been accounted for in a manner similar to a pooling of interests, report the recoveries, charge-offs, and provisions of the combined entities for the entire calendar year-to-date as though they had combined at the beginning of the year. A reporting institution should report the balances as of the end of the previous calendar year of the allowances for credit losses of the institution or other business that combined with the reporting institution in the common control transaction in Schedule RI-B, Part II, item 6, columns A, B, or C, "Adjustments."

For further information on business combinations, pushdown accounting, and transactions between entities under common control, see the Glossary entry for "business combinations."

**Item Instructions**

| Item No. | Caption and Instructions |
|---|---|
| 1 | **Balance most recently reported in the December 31, 20xx, Reports of Condition and Income.** Institutions should report in columns A, B, and C the balances of the institution's allowances for credit losses on loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities, respectively, as reported in the Consolidated Reports of Condition and Income for the previous calendar year-end after the effect of all corrections and adjustments to these allowances for credit losses that were made in any amended report(s) for the previous calendar year-end. |
| 2 | **Recoveries.** Institutions should report in columns A, B, and C the amounts credited to the allowances for credit losses on loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities, respectively, for recoveries during the calendar year-to-date on amounts previously charged against these allowances for credit losses. The amount reported in column A for this item must equal Schedule RI-B, Part I, item 9, column B. |

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| 3 | **LESS: Charge-offs.** Institutions should report in columns A, B, and C the amounts of loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities charged against the allowances for credit losses on loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities, respectively, during the calendar year-to-date. The amount reported in column A for this item must equal Schedule RI-B, Part I, item 9, column A, "Total" charge-offs, less Schedule RI-B, Part II, item 4, column A, "LESS: Write-downs arising from transfers of financial assets." |
| 4 | **LESS: Write-downs arising from transfers of financial assets.** Institutions should report in columns A, B, and C the amounts of write-downs to fair value charged against the allowances for credit losses on loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities, respectively, resulting from transfers of loans and leases to a held-for-sale account (resulting from the events described above), or transfers of held-to-maturity debt securities and available-for-sale debt securities between held-to-maturity, available-for-sale, and trading accounts during the calendar year-to-date. |
| 5 | **Provisions for credit losses.** Institutions should report in columns A, B, and C the amounts expensed as provisions for credit losses (or reversals of provisions) on loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities, respectively, during the calendar year-to-date. Provisions for credit losses (or reversals of provisions) on loans and leases held for investment and held-to-maturity debt securities represent the amounts necessary to adjust the related allowances for credit losses at the quarter-end report date for management's current estimate of expected credit losses on these assets. Provisions for credit losses (or reversals of provisions) on available-for-sale debt securities represent changes during the calendar year to date in the amount of impairment related to credit losses on individual available-for-sale debt securities. The sum of the amounts reported in item 5, columns A through C, plus Schedule RI-B, Part II, Memorandum items 5, "Provisions for credit losses on other financial assets measured at amortized cost," and 7, "Provisions for credit losses on off-balance-sheet credit exposures, must equal Schedule RI, item 4. If the amount reported in column A, B, or C for this item is negative, report it with a minus (-) sign. |
| 6 | **Adjustments.** Report all activity in the allowances for credit losses that cannot be properly reported in Schedule RI-B, Part II, items 2 through 5, above.<br><br>If the reporting institution was acquired in a transaction that became effective during the year-to-date reporting period, retained its separate corporate existence, and elected to apply pushdown accounting in its separate financial statements (including its Consolidated Reports of Condition and Income), it should report as negative amounts in columns A, B, and C of this item the balances of the allowances for credit losses on loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities, respectively, most recently reported for the end of the previous calendar year in Schedule RI-B, Part II, item 1, columns A, B, and C, above. In addition, when applying pushdown accounting, for those financial assets that management has determined to be purchased credit-deteriorated as of the institution's acquisition date, the institution should report as positive amounts in columns A, B, and C of this item, as appropriate, the initial allowance gross-up amounts established as of the acquisition date, which are recorded as an addition to the acquisition-date fair values of these purchased credit-deteriorated assets to determine their initial amortized cost basis. |

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| **6** (cont.) | If the reporting institution was involved in a transaction between entities under common control that became effective during the year-to-date reporting period and has been accounted for in a manner similar to a pooling of interests, it should report in columns A, B, and C of this item the balances as of the end of the previous calendar year of the allowances for credit losses on loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities, respectively, of the institution or other business that combined with the reporting institution in the common control transaction.<br><br>If the reporting institution acquired purchased credit-deteriorated assets during the calendar year to date, it should report in columns A, B, and C of this item, as appropriate, the year-to-date initial gross-up amounts recognized upon the acquisition of the purchased credit-deteriorated assets.<br><br>If the amount reported in this item is negative, report it with a minus (-) sign.<br><br>State the dollar amount of and describe each transaction included in this item in Schedule RI-E, Explanations, item 6. |
| **7** | **Balance end of current period.** Report in columns A, B, and C the sum of items 1, 2, 5, and 6, less items 3 and 4. The amount reported in column A for this item must equal the allowance amount reported in Schedule RC, item 4.c. |

**Part II. (cont.)**

**Memoranda**

| Item No. | Caption and Instructions |
|---|---|
| **1-4** | Not applicable. |
| **5** | **Provisions for credit losses on other financial assets measured at amortized cost (not included in item 5, above).** Report in this item the year-to-date amount of provisions for credit losses (or reversals of provisions) included in Schedule RI, item 4, on financial assets measured at amortized cost other than loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities. Provisions for credit losses (or reversals of provisions) on these other financial assets measured at amortized cost represent the amounts necessary to adjust the related allowances for credit losses at the quarter-end report date for management's current estimate of expected credit losses on these assets.<br><br>Exclude provisions for credit losses on off-balance-sheet credit exposures, which are reported in Schedule RI-B, Part II, Memorandum item 7, below. |
| **6** | **Allowances for credit losses on other financial assets measured at amortized cost (not included in item 7, above).** Report in this item the total amount of allowances for credit losses on financial assets measured at amortized cost other than loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities. The allowances to be included in this item are associated with the provisions for credit losses reported in Memorandum item 5, above.<br><br>Exclude the allowance for credit losses on off-balance sheet credit exposures, which is reported in Schedule RC-G, item 3. |
| **7** | **Provisions for credit losses on off-balance-sheet credit exposures.** Report in this item the year-to-date amount of provisions for credit losses (or reversals of provisions) on off-balance-sheet credit exposures included in the amount reported in Schedule RI, item 4. Provisions for credit losses (or reversals of provisions) on off-balance-sheet credit exposures represent the amounts necessary to adjust the related allowance for credit losses at the quarter-end report date for management's current estimate of expected credit losses on these exposures. |

# SCHEDULE RI-C – DISAGGREGATED DATA ON THE ALLOWANCES FOR CREDIT LOSSES

## General Instructions

Schedule RI-C is to be completed semiannually in the June and December reports only by institutions with $1 billion or more in total assets.[1]

### Loans and Leases Held for Investment

Items 1 through 6 of this schedule have two columns for the disclosure of disaggregated information by portfolio category on the amortized cost basis of loans and leases held for investment and the related balance in the allowance for credit losses on loans and leases at the end of each quarter. For purposes of this schedule, the amortized cost basis of loans includes the net investments in leases, as applicable. Loans and leases held for investment are loans and leases that the institution has the intent and ability to hold for the foreseeable future or until maturity or payoff. Exclude from the amounts reported as loans held for investment, loans that the institution has elected to report at fair value under a fair value option.

The loan and lease portfolio categories for which amounts are to be reported in Schedule RI-C represent general categories rather than the standardized loan categories defined in Schedule RC-C, Part I, Loans and Leases. Based on the manner in which it segments its portfolio for purposes of applying its allowance methodology, each institution should report each component of the overall allowance reported in Schedule RC, item 4.c, and the amortized cost in the related loans and leases in the general loan category in Schedule RI-C, items 1 through 4, that best corresponds to the characteristics of the related loans and leases.[2]

The total amortized cost amount reported in Schedule RI-C, item 6, Column A, plus the fair value of loans held for investment for which the fair value option has been elected, must equal the balance sheet amount of held-for-investment loans and leases reported in Schedule RC, item 4.b, “Loans and leases held for investment.” Thus, the amortized cost amounts reported in column A of Schedule RI-C must be net of unearned income.

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[1] In general, the determination as to whether an institution has $1 billion or more in total assets is measured as of June 30 of the previous calendar year. See pages 6a and 7 of the General Instructions for guidance on shifts in reporting status.

[2] For example, based on its allowance methodology, one institution’s allowance components for credit cards might relate to both consumer and business credit card receivables, but another institution’s allowance components for credit cards might relate only to consumer credit card receivables.

As another example, based on its allowance methodology, one institution might include its loans secured by farmland in its allowance components for commercial real estate loans, but another institution might include its loans secured by farmland in its allowance components for commercial loans.

| Item No. | Caption and Instructions |
|---|---|
| 1 | **Real estate loans:** |
| 1.a | **Construction loans.** Report in columns A and B the amortized cost of held-for-investment construction loans and the related balance in the allowance for credit losses on loans and leases for such loans, respectively. Exclude loans that the institution has elected to report at fair value under a fair value option. |
| 1.b | **Commercial real estate loans.** Report in columns A and B the amortized cost of held-for-investment commercial real estate loans and the related balance in the allowance credit losses on loans and leases for such loans, respectively. Exclude loans that the institution has elected to report at fair value under a fair value option. |
| 1.c | **Residential real estate loans.** Report in columns A and B the amortized cost of residential real estate loans and the related balance in the allowance for credit losses on loans and leases for such loans, respectively. Exclude loans that the institution has elected to report at fair value under a fair value option. |
| 2 | **Commercial loans.** Report in columns A and B the amortized cost of all held-for-investment commercial loans and the related balance in the allowance for credit losses on loans and leases for such loans, respectively. For purposes of this item, commercial loans include all loans and leases not reported as real estate loans, credit cards, or other consumer loans in Schedule RI-C, items 1, 3, and 4. Exclude loans that the institution has elected to report at fair value under a fair value option. |
| 3 | **Credit cards.** Report in columns A and B the amortized cost of all held-for-investment extensions of credit arising from credit cards and the related balance in the allowance for credit losses on loans and leases for such extensions of credit, respectively. Exclude loans that the institution has elected to report at fair value under a fair value option. |
| 4 | **Other consumer loans.** Report in columns A and B the amortized cost of all held-for-investment consumer loans other than credit cards and the related balance in the allowance for credit losses on loans and leases for such loans, respectively. Exclude loans that the institution has elected to report at fair value under a fair value option. |
| 5 | **Unallocated, if any.** Report in column B the amount of any unallocated portion of the allowance for credit losses on loans and leases. An institution is not required to have an unallocated portion of the allowance. |
| 6 | **Total.** Report in columns A and B the sum of items 1 through 5. The amount reported in column A plus the fair value of any loans held for investment for which the fair value option has been elected must equal Schedule RC, item 4.b, “Loans and leases held for investment.” The amount reported in column B must equal Schedule RC, item 4.c, “Allowance for credit losses on loans and leases.” |

**Held-to-Maturity Securities**

For each of the specified categories of held-to-maturity debt securities in Schedule RI-C, items 7 through 10, which correspond to the securities categories defined in Schedule RC-B, report the related balance of the allowance for credit losses measured in accordance with ASC Subtopic 326-20.

| Item No. | Caption and Instructions |
|---|---|
| 7 | **Securities issued by states and political subdivisions in the U.S.** Report the allowance for credit losses on held-to-maturity debt securities issued by states and political subdivisions in the U.S. (as defined for Schedule RC-B, item 3, column A). |
| 8 | **Mortgage-backed securities (MBS) (including CMOs, REMICs, and stripped MBS).** Report the allowance for credit losses on held-to-maturity mortgage-backed securities (as defined for Schedule RC-B, items 4.a, 4.b, and 4.c, column A). |
| 9 | **Asset-backed securities and structured financial products.** Report the allowance for credit losses on held-to-maturity asset-backed securities and structured financial products (as defined for Schedule RC-B, items 5.a and 5.b, column A). |
| 10 | **Other debt securities.** Report the allowance for credit losses on categories of held-to-maturity debt securities not reported in items 7 through 9, above. |
| 11 | **Total.** Report the sum of items 7 through 10. The amount reported in item 11, "Total," should equal the amount reported in Schedule RI-B, Part II, item 7, column B, "Balance end of current period," for held-to-maturity debt securities. |

# SCHEDULE RI-E – EXPLANATIONS

## General Instructions

Items 1 and 2 of Schedule RI-E are to be completed annually on a calendar year-to-date basis in the December report only. Items 3 through 6 of Schedule RI-E are to be completed each quarter on a calendar year-to-date basis.

On those lines for which your bank must provide a description of the amount being reported, the description should not exceed 50 characters (including punctuation and spacing between words). If additional space is needed to complete a description or if your bank, at its option, chooses to briefly describe other significant items affecting the Consolidated Report of Income, item 7 of this schedule may be used. Any amounts reported in Schedule RI-E, item 2.g, "FDIC deposit insurance assessments," for report dates beginning June 30, 2009, will not be made available to the public on an individual institution basis.

## Item Instructions

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

**1** **Other noninterest income.** Disclose in items 1.a through 1.j each component of Schedule RI, item 5.l, "Other noninterest income," and the dollar amount of such component, that is greater than $100,000 and exceeds 7 percent of the "Other noninterest income." If net losses have been reported in Schedule RI, item 5.l, for a component of "Other noninterest income," use the absolute value of such net losses to determine whether the amount of the net losses is greater than $100,000 and exceeds 7 percent of "Other noninterest income" and should be reported in this item. (The absolute value refers to the magnitude of the dollar amount without regard to whether the amount represents net gains or net losses.) If net losses are reported in this item, report them with a minus (-) sign.

Preprinted captions have been provided for the following categories of "Other noninterest income":

- Item 1.a, "Income and fees from the printing and sale of checks,"
- Item 1.b, "Earnings on/increase in value of cash surrender value of life insurance,"
- Item 1.c, "Income and fees from automated teller machines (ATMs),"
- Item 1.d, "Rent and other income from other real estate owned,"
- Item 1.e, "Safe deposit box rent,"
- Item 1.f, "Bank card and credit card interchange fees," and
- Item 1.g "Income and fees from wire transfers not reportable as service charges on deposit accounts."

General descriptions of the components of "Other noninterest income," including those for which preprinted captions have been provided in items 1.a through 1.g, are included in the instructions for Schedule RI, item 5.l. However, institutions need not adjust their internal noninterest income definitions to match the agencies' descriptions in the item 5.l instructions. Rather, institutions may report the components of their "Other noninterest income" in items 1.a through 1.j using their internal definitions, provided the internal definitions are used consistently over time.

For other components of "Other noninterest income" that exceed the disclosure threshold, list and briefly describe these components in items 1.h through 1.j and, if necessary, in Schedule RI-E, item 7, below.

| Item No. | Caption and Instructions |
|---|---|
| 1 (cont.) | For components of "Other noninterest income" that reflect a single credit for separate "bundled services" provided through third party vendors, disclose such amounts in the item that most closely describes the predominant type of income earned, and this categorization should be used consistently over time. |
| 2 | **Other noninterest expense.** Disclose in items 2.a through 2.p each component of Schedule RI, item 7.d, "Other noninterest expense," and the dollar amount of such component, that is greater than $100,000 and exceeds 7 percent of the "Other noninterest expense." If net gains have been reported in Schedule RI, item 7.d, for a component of "Other noninterest expense," use the absolute value of such net gains to determine whether the amount of the net gains is greater than $100,000 and exceeds 7 percent of "Other noninterest expense" and should be reported in this item. (The absolute value refers to the magnitude of the dollar amount without regard to whether the amount represents net gains or net losses.) If net gains are reported in this item, report them with a minus (-) sign.<br><br>Preprinted captions have been provided for the following components of "Other noninterest expense":<br><br>• Item 2.a, "Data processing expenses,"<br>• Item 2.b, "Advertising and marketing expenses,"<br>• Item 2.c, "Directors' fees,"<br>• Item 2.d, "Printing, stationery, and supplies,"<br>• Item 2.e, "Postage,"<br>• Item 2.f, "Legal fees and expenses,"<br>• Item 2.g, "FDIC deposit insurance assessments,"<br>• Item 2.h, "Accounting and auditing expenses,"<br>• Item 2.i, "Consulting and advisory expenses,"<br>• Item 2.j, "Automated teller machine (ATM) and interchange expenses,"<br>• Item 2.k, "Telecommunications expenses,"<br>• Item 2.l, "Other real estate owned expenses," and<br>• Item 2.m, "Insurance expenses (not included in employee expenses, premises and fixed asset expenses, and other real estate owned expenses)."<br><br>General descriptions of the components of "Other noninterest expense," including those for which preprinted captions have been provided in items 2.a through 2.m, are included in the instructions for Schedule RI, item 7.d. However, institutions need not adjust their internal noninterest expense definitions to match the agencies' descriptions in the item 7.d instructions. Rather, institutions may report the components of their "Other noninterest expense" in items 2.a through 2.p using their internal definitions, provided the internal definitions are used consistently over time.<br><br>For other components of "Other noninterest expense" that exceed the disclosure threshold, list and briefly describe these components in items 2.n through 2.p and, if necessary, in Schedule RI-E, item 7, below.<br><br>For components of "Other noninterest expense" that reflect a single charge for separate "bundled services" provided by third party vendors, disclose such amounts in the item that most closely describes the predominant type of expense incurred, and this categorization should be used consistently over time. |

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

**3** **Discontinued operations and applicable income tax effect.** List and briefly describe in items 3.a and 3.b the gross dollar amount of the results of each of the discontinued operations included in Schedule RI, item 11, "Discontinued operations, net of applicable income taxes," and its related income tax effect, if any. If Schedule RI, item 11, includes the results of more than two discontinued operations, report the additional items and their related tax effects in Schedule RI-E, item 7, below.

If the results of discontinued operations are a loss, report the dollar amount with a minus (-) sign. If an applicable income tax effect is a tax benefit (rather than a tax expense), report the dollar amount with a minus (-) sign.

**4** **Cumulative effect of changes in accounting principles and corrections of material accounting errors.** List and briefly describe in items 4.a and 4.b the dollar amount of the cumulative effect of each change in accounting principle and correction of a material accounting error, net of applicable income taxes, that is included in Schedule RI-A, item 2. If Schedule RI-A, item 2, includes more than two accounting principle changes and accounting error corrections, report the cumulative effect of each additional accounting principle change and accounting error correction in Schedule RI-E, item 7, below.

If the cumulative effect of an accounting principle change or an accounting error correction represents a reduction of the bank's equity capital, report the dollar amount with a minus (-) sign.

**5** **Other transactions with stockholders (including a parent holding company).** List and briefly describe in items 5.a and 5.b the dollar amount of each type of other transaction with the reporting institution's stockholders, including its parent holding company, if any, that is included in Schedule RI-A, item 11. If Schedule RI-A, item 11, includes more than two types of other transactions, report the additional types of other transactions in Schedule RI-E, item 7, below.

If the effect of a type of other transaction with the reporting institution’s stockholders, including a parent holding company, if any, is to reduce the institution’s equity capital, report the dollar amount with a minus (-) sign.

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

**6** **Adjustments to allowances for credit losses.** Disclose in items 6.a through 6.c the dollar amount of each type of adjustment to the allowances for credit losses on loans and leases, held-to-maturity debt securities, and available-for-sale debt securities that is included in Schedule RI-B, Part II, item 6, columns A, B, and C, respectively.

If the effect of an adjustment is to reduce the bank's allowances for credit losses, report the dollar amount with a minus (-) sign.

A preprinted caption has been provided for item 6.a, "Initial allowances for credit losses recognized upon the acquisition of purchased credit-deteriorated assets**."**

In item 6.a, institutions should report calendar year-to-date initial gross-up amounts recognized upon the acquisition of purchased credit-deteriorated assets.

Exclude post-acquisition changes in the allowances for credit losses on purchased credit-deteriorated loans and leases, held-to-maturity debt securities, and available-for-sale debt securities (report such changes as provisions for credit losses in Schedule RI-B, Part II, item 5, columns A, B, and C, respectively).

Institutions should list and briefly describe in items 6.b and 6.c the dollar amount of each type of adjustment to allowances for credit losses included in Schedule RI-B, Part II, item 6, columns A, B, and C, that is not reported in item 6.a

If Schedule RI-B, Part II, item 6, includes more than two types of adjustments (other than the adjustment reported in item 6 report the additional adjustments in Schedule RI-E, item 7, below.

**7** **Other explanations.** In the space provided on the report form, the bank may, at its option, list and briefly describe any other significant items relating to the Consolidated Report of Income. The bank's other explanations must not exceed 750 characters, including punctuation and standard spacing between words and sentences.

# LINE ITEM INSTRUCTIONS FOR THE CONSOLIDATED REPORT OF CONDITION

The line item instructions should be read in conjunction with the Glossary and other sections of these instructions. See the discussion of the Organization of the Instruction Books in the General Instructions. For purposes of these Consolidated Report of Condition instructions, the Financial Accounting Standards Board (FASB) Accounting Standards Codification is referred to as the "ASC."

# SCHEDULE RC – BALANCE SHEET

## ASSETS

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

**1** **Cash and balances due from depository institutions.**

Treatment of reciprocal balances with depository institutions – Reciprocal balances arise when two depository institutions maintain deposit accounts with each other, i.e., when a reporting bank has both a "due from" and a "due to" balance with another depository institution. Reciprocal balances between the reporting bank and other depository institutions may be reported on a net basis in accordance with generally accepted accounting principles. Net "due from" balances should be reported in items 1.a and 1.b below, as appropriate. Net "due to" balances should be reported as deposit liabilities in Schedule RC, item 13 below. See the Glossary entry for "Reciprocal Balances."

**1.a** **Noninterest-bearing balances and currency and coin.** Report the total of all noninterest-bearing balances due from depository institutions, currency and coin, cash items in process of collection, and unposted debits.

For purposes of these reports, deposit accounts "due from" other depository institutions that are overdrawn are to be reported as borrowings in Schedule RC, item 16, and in Schedule RC-M, item 5.b, except overdrawn "due from" accounts arising in connection with checks or drafts drawn by the reporting bank and drawn on, or payable at or through, another depository institution either on a zero-balance account or on an account that is not routinely maintained with sufficient balances to cover checks or drafts drawn in the normal course of business during the period until the amount of the checks or drafts is remitted to the other depository institution (in which case, report the funds received or held in connection with such checks or drafts as deposits in Schedule RC-E until the funds are remitted). For further information, refer to the Glossary entry for "Overdraft."

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

**1.a** (cont.)

Cash items in process of collection include:

(1) Checks or drafts in process of collection that are drawn on another depository institution (or on a Federal Reserve Bank) and that are payable immediately upon presentation in the United States. This includes:

(a) Checks or drafts drawn on other institutions that have already been forwarded for collection but for which the reporting bank has not yet been given credit ("cash letters").

(b) Checks or drafts on hand that will be presented for payment or forwarded for collection on the following business day.

(c) Checks or drafts that have been deposited with the reporting bank's correspondent and for which the reporting bank has already been given credit, but for which the amount credited is not subject to immediate withdrawal ("ledger credit" items).

However, if the reporting bank has been given immediate credit by its correspondent for checks or drafts presented for payment or forwarded for collection and if the funds on deposit are subject to immediate withdrawal, the amount of such checks or drafts is considered part of the reporting bank's balances due from depository institutions.

(2) Government checks drawn on the Treasurer of the United States or any other government agency that are payable immediately upon presentation and that are in process of collection.

(3) Such other items in process of collection that are payable immediately upon presentation and that are customarily cleared or collected as cash items by depository institutions in the United States, such as:

(a) Redeemed United States savings bonds and food stamps.

(b) Amounts associated with automated payment arrangements in connection with payroll deposits, federal recurring payments, and other items that are credited to a depositor's account prior to the payment date to ensure that the funds are available on the payment date.

(c) Federal Reserve deferred account balances until credit has been received in accordance with the appropriate time schedules established by the Federal Reserve Banks. At that time, such balances are considered part of the reporting bank's balances due from depository institutions.

(d) Checks or drafts drawn on another depository institution that have been deposited in one office of the reporting bank and forwarded for collection to another office of the reporting bank.

(e) Brokers' security drafts and commodity or bill-of-lading rafts payable immediately upon presentation in the U.S. (See the Glossary entries for "Broker's Security Draft" and "Commodity or Bill-of-Lading Draft" for the definitions of these terms.)

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

**1.a** (cont.)

Exclude from cash items in process of collection:

(1) Cash items for which the reporting bank has already received credit, provided that the funds on deposit are subject to immediate withdrawal. The amount of such cash items is considered part of the reporting bank's balances due from depository institutions.

(2) Credit or debit card sales slips in process of collection (report as noncash items in Schedule RC-F, item 6, "All other assets"). However, when the reporting bank has been notified that it has been given credit, the amount of such sales slips is considered part of the reporting bank's balances due from depository institutions.

(3) Cash items not conforming to the definition of in process of collection, whether or not cleared through Federal Reserve Banks (report in Schedule RC-F, item 6, "All other assets").

(4) Commodity or bill-of-lading drafts (including arrival drafts) not yet payable (because the merchandise against which the draft was drawn has not yet arrived), whether or not deposit credit has been given. (If deposit credit has been given, report as loans in the appropriate item of Schedule RC-C, Part I; if the drafts were received on a collection basis, they should be excluded entirely from the bank's balance sheet, Schedule RC, until the funds have actually been collected.)

Unposted debits are cash items in the bank's possession, drawn on itself, that are immediately chargeable, but that have not been charged to the general ledger deposit control account at the close of business on the report date.

Currency and coin include both U.S. and foreign currency and coin owned and held in all offices of the reporting bank, currency and coin in transit to a Federal Reserve Bank or to any other depository institution for which the reporting bank has not yet received credit, and currency and coin in transit from a Federal Reserve Bank or from any other depository institution for which the reporting bank's account has already been charged. Foreign currency and coin should be converted into U.S. dollar equivalents as of the report date.

Noninterest-bearing balances due from depository institutions include balances due from commercial banks in the U.S., other depository institutions in the U.S. (e.g., credit unions, mutual and stock savings banks, savings or building and loan associations, and cooperative banks), Federal Home Loan Banks, banks in foreign countries, and foreign central banks. Noninterest-bearing balances include those noninterest-bearing funds on deposit at other depository institutions for which the reporting bank has already received credit and which are subject to immediate withdrawal. Balances for which the bank has not yet received credit and balances representing checks or drafts for which immediate credit has been given but which are not subject to immediate withdrawal are considered "cash items in process of collection."

Include as noninterest-bearing balances due from depository institutions:

(1) Noninterest-bearing balances due from the reporting bank's correspondents, including amounts that its correspondent is to pass through or already has passed through to a Federal Reserve Bank on behalf of the reporting bank (see the Glossary entry for "Pass-through Reserve Balances" for further discussion).

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

**1.a** (cont.)

(2) Noninterest-bearing balances that reflect deposit credit received by the reporting bank because of credit or debit card sales slips that had been forwarded for collection. (Until credit has been received, report as noncash items in process of collection in Schedule RC-F, item 6, "All other assets.")

(3) Amounts that the reporting bank has actually passed through to a Federal Reserve Bank on behalf of its respondent depository institutions (see the Glossary entry for "Pass-through Reserve Balances" for further discussion).

Exclude from noninterest-bearing balances due from depository institutions:

(1) Balances due from Federal Reserve Banks (report as interest-bearing balances due from depository institutions in Schedule RC, item 1.b).

(2) Deposit accounts "due to" other depository institutions that are overdrawn (report in Schedule RC-C, Part I, item 2, "Loans to depository institutions and acceptances of other banks").

(3) All noninterest-bearing balances that the reporting bank's trust department maintains with other depository institutions.

**1.b** **Interest-bearing balances.** Report all interest-bearing balances due from depository institutions whether in the form of demand, savings, or time balances, including certificates of deposit (CDs), even if the CDs are negotiable or have CUSIP numbers, but excluding certificates of deposit held for trading. Include balances due from Federal Reserve Banks (including balances maintained to satisfy reserve balance requirements, excess balances, and term deposits), commercial banks in the U.S., other depository institutions in the U.S., Federal Home Loan Banks, banks in foreign countries, and foreign central banks. Include the fair value of interest-bearing balances due from depository institutions that are accounted for at fair value under a fair value option.

Exclude from interest-bearing balances:

(1) Loans to depository institutions and acceptances of other banks (report in Schedule RC-C, Part I, item 2).

(2) All interest-bearing balances that the reporting bank's trust department maintains with other depository institutions.

(3) Certificates of deposit held for trading (report in Schedule RC, item 5).

(4) Investments in money market mutual funds, which, for purposes of these reports, are to be reported as investments in equity securities.

**2** **Securities:**

**2.a** **Held-to-maturity securities.** Report the amortized cost of held-to-maturity securities net of any applicable allowances for credit losses, i.e., report the amount from Schedule RC-B, item 8, column A, “Total amortized cost,” less the amount of allowances for credit losses on held-to-maturity securities reported in Schedule RI-B, Part II, item 7, column B, “Balance end of current period.”

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**2.b** **Available-for-sale debt securities.** Report the amount from Schedule RC-B, item 8, column D, "Total fair value."

NOTE: All institutions must complete Schedule RC, item 2.c (i.e., not leave item 2.c blank), because all institutions are now required to have adopted FASB Accounting Standards Update No. 2016-01 (ASU 2016-01) for Call Report purposes. ASU 2016-01 includes provisions governing the accounting for investments in equity securities, including investment in mutual funds, and eliminated the concept of available-for-sale equity securities. See the Glossary entry for "Securities Activities" for further information on accounting for investments in equity securities.

**2.c** **Equity securities with readily determinable fair values not held for trading.** Report the fair value of all investments in mutual funds and other equity securities (as defined in ASC Topic 321, Investments-Equity Securities) with readily determinable fair values that are not held for trading. Such securities include, but are not limited to, money market mutual funds, mutual funds that invest solely in U.S. Government securities, common stock, and perpetual preferred stock. Perpetual preferred stock does not have a stated maturity date and cannot be redeemed at the option of the investor, although it may be redeemable at the option of the issuer.

The fair value of equity securities with readily determinable fair values not held for trading included in this item 2.c that are pledged should be reported in Schedule RC-B, Memorandum item 1, "Pledged securities."

Insured state banks that have received FDIC approval in accordance with Section 362.3(a) of the FDIC's regulations to hold certain equity investments ("grandfathered equity securities") should report in Schedule RC-M, item 4, the aggregate cost basis of all equity securities with readily determinable fair values not held for trading that are included in this item 2.c.

Exclude equity securities held for trading from Schedule RC, item 2.c. For purposes of the Call Report balance sheet, 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. When an institution's holdings of equity securities with readily determinable fair values fall within the scope of the preceding description of trading activities, the equity securities should be reported as trading assets in Schedule RC, item 5. Otherwise, the equity securities should be reported in this item 2.c.

According to ASC Topic 321, the fair value of an equity security is readily determinable if sales prices or bid-and-asked quotations are currently available on a securities exchange registered with the U.S. Securities and Exchange Commission (SEC) or in the over-the-counter market, provided that those prices or quotations for the over-the-counter market are publicly reported by the National Association of Securities Dealers Automated Quotations

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

**2.c** (cont.) systems or by OTC Markets Group Inc. ("Restricted stock" meets that definition if the restriction terminates within one year.) The fair value of an equity security traded only in a foreign market is readily determinable if that foreign market is of a breadth and scope comparable to one of the U.S. markets referred to above. The fair value of an investment in a mutual fund (or in a structure similar to a mutual fund, i.e., a limited partnership or a venture capital entity) is readily determinable if the fair value per share (unit) is determined and published and is the basis for current transactions.

Investments in mutual funds and other equity securities with readily determinable fair values may have been purchased by the reporting institution or acquired for debts previously contracted.

Include in this item common stock and perpetual preferred stock of the Federal National Mortgage Association (Fannie Mae), common stock and perpetual preferred stock of the Federal Home Loan Mortgage Corporation (Freddie Mac), Class A voting and Class C non-voting common stock of the Federal Agricultural Mortgage Corporation (Farmer Mac), and common and preferred stock of SLM Corporation (the private-sector successor to the Student Loan Marketing Association).

Exclude from equity securities with readily determinable fair values not held for trading:

(1) Federal Reserve Bank stock (report as an equity investment without a readily determinable fair value in Schedule RC-F, item 4).

(2) Federal Home Loan Bank stock (report as an equity investment without a readily determinable fair value in Schedule RC-F, item 4).

(3) Common and preferred stocks that do not have readily determinable fair values, such as stock of bankers' banks and Class B voting common stock of the Federal Agricultural Mortgage Corporation (Farmer Mac) (report in Schedule RC-F, item 4).

(4) Preferred stock 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), including trust preferred securities subject to mandatory redemption (report such preferred stock as an other debt security in Schedule RC-B, item 6).

(5) "Restricted stock," i.e., equity securities for which sale is restricted by governmental or contractual requirement (other than in connection with being pledged as collateral), except if that requirement terminates within one year or if the holder has the power by contract or otherwise to cause the requirement to be met within one year (if the restriction does not terminate within one year, report "restricted stock" as an equity investment without a readily determinable fair value in Schedule RC-F, item 4).

(6) Participation certificates issued by a Federal Intermediate Credit Bank, which represent nonvoting stock in the bank (report as an equity investment without a readily determinable fair value in Schedule RC-F, item 4).

(7) Minority interests held by the reporting institution in any companies not meeting the definition of associated company (report as equity investments without readily determinable fair values in Schedule RC-F, item 4), except minority holdings that indirectly represent bank premises (report in Schedule RC, item 6) or other real estate owned (report in Schedule RC, item 7), provided that the fair value of any capital stock representing the minority interest is not readily determinable. (See the Glossary entry for "Subsidiaries" for the definition of associated company.)

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

**2.c** (cont.)

(8) Equity holdings in those corporate joint ventures over which the reporting institution does not exercise significant influence (report as equity investments without readily determinable fair value in Schedule RC-F, item 4), except equity holdings that indirectly represent bank premises (report in Schedule RC, item 6) or other real estate owned (report in Schedule RC, item 7). (See the Glossary entry for "Subsidiaries" for the definition of corporate joint venture.)

(9) Holdings of capital stock of and investments in unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the reporting bank exercises significant influence (report in Schedule RC, item 8, "Investments in unconsolidated subsidiaries and associated companies").

**3** **Federal funds sold and securities purchased under agreements to resell:**

**3.a** **Federal funds sold.** Report the outstanding amount of federal funds sold, i.e., immediately available funds lent under agreements or contracts that have an original maturity of one business day or roll over under a continuing contract, excluding such funds lent in the form of securities purchased under agreements to resell (which should be reported in Schedule RC, item 3.b) and overnight lending for commercial and industrial purposes (which generally should be reported in Schedule RC, item 4.b). Transactions that are to be reported as federal funds sold may be secured or unsecured or may involve an agreement to resell loans or other instruments that are not securities.

Immediately available funds are funds that the purchasing bank can either use or dispose of on the same business day that the transaction giving rise to the receipt or disposal of the funds is executed. A continuing contract, regardless of the terminology used, is an agreement that remains in effect for more than one business day, but has no specified maturity and does not require advance notice of the lender or the borrower to terminate.

Report federal funds sold on a gross basis; i.e., do not net them against federal funds purchased, except to the extent permitted under ASC Subtopic 210-20, Balance Sheet – Offsetting. Include the fair value of federal funds sold that are accounted for at fair value under a fair value option.

Also exclude from federal funds sold:

(1) Sales of so-called "term federal funds" (as defined in the Glossary entry for "Federal Funds Transactions") (report in Schedule RC, item 4.b, "Loans and leases held for investment").

(2) Securities resale agreements that have an original maturity of one business day or roll over under a continuing contract, if the agreement requires the bank to resell the identical security purchased or a security that meets the definition of substantially the same in the case of a dollar roll (report in Schedule RC, item 3.b, "Securities purchased under agreements to resell").

(3) Deposit balances due from a Federal Home Loan Bank (report as balances due from depository institutions in Schedule RC, item 1.a or 1.b, as appropriate).

(4) Lending transactions in foreign offices involving immediately available funds with an original maturity of one business day or under a continuing contract that are not securities resale agreements (report in Schedule RC, item 4.b, "Loans and leases held for investment").

For further information, see the Glossary entry for "Federal Funds Transactions."

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

**3.b** **Securities purchased under agreements to resell.** Report the outstanding amount of:

(1) Securities resale agreements, regardless of maturity, if the agreement requires the bank to resell the identical security purchased or a security that meets the definition of substantially the same in the case of a dollar roll.

(2) Purchases of participations in pools of securities, regardless of maturity.

Except as noted below, report securities purchased under agreements to resell on a gross basis, i.e., do not net them against securities sold under agreements to repurchase, except to the extent permitted under ASC Subtopic 210-20, Balance Sheet – Offsetting. Include the fair value of securities purchased under agreements to resell that are accounted for at fair value under a fair value option.

Report securities purchased under agreements to resell that are measured at amortized cost net of any applicable allowances for credit losses.

Exclude from this item:

(1) Resale agreements involving assets other than securities (report in Schedule RC, item 3.a, "Federal funds sold," or item 4.b, "Loans and leases held for investment," as appropriate, depending on the maturity and office location of the transaction).

(2) Due bills representing purchases of securities or other assets by the reporting bank that have not yet been delivered and similar instruments, whether collateralized or uncollateralized (report in Schedule RC, item 4.b). See the Glossary entry for "Due Bills."

(3) So-called yield maintenance dollar repurchase agreements (see the Glossary entry for "Repurchase/Resale Agreements").

For further information, see the Glossary entry for "Repurchase/Resale Agreements."

**4** **Loans and lease financing receivables.** Report in the appropriate subitem loans and leases held for sale and loans and leases that the reporting bank has the intent and ability to hold for the foreseeable future or until maturity or payoff, i.e., held for investment. The sum of Schedule RC, items 4.a and 4.b, must equal Schedule RC-C, Part I, item 12.

**4.a** **Loans and leases held for sale.** Report the amount of loans and leases held for sale. Loans and leases held for sale should be reported at the lower of cost or fair value except for those loans held for sale that the bank has elected to account for at fair value under a fair value option, which should be reported in this item at fair value. For loan and leases held for sale that are reported at the lower of cost or fair value, the amount by which cost exceeds fair value, if any, shall be accounted for as a valuation allowance within this item. No allowances for credit losses should be included in Schedule RC, item 4.c, for loans and leases held for sale. All loans and leases reported in this item must also be reported by loan category in Schedule RC-C, Part I.

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

**4.b** **Loans and leases held for investment.** Report the amount of loans and leases that the reporting bank has the intent and ability to hold for the foreseeable future or until maturity or payoff, i.e., loans held for investment. Include loans held for investment that the bank has elected to account for at fair value under a fair value option, which should be reported in this item at fair value. All loans and leases reported in this item must also be reported by loan category in Schedule RC-C, Part I.

**4.c** **Less: Allowance for credit losses on loans and leases.** Report the allowance for credit losses on loans and leases as determined in accordance with the instructions in the Glossary entry for "Allowance for Credit Losses." Also include in this item any allocated transfer risk reserve related to loans and leases held for investment that the reporting bank is required to establish and maintain as specified in Section 905(a) of the International Lending Supervision Act of 1983, in the agency regulations implementing the Act (Subpart D of Federal Reserve Regulation K, Part 347 of the FDIC's Rules and Regulations, and Subpart C of Part 28 of the Comptroller of the Currency's Regulations), and in any guidelines, letters, or instructions issued by the agencies. This item must equal Report of Income Schedule RI-B, Part II, item 7, column A, "Balance end of current period."

**4.d** **Loans and leases held for investment, net of allowance.** Report the amount derived by subtracting Schedule RC, item 4.c, from Schedule RC, item 4.b.

**5** **Trading assets.** 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; or (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. Assets and other financial instruments held for trading shall be consistently valued at fair value as defined by ASC Topic 820, Fair Value Measurement.

For purposes of the Consolidated Reports of Condition and Income, all debt securities within the scope of ASC Topic 320, Investments-Debt Securities, 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) as trading if the bank applies fair value accounting, with changes in fair value reported in current earnings, and manages these assets 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.

Do not include in this item the carrying value of any available-for-sale securities, any loans that are held for sale (and are not classified as trading in accordance with the preceding instruction), and any leases that are held for sale. Available-for-sale debt securities are reported in Schedule RC, item 2.b, and in Schedule RC-B, columns C and D. Loans (not classified as trading) and leases held for sale should be reported in Schedule RC, item 4.a, "Loans and leases held for sale," and in Schedule RC-C.

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

**5** (cont.) Trading assets also include derivatives with a positive fair value resulting from the "marking to market" of interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts held for trading purposes as of the report date. Derivative contracts with the same counterparty that have positive fair values and negative fair values and meet the criteria for a valid right of setoff contained in ASC Subtopic 210-20, Balance Sheet – Offsetting (e.g., those contracts subject to a qualifying master netting agreement) may be reported on a net basis using this item and Schedule RC, item 15, "Trading liabilities," as appropriate. (See the Glossary entry for "Offsetting.")

**6** **Premises and fixed assets (including right-of-use assets).** Report on a consolidated basis the book value, less accumulated depreciation or amortization and any impairment losses, of all premises, equipment, furniture, and fixtures. Also, report right-of-use (ROU) assets accounted for in accordance with ASC Topic 842, Leases.

Any method of depreciation or amortization conforming to accounting principles that are generally acceptable for financial reporting purposes may be used. However, depreciation for premises and fixed assets may be based on a method used for federal income tax purposes if the results would not be materially different from depreciation based on the asset's estimated useful life.

Do not deduct mortgages or other liens on such property (report in Schedule RC, item 16, "Other borrowed money").

Include as premises and fixed assets:

(1) Premises that are actually owned and occupied (or to be occupied, if under construction) by the institution, its branches, or its consolidated subsidiaries.

(2) Leasehold improvements, vaults, and fixed machinery and equipment.

(3) Capitalized remodeling costs to existing premises.

(4) Real estate acquired and intended to be used for future expansion.

(5) Parking lots owned by the institution that are used by customers or employees of the institution, its branches, and its consolidated subsidiaries.

(6) Furniture, fixtures, and movable equipment of the institution, its branches, and its consolidated subsidiaries.

(7) Automobiles, airplanes, and other vehicles owned by the institution and used in the conduct of its business.

(8) The amount of ROU assets that represents premises, equipment, furniture, and fixtures.

In general, under ASC Topic 842 for an institution as lessee, the ROU asset for a finance lease should be reported at cost less any accumulated amortization and any accumulated impairment losses; the ROU asset for an operating lease (not previously impaired) should be reported at the book value of the related lease liability adjusted for the remaining balance of any lease incentives received, any prepaid or accrued lease payments, any unamortized initial direct costs, and any current period impairment. After an ROU asset for an operating lease is impaired, it should be reported at its carrying

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

**6** (cont.) amount immediately after the impairment less any accumulated amortization. See the discussion of accounting by an institution as lessee in the Glossary entry for "Lease Accounting."

(9) (a) Stocks and bonds issued by nonmajority-owned corporations and
(b) Investments in limited partnerships or limited liability companies (other than investments so minor that the institution has virtually no influence over the partnership or company)
whose principal activity is the ownership of land, buildings, equipment, furniture, or fixtures occupied or used (or to be occupied or used) by the institution, its branches, or its consolidated subsidiaries. Report such stocks and investments at (i) fair value or (ii) if chosen by the reporting institution for an equity investment that does not have a readily determinable fair value, at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

Exclude from premises and fixed assets:

(1) Original paintings, antiques, and similar valuable objects (report in Schedule RC-F, item 6, "All other assets").

(2) Favorable leasehold rights (report in Schedule RC-M, item 2.c, "All other intangible assets")

Property formerly but no longer used for banking may be reported either in this item as "Premises and fixed assets" or in Schedule RC-M, item 3, as "Other real estate owned."

**7** **Other real estate owned.** Report the total amount of other real estate owned from Schedule RC-M, item 3.f. For further information on other real estate owned, see the instruction to Schedule RC-M, item 3, and the Glossary entry for "Foreclosed Assets."

**8** **Investments in unconsolidated subsidiaries and associated companies.** Report the amount of the bank's investments in subsidiaries that have not been consolidated; 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"), excluding those that represent direct and indirect investments in real estate ventures (which are to be reported in Schedule RC, item 9). The entities in which these investments have been made are collectively referred to as "investees." Include loans and advances to investees and holdings of their bonds, notes, and debentures.

Investments in investees shall be reported using the equity method of accounting. Under the equity method, the carrying value of the bank's investment in an investee is originally recorded at cost but is adjusted periodically to record as income the bank's proportionate share of the investee's earnings or losses and decreased by the amount of any cash dividends or similar distributions received from the investee. For purposes of these reports, the date through which the carrying value of the bank's investment in an investee has been adjusted should, to the extent practicable, match the report date of the Consolidated Report of Condition, but in no case differ by more than 93 days from the report date.

Unconsolidated subsidiaries include those majority-owned subsidiaries that do not meet the significance standards for required consolidation that the bank chooses not to consolidate under the optional consolidation provisions. Refer to the General Instructions section of this book for a detailed discussion of consolidation. See also the Glossary entry for "Subsidiaries."

| Item No. | Caption and Instructions |
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**9** **Direct and indirect investments in real estate ventures.** Report the amount of the bank's direct and indirect investments in real estate ventures. Exclude real estate acquired in any manner for debts previously contracted, including, but not limited to, real estate acquired through foreclosure or acquired by deed in lieu of foreclosure, and equity holdings that indirectly represent such real estate (report in Schedule RC-M, item 3, "Other real estate owned").

NOTE: 12 USC 29 limits the authority of national banks to hold real estate. State member banks are not authorized to invest in real estate except with the prior approval of the Board of Governors of the Federal Reserve System under Federal Reserve Regulation H (12 CFR Part 208). In certain states, nonmember banks may invest in real estate.

Include as direct and indirect investments in real estate ventures:

(1) Any real estate originally acquired, directly or indirectly, by the bank or a consolidated subsidiary and held for development, resale, or other investment purposes.

(2) Real estate acquisition, development, or construction (ADC) arrangements which are accounted for as direct investments in real estate or real estate joint ventures in accordance with ASC Subtopic 310-10, Receivables – Overall.

(3) Real estate originally acquired and held for investment by the bank or a consolidated subsidiary that has been sold under contract, and the sale does not meet sale accounting treatment in accordance with ASC Subtopic 610-20 and ASC Topic 606.

(4) Any other loans secured by real estate and advanced for real estate acquisition, development, or investment purposes if the reporting bank in substance has virtually the same risks and potential rewards as an investor in the borrower's real estate venture.

(5) Investments in subsidiaries that have not been consolidated; 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") that are primarily engaged in the holding of real estate for development, resale, or other investment purposes. The entities in which these investments have been made are collectively referred to as "investees." Investments by the bank in these investees may be in the form of common or preferred stock, partnership interests, loans or other advances, bonds, notes, or debentures. Such investments shall be reported using the equity method of accounting. For further information on the equity method, see the instruction to Schedule RC, item 8, above.

| Item No. | Caption and Instructions |
|---|---|
| 9 (cont.) | (6) Investments in corporate joint ventures, unincorporated joint ventures, and general partnerships over which the bank does not exercise significant influence and investments in limited partnerships and limited liability companies that are so minor that the bank has virtually no influence over the partnership or company, where the entity in which the investment has been made is primarily engaged in the holding of real estate for development, resale, or other investment purposes. Report such investments at (i) fair value or (ii) if chosen by the reporting institution for an equity investment that does not have a readily determinable fair value, at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. |
| 10 | **Intangible assets.** Report the total amount of intangible assets from Schedule RC-M, item 2.d. |
| 11 | **Other assets.** Report the amount from Schedule RC-F, item 7, "Total." |
| 12 | **Total assets.** Report the sum of Schedule RC, items 1 through 11. This item must equal Schedule RC, item 29, "Total liabilities and equity capital." |

# LIABILITIES

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

**13** **Deposits.** (For a discussion of noninterest-bearing and interest-bearing deposits, see the Glossary entry for "Deposits.")

**13.a** **In domestic offices.** Report the total of all deposits of the reporting bank. This item must equal the sum of Schedule RC-E, item 7, columns A and C.

This item must also equal the sum of Schedule RC, items 13.a.(1) and 13.a.(2), below.

**13.a.(1)** **Noninterest-bearing.** Report the total of all noninterest-bearing deposits included in Schedule RC-E, Deposit Liabilities. Noninterest-bearing deposits include noninterest-bearing demand, time, and savings deposits.

**13.a.(2)** **Interest-bearing.** Report the total of all interest-bearing deposits included in Schedule RC-E, Deposit Liabilities. Include interest-bearing demand deposits.

**13.b** Not applicable.

**14** **Federal funds purchased and securities sold under agreements to repurchase:**

**14.a** **Federal funds purchased.** Report the outstanding amount of federal funds purchased, i.e., immediately available funds borrowed under agreements or contracts that have an original maturity of one business day or roll over under a continuing contract, excluding such funds borrowed in the form of securities sold under agreements to repurchase (which should be reported in Schedule RC, item 14.b) and Federal Home Loan Bank advances (which should be reported in Schedule RC, item 16). Transactions that are to be reported as federal funds purchased may be secured or unsecured or may involve an agreement to repurchase loans or other instruments that are not securities.

Immediately available funds are funds that the purchasing bank can either use or dispose of on the same business day that the transaction giving rise to the receipt or disposal of the funds is executed. A continuing contract, regardless of the terminology used, is an agreement that remains in effect for more than one business day, but has no specified maturity and does not require advance notice of the lender or the borrower to terminate.

Report federal funds purchased on a gross basis; i.e., do not net them against federal funds sold, except to the extent permitted under ASC Subtopic 210-20, Balance Sheet – Offsetting. Include the fair value of federal funds purchased that are accounted for at fair value under a fair value option.

Also exclude from federal funds purchased:

(1) Purchases of so-called "term federal funds" (as defined in the Glossary entry for "Federal Funds Transactions") (report in Schedule RC, item 16, "Other borrowed money").

(2) Security repurchase agreements that have an original maturity of one business day or roll over under a continuing contract, if the agreement requires the bank to repurchase the identical security sold or a security that meets the definition of substantially the same in the case of a dollar roll (report in Schedule RC, item 14.b, "Securities sold under agreements to repurchase").

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

**14.a** (cont.)

(3) Borrowings from a Federal Home Loan Bank in the form of advances (report in Schedule RC, item 16) and securities repurchase agreements (report in Schedule RC, item 14.b).

(4) Borrowings from a Federal Reserve Bank in the form of securities repurchase agreements (report in Schedule RC, item 14.b) and other borrowings (report in Schedule RC, item 16).

For further information, see the Glossary entry for "Federal Funds Transactions."

**14.b** **Securities sold under agreements to repurchase.** Report the outstanding amount of:

(1) Securities repurchase agreements, regardless of maturity, if the agreement requires the bank to repurchase the identical security sold or a security that meets the definition of substantially the same in the case of a dollar roll.

(2) Sales of participations in pools of securities, regardless of maturity.

Report securities sold under agreements to repurchase on a gross basis, i.e., do not net them against securities purchased under agreements to resell, except to the extent permitted under ASC Subtopic 210-20, Balance Sheet – Offsetting. Include the fair value of securities sold under agreements to repurchase that are accounted for at fair value under a fair value option.

Exclude from this item:

(1) Repurchase agreements involving assets other than securities (report in Schedule RC, item 14.a, "Federal funds purchased," or item 16, "Other borrowed money," as appropriate, depending on the maturity of the transaction).

(2) Borrowings from a Federal Home Loan Bank other than in the form of securities repurchase agreements (report federal funds purchased in Schedule RC, item 14.a, and advances in Schedule RC, item 16).

(3) Borrowings from a Federal Reserve Bank other than in the form of securities repurchase agreements (report in Schedule RC, item 16).

(4) Obligations under due bills that resulted when the bank sold securities or other assets and received payment, but has not yet delivered the assets, and similar obligations, whether collateralized or uncollateralized (report in Schedule RC, item 16). See the Glossary entry for "Due Bills."

(5) So-called yield maintenance dollar repurchase agreements (see the Glossary entry for "Repurchase/Resale Agreements").

For further information, see the Glossary entry for "Repurchase/Resale Agreements."

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

**15** **Trading liabilities.** Report the amount of liabilities from the reporting bank's trading activities. Trading liabilities shall be consistently valued at fair value as defined by ASC Topic 820, Fair Value Measurement.

Include liabilities resulting from sales of assets that the reporting bank does not own (see the Glossary entry for "Short Position") and revaluation losses from the "marking to market" of interest rate, foreign exchange rate, equity, and commodity and other derivative contracts into which the reporting bank has entered for trading, dealer, customer accommodation, and similar purposes. In addition, for purposes of these reports, banks may classify liabilities as trading if the bank applies fair value accounting, with changes in fair value reported in current earnings, and manages these assets as trading positions, subject to the controls and applicable regulatory guidance related to trading activities.

**16** **Other borrowed money.** Report the amount from Schedule RC-M, item 5.c.

**17 and 18** Not applicable.

**19** **Subordinated notes and debentures.** Report the amount of subordinated notes and debentures (including mandatory convertible debt). Include the fair value of subordinated notes and debentures that are accounted for at fair value under a fair value option. (See the Glossary entry for "Subordinated Notes and Debentures" for the definition of this term.) Also include the amount of outstanding limited-life preferred stock including any amounts received in excess of its par or stated value. (See the Glossary entry for "Preferred Stock" for the definition of limited-life preferred stock.)

**20** **Other liabilities.** Report the amount from Schedule RC-G, item 5, "Total."

**21** **Total liabilities.** Report the sum of Schedule RC, items 13 through 20.

**22** Not applicable.

# EQUITY CAPITAL

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

**23** **Perpetual preferred stock and related surplus.** Report the amount of perpetual preferred stock issued, including any amounts received in excess of its par or stated value. (See the Glossary entry for "Preferred Stock" for the definition of perpetual preferred stock.)

**24** **Common stock.** Report the aggregate par or stated value of common stock issued.

**25** **Surplus.** Report the net amount formally transferred to the surplus account, including capital contributions, adjustments arising from treasury stock transactions, and any amount received for common stock in excess of its par or stated value on or before the report date.

Do not include any portion of the proceeds received from the sale of preferred stock in excess of its par or stated value (report in Schedule RC, item 19 or 23, as appropriate).

**26.a** **Retained earnings.** Report the amount of retained earnings (undivided profits) and capital reserves. The amount of the retained earnings and capital reserves should reflect transfers of net income, declarations of dividends, transfers to surplus, and any other appropriate entries.

Adjustments of accruals and other accounting estimates made shortly after the report date which relate to the income and expenses of the year-to-date period ended as of the report date must be reported in the appropriate items of Schedule RI, Income Statement, for that year-to-date period.

Capital reserves are segregations of retained earnings and are not to be reported as liability accounts or as reductions of asset balances. Capital reserves may be established for such purposes as:

(1) Reserve for undeclared stock dividends – includes amounts set aside to provide for stock dividends (not cash dividends) not yet declared.

(2) Reserve for undeclared cash dividends – includes amounts set aside for cash dividends on common and preferred stock not yet declared. (Cash dividends declared but not yet payable should be included in Schedule RC-G, item 5, "Other" liabilities.)

(3) Retirement account (for limited-life preferred stock or subordinated notes and debentures) – includes amounts allocated under the plan for retirement of limited-life preferred stock or subordinated notes and debentures contained in the bank's articles of association or in the agreement under which such stock or notes and debentures were issued.

(4) Reserve for contingencies – includes amounts set aside for possible unforeseen or indeterminate liabilities not otherwise reflected on the bank's books and not covered by insurance. This reserve may include, for example, reserves set up to provide for possible losses which the bank may sustain because of lawsuits, the deductible amount under the bank's blanket bond, defaults on obligations for which the bank is contingently liable, or other claims against the bank. A reserve for contingencies represents a segregation of retained earnings. It should not include any element of known losses or of any probable incurred losses the amount of which can be estimated with reasonable accuracy (see the Glossary entry for "Loss Contingencies" for additional information).

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

**26.a** (cont.) Exclude from retained earnings:

(1) Any portion of the proceeds received from the sale of common stock in excess of its par or stated value (report in Schedule RC, item 25).

(2) Any portion of the proceeds received from the sale of preferred stock in excess of its par or stated value (report in Schedule RC, item 19 or 23, as appropriate).

(3) "Reserves" that reduce the related asset balances such as valuation allowances (e.g., allowances for credit losses), reserves for depreciation, and reserves for bond premiums.

**26.b** **Accumulated other comprehensive income.** Report the accumulated balance of other comprehensive income as of the report date in accordance with ASC Subtopic 220-10, Comprehensive Income – Overall, net of applicable income taxes, if any. "Other comprehensive income" refers to revenues, expenses, gains, and losses that under U.S. generally accepted accounting principles are included in comprehensive income but excluded from net income.

Items of accumulated other comprehensive income include:

(1) Net unrealized holding gains (losses) on available-for-sale debt securities (including debt securities transferred into the available-for-sale category from the held-to-maturity category), i.e., the difference between the amortized cost and the fair value of the reporting bank's available-for-sale debt securities (excluding any available-for-sale debt securities previously written down as other-than-temporarily impaired, and excluding the portion of the difference consisting of an allowance for credit losses, if any).[1]

For most institutions, all "debt securities," as that term is defined in ASC Topic 320, Investments-Debt Securities, that are designated as "available-for-sale" will be reported as "Available-for-sale debt securities" in Schedule RC, item 2.b, and in Schedule RC-B, columns C and D. However, an institution may have certain assets that fall within the definition of "debt securities" in ASC Topic 320 (e.g., nonrated industrial development obligations) that it has designated as "available-for-sale" and reports in a balance sheet category other than "Securities" (e.g., "Loans and lease financing receivables") for purposes of the Consolidated Report of Condition. These "available-for-sale" assets must be carried on the Consolidated Report of Condition balance sheet at fair value rather than amortized cost and the difference between these two amounts, net of tax effects (and subject to the exclusions mentioned above), also must be included in this item.

[1] For example, if the fair value of the reporting institution's available-for-sale debt securities exceeds the amortized cost of its available-for-sale debt securities by $100,000 (and the institution has had no other transactions affecting the "net unrealized holding gains (losses)" account), the amount to be included in Schedule RC, item 26.b, must be reduced by the estimated amount of taxes using the institution's applicable tax rate (federal, state and local). (See the Glossary entry for "Income Taxes" for a discussion of "Applicable Tax Rate.") If the institution's applicable tax rate (federal, state and local) is 25 percent and the tax basis of its available-for-sale debt securities approximates their amortized cost, the institution would include "net unrealized holding gains" of $75,000 [$100,000 - (25% x $100,000)] in Schedule RC, item 26.b. The institution would also have a deferred tax liability of $25,000 that would enter into the determination of the amount of net deferred tax assets or liabilities to be reported in Schedule RC-F, item 2, or Schedule RC-G, item 2.

.

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

**26.b** (cont.)

(2) The unamortized balance of the unrealized holding gain (loss) that existed at the date of transfer of a debt security transferred into the held-to-maturity category from the available-for-sale category. Consistent with ASC Topic 320, when a debt security is transferred from the available-for-sale category into the held-to-maturity category, the unrealized holding gain (loss) at the date of transfer continues to be reported in the accumulated other comprehensive income account, but must be amortized over the remaining life of the security as an adjustment of yield in a manner consistent with the amortization of any premium or discount.

(3) The unaccreted portion of unrealized losses on available-for-sale and held-to-maturity debt securities that was not recognized in earnings in accordance with ASC Topic 320, plus the accumulated amount of subsequent increases or decreases (not attributable to credit impairment) in the fair value of available-for-sale debt securities, and increases in the fair value of available-for-sale debt securities after a write-down that resulted from the intent to sell or a more-likely-than-not requirement to sell.

(4) (a) Amounts in accumulated other comprehensive income related to derivative instruments that are designated as, and qualify as, cash flow hedges,[1] in accordance with ASC Topic 815, Derivatives and Hedging. See also the Glossary entry for "Derivative Contracts."

The balance in accumulated other comprehensive income associated with each transaction hedged in a cash flow hedge should be the cumulative gain (loss) on the derivative instrument from inception of the hedge less all of the following:

(i) The derivative's gains (losses) previously reclassified from accumulated other comprehensive income into earnings to offset the hedged transaction;
(ii) The cumulative amount amortized to earnings related to components excluded from assessments of effectiveness that are accounted for through an amortization approach when this treatment of excluded components has been elected in accordance with ASC Topic 815; and
(iii) The cumulative change in fair value of an excluded component for which changes in fair value are recorded currently in earnings when this treatment of excluded components has been elected in accordance with ASC Topic 815.

Accordingly, the amount reported in this item 26.b by an institution should reflect the sum of the cumulative gain (loss) less the specified amounts described above for each derivative designated as, and qualifying as, a cash flow hedge. Amounts in

[1] Generally, the objective of a cash flow hedge is to link a derivative to an existing recognized asset or liability or a forecasted transaction with exposure to variability in expected future cash flows, e.g., the future interest payments (receipts) on a variable-rate liability (asset) or a forecasted purchase (sale). The changes in cash flows of the derivative are expected to offset changes in cash flows of the hedged item or transaction. To achieve the matching of cash flows, ASC Topic 815 requires that the changes in the fair value of derivatives designated and qualifying as cash flow hedges initially be reported in the accumulated other comprehensive income component of equity capital and subsequently be reclassified into earnings in the same future period or periods that the hedged transaction affects earnings.

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

**26.b** (cont.) accumulated other comprehensive income related to the derivative designated as a hedging instrument included in the assessment of hedge effectiveness should be reclassified to earnings in the same period or periods during which the hedged transaction affects earnings (for example, when a hedged variable-rate interest receipt on a loan is accrued or when a forecasted sale occurs) and presented in the same income statement item in Schedule RI as the earnings effect of the hedged item. In addition, amounts in accumulated other comprehensive income related to components excluded from assessments of effectiveness that are recognized in earnings through an amortization approach should be presented in the same income statement item in Schedule RI as the earnings effect of the hedged item.

(b) For all types of hedges, if certain portions of a hedging instrument's change in fair value are excluded from assessments of hedge effectiveness, the cumulative change in fair value of the excluded components from inception of the hedges less the cumulative amounts amortized to earnings related to the excluded components that are accounted for through an amortization approach when this treatment of excluded components has been elected in accordance with ASC Topic 815.

(5) The accumulated amounts of gains (losses), transition assets or obligations, and prior service costs or credits associated with single-employer defined benefit pension and other postretirement plans that have not yet been recognized as components of net periodic benefit cost in accordance with ASC Topic 715, Compensation-Retirement Benefits.

(6) The accumulated amount of net gains (losses) resulting from changes in fair value attributable to instrument-specific credit risk ("own credit risk") of liabilities for which the fair value option for financial instruments has been elected.

**26.c** **Other equity capital components.** Report in this item as a negative amount the carrying value of any treasury stock and any unearned Employee Stock Ownership Plan (ESOP) shares, which under generally accepted accounting principles are reported in a contra-equity account on the balance sheet. For further information, see the Glossary entry for "Treasury Stock" and ASC Subtopic 718-40, Compensation-Stock Compensation – Employee Stock Ownership Plans.

Report in this item as a negative amount notes receivable that represent a capital contribution and are reported as a deduction from equity capital in accordance with 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). Also report in this item as a negative amount accrued interest receivable on such notes receivable that are reported as a deduction from equity capital in accordance with ASC Subtopic 505-10. Interest income accrued on such notes receivable should not be reported as interest income in Schedule RI, but as additional paid-in-capital in Schedule RC, item 23 or 25, as appropriate. For further information, see the Glossary entry for "Capital Contributions of Cash and Notes Receivable" and ASC Subtopic 505-10.

**27.a** **Total bank equity capital.** Report the sum of Schedule RC, items 23 through 26.c. This item must equal Report of Income Schedule RI-A, item 12, "Total bank equity capital end of current period."

| Item No. | Caption and Instructions |
|---|---|
| 27.b | **Noncontrolling (minority) interests in consolidated subsidiaries.** Report the portion of the equity capital accounts of all consolidated subsidiaries of the reporting bank held by parties other than the parent bank. A noncontrolling interest, sometimes called a minority interest, is the portion of equity in a bank's subsidiary not attributable, directly or indirectly, to the parent bank. |
| 28 | **Total equity capital.** Report the sum of Schedule RC, items 27.a and 27.b. |
| 29 | **Total liabilities and equity capital.** Report the sum of Schedule RC, items 21 and 28. This item must equal Schedule RC, item 12, "Total assets." |

**Memoranda**

| Item No. | Caption and Instructions |
|---|---|

**1** **Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank by independent external auditors as of any date during the preceding calendar year.** *(To be reported only with the March Consolidated Report of Condition.)* Report the number of the statement listed on the report form that, in the reporting institution's judgment, best describes the most comprehensive level of auditing work performed by any independent external auditors during the preceding calendar year.

The term "any date during the preceding calendar year" refers to the date of the balance sheet and income statement reported on by the auditor (or the date as of which certain agreed-upon procedures were applied to selected records and transactions by the auditor) regardless of the actual date of the commencement of the auditing work (integrated audit,[1] financial statement audit, directors' examination, review, compilation, or specific procedures) and regardless of the date of the report submitted by the auditor.

Exclude from "auditing work performed" any tax or consulting work regardless of whether it was performed by an independent certified public accounting firm or others.

The list of possible external auditing work is structured with the "most comprehensive level," an integrated audit of the institution's financial statements and its internal control over financial reporting, identified as number 1a, and the other levels of auditing work listed in descending order (excluding number 3) so that "no external audit work" is number 9.

Institutions may be assisted in determining the level of auditing work performed by reviewing the type of report issued by the auditor.

If an institution or its parent holding company has external auditing work performed by a certified public accounting firm, the work may be (i) an integrated audit of the institution's or the holding company's financial statements and its internal control over financial reporting or (ii) an audit of the financial statements only. When an integrated audit is performed, the auditor may choose to issue a combined report (i.e., one report containing both an opinion on the financial statements and an opinion on internal control over financial reporting) or separate reports on the financial statements and on internal control over financial reporting.

(a) If the institution or parent holding company has external auditing work performed by a certified public accounting firm and the report issued by the auditor:

| | |
|---|---|
| Begins | "We have audited . . ." |
| and also states in the first paragraph or in a separate paragraph | "We also have audited . . . internal control over financial reporting . . ." or "We also have examined . . . internal control over financial reporting . . ." |

[1] An integrated audit occurs when an independent external auditor is engaged to perform an audit of the effectiveness of internal control over financial reporting that is integrated with an audit of the financial statements and renders opinions on the financial statements and on internal control over financial reporting.

**Memoranda**

| Item No. | Caption and Instructions | |
|---|---|---|
| **1** (cont.) | and includes a paragraph that begins | "In our opinion, the [consolidated] financial statements referred to above . . ." and also refers to internal control over financial reporting |

the institution would respond to this item with a "1a" if the first sentence of the first paragraph of the report describes the financial statements of the institution or with a "2a" if the first sentence of the first paragraph of the report describes the financial statements of the institution's parent holding company.

(b) If the institution or parent holding company has external auditing work performed by a certified public accounting firm and the report issued by the auditor:

| | |
|---|---|
| Begins | "We have audited . . ." but the first paragraph or a separate paragraph makes no reference to internal control over financial reporting |
| and the report includes a paragraph that begins | "In our opinion, the [consolidated] financial statements referred to above . . ." but makes no reference to internal control over financial reporting or<br>"In our opinion, the balance sheet referred to above . . ." |

the institution would respond to this item with a "1b" if the first sentence of the first paragraph of the report describes the financial statements or the balance sheet of the institution or with a "2b" if the first sentence of the first paragraph of the report describes the financial statements or the balance sheet of the institution's parent holding company.

(c) If the report submitted by the auditor:

| | |
|---|---|
| Begins | "We have applied certain procedures to selected records and transactions . . .," |
| The second paragraph includes | "We do not express an opinion, . . ." |
| and | |
| The next to last paragraph states | "Had we performed additional procedures . . . other matters may have come to our attention . . ." |

the institution would respond with:

(i) a "4" if this auditing work was performed by a certified public accounting firm for the Board of Directors as a directors' examination;

(ii) a "5" if this auditing work was performed by any other firm (e.g., a consulting firm, another banking organization) for the Board of Directors as a directors' examination; or

**Memoranda**

| Item No. | Caption and Instructions |
|---|---|

**1** (cont.)

(iii) an "8" if management otherwise engaged the auditor to perform specified auditing work (excluding tax or consulting work), but this auditing work did not constitute a directors' examination.

(d) If the report submitted by the auditor:

| | |
|---|---|
| Begins | "We have reviewed . . . ," |
| The second paragraph states | "A review consists principally of inquiries . . . ," |
| and | |
| The final paragraph begins | "Based on our review . . ." |

the institution would respond to this item with a "6."

(e) If the report submitted by the auditor:

| | |
|---|---|
| Begins | "We have compiled . . ." |
| and | |
| The second paragraph begins | "A compilation is limited to presenting . . . " |

the institution would respond to this item with a "7."

An "independent external auditor" is an auditor who at no time during the year:

(1) was an employee of the institution;

(2) performed the institution's bookkeeping or maintained the institution's accounting records;

(3) was dependent on the institution for his livelihood nor was the institution such a significant client that the loss of that client would jeopardize his livelihood; nor

(4) held the institution's securities or was indebted to the institution beyond those types of loans permitted under applicable professional standards.

**2** **Bank's fiscal year-end date.** *(To be reported only with the March Consolidated Report of Condition.)* Report the bank's fiscal year-end date (month and day) for financial reporting purposes. For example, a bank whose fiscal year ends on June 30 would report 0630 in this Memorandum item.

# SCHEDULE RC-B – SECURITIES

## General Instructions

Items 1 through 6.b and 8 of this schedule have four columns for information on securities: two columns for held-to-maturity securities and two columns for available-for-sale debt securities.[1] Report the amortized cost and fair value of held-to-maturity securities in columns A and B, respectively. Report the amortized cost and fair value of available-for-sale debt securities in columns C and D, respectively.

Investments in equity securities, including investment in mutual funds, with readily determinable fair values not held for trading are no longer reported in Schedule RC-B. Institutions should report the fair value of their holdings of equity securities with readily determinable fair values not held for trading in Schedule RC, item 2.c. Insured state banks that have received FDIC approval in accordance with Section 362.3(a) of the FDIC's regulations to hold certain equity investments ("grandfathered equity securities") should report in Schedule RC-M, item 4, the cost basis of all equity securities with readily determinable fair values not held for trading that are reported in Schedule RC, item 2.c, not just the cost basis of those equity securities that are treated as "grandfathered."

Institutions should report the amortized cost of held-to-maturity securities and available-for-sale debt securities in columns A and C, respectively, without any deduction for allowances for credit losses on such securities.

Exclude from this schedule all securities held for trading and debt securities the bank has elected to report at fair value under a fair value option even if bank management did not acquire the securities principally for the purpose of selling them in the near term. Securities held for trading and debt securities reported under a fair value option are to be reported in Schedule RC, item 5, "Trading assets." Institutions must report whether they utilize the fair value option to measure any of their assets or liabilities in Schedule SU, item 3, and, if appropriate, information about their fair value option assets and liabilities in the corresponding subitems.

In general, amortized cost is the purchase price of a debt security adjusted for amortization of premium or accretion of discount if the debt security was purchased at other than par or face value. (See the Glossary entry for "Premiums and Discounts.") As defined in ASC Topic 820, Fair Value Measurement, fair value is "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." For further information, see the Glossary entry for "Fair Value."

The preferred method for reporting purchases and sales of securities is as of trade date. However, settlement date accounting is acceptable if the reported amounts would not be materially different. (See the Glossary entry for "Trade Date and Settlement Date Accounting.")

For purposes of this schedule, the following events and transactions involving securities should be reported in the manner indicated below:

(1) Purchases of securities under agreements to resell and sales of securities under agreements to repurchase – These transactions are not to be treated as purchases or sales of securities but as lending or borrowing (i.e., financing) transactions collateralized by these securities if the agreements meet the criteria for a borrowing set forth in ASC Topic 860, Transfers and Servicing. For further information, see the Glossary entries for "Transfers of Financial Assets" and "Repurchase/Resale Agreements."

[1] Available-for-sale debt securities are generally reported in Schedule RC-B, columns C and D. However, a bank may have certain assets that fall within the definition of "debt securities" in ASC Topic 320, Investments-Debt Securities, (e.g., certain industrial development obligations) that the bank has designated as "available-for-sale" which are reported for purposes of the Consolidated Report of Condition in a balance sheet category other than "Securities" (e.g., "Loans and lease financing receivables").

**General Instructions (cont.)**

(2) Purchases and sales of participations in pools of securities – Similarly, these transactions are not to be treated as purchases or sales of the securities in the pool but as lending or borrowing (i.e., financing) transactions collateralized by the pooled securities if the participation agreements meet the criteria for a borrowing set forth in ASC Topic 860. For further information, see the Glossary entries for "Transfers of Financial Assets" and "Repurchase/Resale Agreements."

(3) Pledged securities – Pledged held-to-maturity and available-for-sale debt securities that have not been transferred to the secured party should continue to be included in the pledging bank's holdings of securities that are reported in Schedule RC-B. If the bank has transferred pledged securities to the secured party, the bank should account for the pledged securities in accordance with ASC Topic 860.

(4) Securities borrowed and lent – Securities borrowed and lent shall be reported on the balance sheet of either the borrowing or lending bank in accordance with ASC Topic 860. For further information, see the Glossary entries for "Transfers of Financial Assets" and "Securities Borrowing/Lending Transactions."

(5) Short sales of securities – Such transactions are to be reported as described in the Glossary entry for "Short Position."

(6) Futures, forward, and option contracts – Such open contracts to buy or sell securities in the future are to be reported as derivatives. Institutions must report whether they have any derivative contracts in Schedule SU, item 1, and, if appropriate, information about their derivative contracts in the corresponding subitems.

**Item Instructions**

| Item No. | Caption and Instructions |
|---|---|
| 1 | **U.S. Treasury securities.** Report in the appropriate columns the amortized cost and fair value of all U.S. Treasury securities not held for trading. Include all bills, certificates of indebtedness, notes, and bonds, including those issued under the Separate Trading of Registered Interest and Principal of Securities (STRIPS) program and those that are "inflation-indexed."<br><br>Exclude all obligations of U.S. Government agencies. Also exclude detached Treasury security coupons and ex-coupon Treasury securities held as the result of either their purchase or the bank's stripping of such securities and Treasury receipts such as CATS, TIGRs, COUGARs, LIONs, and ETRs (report in Schedule RC-B, item 6.a below). Refer to the Glossary entry for "Coupon Stripping, Treasury Receipts, and STRIPS" for additional information. |
| . 2 | **U.S. Government agency and sponsored agency obligations.** Report in the appropriate columns the amortized cost and fair value of all obligations of U.S. Government agencies and U.S. Government-sponsored agencies (excluding mortgage-backed securities) not held for trading.<br><br>Distinction between U.S. Government Agencies and U.S. Government-sponsored Agencies – For purposes of these reports, a U.S. Government agency is defined as an instrumentality of the U.S. Government whose debt obligations are fully and explicitly guaranteed as to the timely payment of principal and interest by the full faith and credit of the U.S. Government. In contrast, a U.S. Government-sponsored agency is defined as an agency originally established or chartered by the U.S. Government to serve public purposes specified by the U.S. Congress but whose debt obligations are not explicitly guaranteed by the full faith and credit of the U.S. Government. |

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

**2** (cont.) Include, among others, debt securities (but not mortgage-backed securities) of the following U.S. Government agencies:

(1) Export-Import Bank (Ex-Im Bank)
(2) Federal Housing Administration (FHA)
(3) Government National Mortgage Association (GNMA)
(4) Maritime Administration
(5) Small Business Administration (SBA)

Include such obligations as:

(1) Small Business Administration (SBA) "Guaranteed Loan Pool Certificates," which represent an undivided interest in a pool of SBA-guaranteed portions of loans for which the SBA has further guaranteed the timely payment of scheduled principal and interest payments. (Exclude SBA "Guaranteed Interest Certificates," which represent a beneficial interest in the entire SBA-guaranteed portion of an individual loan. SBA "Guaranteed Interest Certificates" should be reported as loans in Schedule RC-C, Part I, or, if held for trading, in Schedule RC, item 5.)

(2) Participation certificates issued by the Export-Import Bank and the General Services Administration.

Include, among others, debt securities and mortgage-backed bonds (i.e., bonds that are collateralized by mortgages) of the following U.S. Government-sponsored agencies:

(1) Federal Agricultural Mortgage Corporation (Farmer Mac)
(2) Federal Farm Credit Banks
(3) Federal Home Loan Banks (FHLBs)
(4) Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
(5) Federal Land Banks (FLBs)
(6) Federal National Mortgage Association (FNMA or Fannie Mae)
(7) Resolution Funding Corporation (REFCORP)
(8) Student Loan Marketing Association (SLMA or Sallie Mae)
(9) Tennessee Valley Authority (TVA)
(10) U.S. Postal Service

Exclude from U.S. Government agency obligations:

(1) Loans to the Export-Import Bank and to federally-sponsored lending agencies (report in "Other loans," Schedule RC-C, Part I, item 9). Refer to the Glossary entry for "federally-sponsored lending agency" for the definition of this term.

(2) All holdings of U.S. Government-issued or -guaranteed mortgage pass-through securities (report in Schedule RC-B, item 4.a.(1) or 4.c.(1)(a), below, as appropriate).

(3) Collateralized mortgage obligations (CMOs), real estate mortgage investments conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments) issued by U.S. Government agencies and corporations (report in Schedule RC-B, item 4.b.(1) or 4.c.(2)(a), below, as appropriate).

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

**2** (cont.)

(4) Participations in pools of Federal Housing Administration (FHA) Title I loans, which generally consist of junior lien home improvement loans (report as loans in Schedule RC-C, generally in item 1.c.(2)(b), Loans "secured by junior liens" on 1-to-4 family residential properties).

(5) Debt securities issued by SLM Corporation, the private-sector corporation that is the successor to the Student Loan Marketing Association (report in Schedule RC-B, item 6.a, "Other domestic debt securities," below), and securitized student loans issued by SLM Corporation (or its affiliates) (report in Schedule RC-B, item 5.a, "Asset-backed securities," below).

**3** **Securities issued by states and political subdivisions in the U.S.** Report in the appropriate columns the amortized cost and fair value of all securities issued by states and political subdivisions in the United States not held for trading.

States and political subdivisions in the U.S., for purposes of this report, include:

(1) the fifty States of the United States and the District of Columbia and their counties, municipalities, school districts, irrigation districts, and drainage and sewer districts; and

(2) the governments of Puerto Rico and of the U.S. territories and possessions and their political subdivisions.

Securities issued by states and political subdivisions in the U.S. include:

(1) General obligations, which are securities whose principal and interest will be paid from the general tax receipts of the state or political subdivision.

(2) Revenue obligations, which are securities whose debt service is paid solely from the revenues of the projects financed by the securities rather than from general tax funds.

(3) Industrial development and similar obligations, which are discussed below.

Treatment of industrial development bonds (IDBs) and similar obligations. Industrial development bonds (IDBs), sometimes referred to as "industrial revenue bonds," and similar obligations are issued under the auspices of states or political subdivisions for the benefit of a private party or enterprise where that party or enterprise, rather than the government entity, is obligated to pay the principal and interest on the obligation. For purposes of these reports, all IDBs and similar obligations should be reported as securities in this item (Schedule RC-B, item 3) or as loans in Schedule RC-C, Part I, item 8, consistent with the asset category in which the bank reports IDBs and similar obligations on its balance sheet for other financial reporting purposes. Regardless of whether they are reported as securities in Schedule RC-B or as loans in Schedule RC-C, Part I, all IDBs and similar obligations that meet the definition of a "security" in ASC Topic 320, Investments-Debt Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities") must be measured in accordance with ASC Topic 320.

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

**3** (cont.) Treatment of other obligations of states and political subdivisions in the U.S. In addition to those IDBs and similar obligations that are reported as securities in accordance with the preceding paragraph, also include in this item as securities issued by states and political subdivisions in the U.S. all obligations other than IDBs that meet any of the following criteria:

(1) Nonrated obligations of states and political subdivisions in the U.S., other than those specifically excluded below, that the bank considers securities for other financial reporting purposes.

(2) Notes, bonds, and debentures (including tax warrants and tax-anticipation notes) that are rated by a nationally-recognized rating service.

(3) Obligations of state and local governments that are guaranteed by the United States Government (excluding mortgage-backed securities).

Exclude from item 3:

(1) All overdrafts of states and political subdivisions in the U.S. (report as loans in Schedule RC-C, Part I, item 8).

(2) All lease financing receivables of states and political subdivisions in the U.S. (report as leases in Schedule RC-C, Part I, item 10).

(3) All IDBs that are reported as loans in accordance with the reporting treatment described above (report as loans in Schedule RC-C, Part I, item 8).

(4) All other nonrated obligations of states and political subdivisions in the U.S. that the bank considers loans for other financial reporting purposes (report as loans in Schedule RC-C, Part I, item 8).

(5) All mortgage-backed securities issued by state and local housing authorities in the U.S. (report in Schedule RC-B, item 4, below).

(6) Collateralized mortgage obligations (CMOs), real estate mortgage investments conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments) issued by state and local housing authorities in the U.S. (report in Schedule RC-B, item 4.b, below).

(7) All obligations of states and political subdivisions in the U.S. held by the reporting bank for trading (report in Schedule RC, item 5).

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**4** **Mortgage-backed securities.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all residential and commercial mortgage-backed securities, including mortgage pass-through securities, collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments), and mortgage-backed commercial paper not held for trading. Include mortgage-backed securities issued by non-U.S. issuers.

Exclude from mortgage-backed securities:

(1) Securities backed by loans extended under home equity lines, i.e., revolving open-end lines of credit secured by 1-4 family residential properties (report as asset-backed securities in Schedule RC-B, item 5.a).

(2) Bonds issued by the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) that are collateralized by mortgages, i.e., mortgage-backed bonds (report in Schedule RC-B, item 2, "U.S. Government agency and sponsored agency obligations"), and mortgage-backed bonds issued by non-U.S. Government issuers (report in Schedule RC-B, item 6, "Other debt securities," below).

(3) Participation certificates issued by the Export-Import Bank and the General Services Administration (report in Schedule RC-B, item 2, "U.S. Government agency and sponsored agency obligations").

(4) Participation certificates issued by a Federal Intermediate Credit Bank (report in Schedule RC-F, item 4, "Equity investments without readily determinable fair values").

**4.a** **Residential mortgage pass-through securities.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all holdings of residential mortgage pass-through securities. In general, a residential mortgage pass-through security represents an undivided interest in a pool of loans secured by 1-4 family residential properties that provides the holder with a pro rata share of all principal and interest payments on the residential mortgages in the pool, and includes certificates of participation in pools of residential mortgages.

Include certificates of participation in pools of 1-4 family residential mortgages even though the reporting bank was the original holder of the mortgages underlying the pool and holds the instruments covering that pool, as may be the case with GNMA certificates issued by the bank and swaps with FNMA and FHLMC. Also include U.S. Government-issued participation certificates (PCs) that represent a pro rata share of all principal and interest payments on a pool of resecuritized participation certificates that, in turn, are backed by 1-4 family residential mortgages, e.g., FHLMC Giant PCs.

Exclude all holdings of commercial mortgage pass-through securities, including pass-through securities backed by loans secured by multifamily (5 or more) residential properties (report in Schedule RC-B, item 4.c.(1), below). Also exclude all collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments), and mortgage-backed commercial paper (report in Schedule RC-B, item 4.b or 4.c.(2), below, as appropriate).

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**4.a.(1)** **Issued or guaranteed by FNMA, FHLMC, or GNMA.** Report in the appropriate columns the amortized cost and fair value of all holdings of 1-4 family residential mortgage pass-through securities issued or guaranteed by the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), or the Government National Mortgage Association (GNMA) that are not held for trading.

**4.a.(2)** **Other pass-through securities.** Report in the appropriate columns the amortized cost and fair value of all holdings of 1-4 family residential mortgage pass-through securities issued by others (e.g., other depository institutions, insurance companies, state and local housing authorities in the U.S.) that are not guaranteed by the U.S. Government and are not held for trading.

If the bank has issued pass-through securities backed by a pool of its own 1-4 family residential mortgages and the certificates are not guaranteed by the U.S. Government, any holdings of these pass-through securities (not held for trading) are to be reported in this item.

**4.b** **Other residential mortgage-backed securities.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all 1-4 family residential mortgage-backed securities other than pass-through securities that are not held for trading.

Other residential mortgage-backed securities include:

(1) All classes of collateralized mortgage obligations (CMOs) and real estate mortgage investments conduits (REMICs) backed by loans secured by 1-4 family residential properties.

(2) CMO and REMIC residuals and similar interests backed by loans secured by 1-4 family residential properties.

(3) Stripped 1-4 family residential mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments).

(4) Commercial paper backed by loans secured by 1-4 family residential properties.

**4.b.(1)** **Issued or guaranteed by U.S. Government agencies or sponsored agencies.** Report in the appropriate columns the amortized cost and fair value of all classes of CMOs and REMICs, CMO and REMIC residuals, and stripped mortgage-backed securities issued or guaranteed by U.S. Government agencies or U.S. Government-sponsored agencies that are backed by loans secured by 1-4 family residential properties. For purposes of these reports, include REMICs issued by the U.S. Department of Veterans Affairs (VA) that are backed by 1-4 family residential mortgages in this item.

U.S. Government agencies include, but are not limited to, such agencies as the Government National Mortgage Association (GNMA), the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA). U.S. Government-sponsored agencies include, but are not limited to, such agencies as the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA).

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**4.b.(2)** **Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies.** Report in the appropriate columns the amortized cost and fair value of all classes of CMOs, REMICs, CMO and REMIC residuals, and stripped mortgage-backed securities issued by non-U.S. Government issuers (e.g., other depository institutions, insurance companies, state and local housing authorities in the U.S.) for which the collateral consists of GNMA (Ginnie Mae) residential pass-through securities, FNMA (Fannie Mae) residential pass-through securities, FHLMC (Freddie Mac) residential participation certificates, or other residential mortgage-backed securities (i.e., classes of CMOs or REMICs, CMO or REMIC residuals, and stripped mortgage-backed securities) issued or guaranteed by U.S. Government agencies or U.S. Government-sponsored agencies.

**4.b.(3)** **All other residential MBS.** Report in the appropriate columns the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans secured by 1-4 family residential properties (or by securities collateralized by such loans) that have been issued by non-U.S. Government issuers (e.g., other depository institutions, insurance companies, state and local housing authorities in the U.S.) for which the collateral does not consist of GNMA (Ginnie Mae) residential pass-through securities, FNMA (Fannie Mae) residential pass-through securities, FHLMC (Freddie Mac) residential participation certificates, or other residential mortgage-backed securities (i.e., classes of CMOs or REMICs, CMO or REMIC residuals, and stripped mortgage-backed securities) issued or guaranteed by U.S. Government agencies or U.S. Government-sponsored agencies.

**4.c** **Commercial MBS.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all holdings of commercial mortgage-backed securities issued by U.S. Government-sponsored agencies or by others that are not held for trading. In general, a commercial mortgage-backed security represents an interest in a pool of loans secured by properties other than 1-4 family residential properties.

**4.c.(1)** **Commercial mortgage pass-through securities.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all holdings of commercial mortgage pass-through securities. In general, a commercial mortgage pass-through security represents an undivided interest in a pool of loans secured by properties other than 1-4 family residential properties that provides the holder with a pro rata share of all principal and interest payments on the mortgages in the pool.

**4.c.(1)(a)** **Issued or guaranteed by FNMA, FHLMC, or GNMA.** Report in the appropriate columns the amortized cost and fair value of all holdings of commercial mortgage pass-through securities issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC) or guaranteed by the Government National Mortgage Association (GNMA). Also include commercial mortgage pass-through securities guaranteed by the Small Business Administration.

Exclude from this item structured financial products such as securitizations that involve more than one trust to structure principal and interest cash flows to investors or that are collateralized by debt instruments (for example, FHLMC K-Deals and Q-Deals and similar securitizations). Report such structured financial products in item 5.b.

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**4.c.(1)(b)** **Other pass-through securities.** Report in the appropriate columns the amortized cost and fair value of all holdings of commercial mortgage pass-through securities issued or guaranteed by non-U.S. Government issuers.

**4.c.(2)** **Other commercial mortgage-backed securities.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans secured by properties other than 1-4 family residential properties. Exclude commercial mortgage pass-through securities (report in Schedule RC-B, item 4.c.(1), above).

**4.c.(2)(a)** **Issued or guaranteed by U.S. Government agencies or sponsored agencies.** Report in the appropriate columns the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans, or securities secured by properties other than 1-4 family residential properties that have been issued by U.S. Government agencies or U.S. Government-sponsored agencies.

U.S. Government agencies include, but are not limited to, such agencies as the Government National Mortgage Association (GNMA), the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA). U.S. Government-sponsored agencies include, but are not limited to, such agencies as the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA).

**4.c.(2)(b)** **All other commercial MBS.** Report in the appropriate columns the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans secured by properties other than 1-4 family residential properties that have been issued or guaranteed by non-U.S. Government issuers.

**5** **Asset-backed securities and structured financial products:**

**5.a** **Asset-backed securities.** Report in the appropriate columns the amortized cost and fair value of all asset-backed securities (other than mortgage-backed securities), including asset-backed commercial paper, not held for trading. Include asset-backed securities issued by non-U.S. issuers.

**5.b** **Structured financial products.** Report in the appropriate columns the amortized cost and fair value of all structured financial products not held for trading. Include cash, synthetic, and hybrid instruments, including those issued by non-U.S. issuers. Structured financial products generally convert a pool of assets (such as whole loans, securitized assets, bonds, and similar instruments) and other exposures (such as derivatives) into products that are tradable capital market debt instruments. Some of the more complex financial product structures mix asset classes in order to create investment products that diversify risk.

(1) A cash instrument means that the instrument represents a claim against a reference pool of assets.

(2) A synthetic instrument means that the investors do not have a claim against a reference pool of assets; rather, the originating bank merely transfers the inherent credit risk of the reference pool of assets by such means as a credit default swap, a total return swap, or another arrangement in which the counterparty agrees upon specific contractual covenants to cover a predetermined amount of losses in the loan pool.

(3) A hybrid instrument means that the instrument is a mix of both cash and synthetic instruments.

One of the more common cash instrument structured financial products is referred to as

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**5.b** (cont.) collateralized debt obligation (CDO). For example, include in this item investments in CDOs for which the underlying collateral is a pool of trust preferred securities issued by U.S. business trusts organized by financial institutions or real estate investment trusts. However, exclude from this item investments in trust preferred securities issued by a single U.S. business trust (report in Schedule RC-B, item 6.a, "Other domestic debt securities").

Examples of other products to be reported in this item include synthetic structured financial products (such as synthetic CDOs) that use credit derivatives and a reference pool of assets, hybrid structured products that mix cash and synthetic instruments, collateralized loan obligations (CLOs), collateralized bond obligations (CBOs), resecuritizations such as CDOs squared or cubed (which are CDOs backed primarily by the tranches of other CDOs), and other similar structured financial products. Also include in this item structured financial products that are securitizations involving more than one trust to structure principal and interest cash flows to investors or that are collateralized by debt instruments and are guaranteed by U.S. government agencies such as FHLMC K-Deals and Q-Deals.

Exclude from structured financial products:

(1) Mortgage-backed pass-through securities (report in Schedule RC-B, item 4, above).

(2) Collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, stripped mortgage-backed securities, and mortgage-backed commercial paper (report in Schedule RC-B, item 4, above).

(3) Asset-backed commercial paper not held for trading (report in Schedule RC-B, item 5.a, above).

(4) Asset-backed securities that are primarily secured by one type of asset (report in Schedule RC-B, item 5.a, above).

(5) Securities backed by loans that are commonly regarded as asset-backed securities rather than collateralized loan obligations in the marketplace (report in Schedule RC-B, item 5.a, above).

(6) Pass-thru securities issued or guaranteed by FNMA, FHLMC, or GNMA (report in schedule RC-B, item 4.c.(1)(a), above.

**6** **Other debt securities.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all debt securities not held for trading that cannot properly be reported in Schedule RC-B, items 1 through 5, above.

Exclude from other debt securities:

(1) All holdings of certificates of participation in pools of residential mortgages, collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments) (report in Schedule RC-B, item 4, above).

(2) Holdings of bankers acceptances and certificates of deposit (CDs), even if the CDs are negotiable or have CUSIP numbers. (Report holdings of bankers acceptances as loans in Schedule RC, item 4.a, if held for sale; item 4.b, if held for investment; and item 5, if held for trading. Report holdings of CDs in Schedule RC, item 1.b, if not held for trading; and item 5, if held for trading.)

(3) All securities that meet the definition of an "equity security" in ASC Topic 321,

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**6** (cont.) Investments-Equity Securities, for example, common and perpetual preferred stock. (See also the instructions to Schedule RC, item 2.c, and Schedule RC-F, item 4.)

**6.a** **Other domestic debt securities.** Report in the appropriate columns the amortized cost and fair value of all other domestic debt securities not held for trading.

Other domestic debt securities include:

(1) Bonds, notes, debentures, equipment trust certificates, and commercial paper (except asset-backed commercial paper) issued by U.S.-chartered corporations and other U.S. issuers and not reportable elsewhere in Schedule RC-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 redeemable at the option of the investor (i.e., redeemable or limited-life preferred stock), including trust preferred securities issued by a single U.S. business trust that are subject to mandatory redemption.

(3) Detached U.S. Government security coupons and ex-coupon U.S. Government securities held as the result of either their purchase or the bank's stripping of such securities and Treasury receipts such as CATS, TIGRs, COUGARs, LIONs, and ETRs. Refer to the Glossary entry for "coupon stripping, Treasury receipts, and STRIPS" for additional information.

Exclude from other domestic debt securities investments in collateralized debt obligations for which the underlying collateral is a pool of trust preferred securities issued by U.S. business trusts (report as structured financial products in Schedule RC-B, item 5.b).

**6.b** **Other foreign debt securities.** Report in the appropriate columns the amortized cost and fair value of all other foreign debt securities not held for trading.

Other foreign debt securities include:

(1) Bonds, notes, debentures, equipment trust certificates, and commercial paper (except asset-backed 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).

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NOTE: Investments in equity securities, including investment in mutual funds, with readily determinable fair values not held for trading that were previously reportable in Schedule RC-B, item 7, columns C and D, should be reported in Schedule RC, item 2.c, "Equity securities with readily determinable fair values not held for trading." Insured state banks that have received FDIC approval in accordance with Section 362.3(a) of the FDIC's regulations to hold certain equity investments ("grandfathered equity securities") should report in Schedule RC-M, item 4, the aggregate cost basis of all equity securities with readily determinable fair values not held for trading that are reported in Schedule RC, item 2.c, not just the cost basis of those equity securities that are treated as "grandfathered."

**7** **Unallocated portfolio layer fair value hedge basis adjustments.** Report the total amount of portfolio layer fair value hedge basis adjustments (FVHBAs) 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 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 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.

**8** **Total.** Report the sum of items 1 through 7. The total of column A for this item must equal Schedule RC, item 2.a, "Held-to-maturity securities," plus Schedule RI-B, Part II, item 7, column B, "Balance end of current period," for the allowance for credit losses on held-to-maturity debt securities. The total of column D for this item must equal Schedule RC, item 2.b, "Available-for-sale debt securities."

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**1** **Pledged securities.** Report the amortized cost of all held-to-maturity debt securities included in Schedule RC-B, column A, above; the fair value of all available-for-sale debt securities included in Schedule RC-B, column D, above; and the fair value of all equity securities with readily determinable fair values not held for trading included in Schedule RC, item 2.c, 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.

(2) Held-to-maturity debt securities, available-for-sale debt securities, and equity securities with readily determinable fair values not held for trading held by consolidated variable interest entities (VIEs) that can be used only to settle obligations of the same consolidated VIEs (the amounts of which should also be reported in Schedule SU, item 7.a).

(3) Held-to-maturity debt securities, available-for-sale debt securities, and equity securities with readily determinable fair values not held for trading owned by consolidated insurance subsidiaries and held in custodial trusts that are pledged to insurance companies external to the consolidated bank.

**2** **Maturity and repricing data for debt securities.** Report in the appropriate subitem maturity and repricing data for the bank's holdings of debt securities (reported in Schedule RC-B, items 1 through 6.b above). Report the amortized cost of held-to-maturity debt securities and the fair value of available-for-sale debt securities in the appropriate maturity and repricing subitems. Exclude from Memorandum item 2 the bank's holdings of equity securities with readily determinable fair values not held for trading (reported in Schedule RC, item 2.c) (e.g., investments in mutual funds, common stock, preferred stock). Also exclude those debt securities that are reported as "nonaccrual" in Schedule RC-N, item 10, column C.

The sum of Memorandum items 2.a.(1) through 2.c.(2) plus the amount of any nonaccrual debt securities included in Schedule RC-N, item 10, column C, must equal Schedule RC-B, sum of items 1 through 6.b, columns A and D.

For purposes of this memorandum item, the following definitions apply:

A fixed interest rate is a rate that is specified at the origination of the transaction, is fixed and invariable during the term of the debt security, and is known to both the borrower and the lender. Also treated as a fixed interest rate is a predetermined interest rate which is a rate that changes during the term of the debt security on a predetermined basis, with the exact rate of interest over the life of the debt security known with certainty to both the borrower and the lender when the debt security is acquired.

A floating rate is a rate that varies, or can vary, in relation to an index, to some other interest rate such as the rate on certain U.S. Government securities or the "prime rate," or to some other variable criterion the exact value of which cannot be known in advance. Therefore, the exact rate the debt security carries at any subsequent time cannot be known at the time of origination.

When the rate on a debt security with a floating rate has reached a contractual floor or ceiling level, the debt security is to be treated as "fixed rate" rather than as "floating rate" until the rate is again free to float.

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**2** (cont.) Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a debt security without regard to the security's repayment schedule, if any.

Next repricing date is the date the interest rate on a floating rate debt security can next change in accordance with the terms of the contract (without regard to the security's repayment schedule, if any, or expected prepayments) or the contractual maturity date of the security, whichever is earlier.

Banks whose records or information systems provide data on the final contractual maturities, next repricing dates, and expected average lives of their debt securities for time periods that closely approximate the maturity and repricing periods specified in Memorandum items 2.a through 2.d (e.g., 89 or 90 days rather than three months, 359 or 360 days rather than 12 months) may use these date to complete Memorandum items 2.a through 2.d.

For debt securities with scheduled contractual payments, banks whose records or information systems provide repricing data that take into account these scheduled contractual payments, with or without the effect of anticipated prepayments, may adjust these data in an appropriate manner to derive reasonable estimates for the final contractual maturities of fixed rate debt securities (and floating rate debt securities for purposes of Memorandum item 2.c) and the next repricing dates of floating rate debt securities.

Callable fixed rate debt securities should be reported in Memorandum items 2.a, 2.b, and 2.d without regard to their next call date unless the security has actually been called. When fixed rate debt securities have been called, they should be reported on the basis of the time remaining until the call date. Callable floating rate debt securities should be reported in Memorandum items 2.a and 2.b on the basis of their next repricing date without regard to their next call date if the security has not been called. Those that have been called should be reported based on the earlier of their next repricing date or their actual call date.

Fixed rate mortgage pass-through securities (such as those guaranteed by the Government National Mortgage Association (GNMA) or issued by the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), and certain banks, savings associations, and securities dealers) and fixed rate Small Business Administration (SBA) "Guaranteed Loan Pool Certificates" should be reported on the basis of the time remaining until their final contractual maturity without regard to either expected prepayments or scheduled contractual payments. Floating rate mortgage pass-through securities and SBA "Guaranteed Loan Pool Certificates" should be reported in Memorandum items 2.a and 2.b on the basis of their next repricing date.

Fixed rate debt securities that provide the reporting bank with the option to redeem them at one or more specified dates prior to their contractual maturity date, so-called "put bonds," should be reported on the basis of the time remaining until the next "put" date. Floating rate "put bonds" should be reported in Memorandum items 2.a and 2.b on the basis of their next repricing date without regard to "put" dates if the bank has not exercised the put. If a "put" has been exercised but the security has not yet been repaid, the "put" bond should be reported based on the earlier of its next repricing date or its scheduled repayment date.

Zero coupon debt securities, including U.S. Treasury bills, should be treated as fixed rate debt securities for purposes of this Memorandum item.

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**2.a** **Securities issued by the U.S. Treasury, U.S. Government agencies, and states and political subdivisions in the U.S.; other non-mortgage debt securities; and mortgage pass-through securities other than those backed by closed-end first lien 1-4 family residential mortgages with a remaining maturity or next repricing date of.** Report the bank's holdings of fixed rate debt securities -- *other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages* -- in the appropriate subitems according to the amount of time remaining to their final contractual maturities (without regard to repayment schedules, if any). Report the bank's holdings of floating rate debt securities -- *other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages* -- in the appropriate subitems according to the amount of time remaining until their next repricing date. Exclude debt securities that are in nonaccrual status.

For held-to-maturity debt securities, report amortized cost. For available-for-sale debt securities, report fair value.

**2.a.(1)** **Three months or less.** Report the amount of:

- the bank's fixed rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- with remaining maturities of three months or less, and
- the bank's floating rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages – with next repricing dates occurring in three months or less.

**2.a.(2)** **Over three months through 12 months.** Report the amount of:

- the bank's fixed rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- with remaining maturities (without regard to repayment schedules, if any) of over three months through 12 months, and
- the bank's floating rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages – with next repricing dates occurring in over three months through 12 months.

**2.a.(3)** **Over one year through three years.** Report the amount of:

- the bank's fixed rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- with remaining maturities (without regard to repayment schedules, if any) of over one year through three years, and
- the bank's floating rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages – with next repricing dates occurring in over one year through three years.

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**2.a.(4)** **Over three years through five years.** Report the amount of:

- the bank's fixed rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- with remaining maturities (without regard to repayment schedules, if any) of over three years through five years, and
- the bank's floating rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages – with next repricing dates occurring in over three years through five years.

**2.a.(5)** **Over five years through 15 years.** Report the amount of:

- the bank's fixed rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- with remaining maturities (without regard to repayment schedules, if any) of over five years through 15 years, and
- the bank's floating rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages – with next repricing dates occurring in over five years through 15 years.

**2.a.(6)** **Over 15 years.** Report the amount of:

- the bank's fixed rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- with remaining maturities (without regard to repayment schedules, if any) of over 15 years, and
- the bank's floating rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages – with next repricing dates occurring in over 15 years.

**2.b** **Mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with a remaining maturity or next repricing date of.** Report the bank's holdings of fixed rate mortgage pass-through securities *backed by closed-end first lien 1-4 family residential mortgages* in the appropriate subitems according to the amount of time remaining to their final contractual maturities (without regard to repayment schedules, if any). Report the bank's holdings of floating rate mortgage pass-through securities *backed by closed-end first lien 1-4 family residential mortgages* in the appropriate subitems according to the amount of time remaining until their next repricing date. Exclude mortgage pass-through securities that are in nonaccrual status.

For held-to-maturity mortgage pass-through securities, report amortized cost. For available-for-sale mortgage pass-through securities, report fair value.

**Memoranda**

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**2.b.(1)** **Three months or less.** Report the amount of:

- the bank's fixed rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with remaining maturities of three months or less, and
- the bank's floating rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with next repricing dates occurring in three months or less.

**2.b.(2)** **Over three months through 12 months.** Report the amount of:

- the bank's fixed rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with remaining maturities (without regard to repayment schedules, if any) of over three months through 12 months, and
- the bank's floating rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with next repricing dates occurring in over three months through 12 months.

**2.b.(3)** **Over one year through three years.** Report the amount of:

- the bank's fixed rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with remaining maturities (without regard to repayment schedules, if any) of over one year through three years, and
- the bank's floating rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with next repricing dates occurring in over one year through three years.

**2.b.(4)** **Over three years through five years.** Report the amount of:

- the bank's fixed rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with remaining maturities (without regard to repayment schedules, if any) of over three years through five years, and
- the bank's floating rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with next repricing dates occurring in over three years through five years.

**2.b.(5)** **Over five years through 15 years.** Report the amount of:

- the bank's fixed rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with remaining maturities (without regard to repayment schedules, if any) of over five years through 15 years, and
- the bank's floating rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with next repricing dates occurring in over five years through 15 years.

**Memoranda**

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**2.b.(6)** **Over 15 years.** Report the amount of:

- the bank's fixed rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with remaining maturities (without regard to repayment schedules, if any) of over 15 years, and

- the bank's floating rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with next repricing dates occurring in over fifteen years.

**2.c** **Other mortgage-backed securities (include CMOs, REMICs, and stripped MBS) with an expected average life of.** Report the bank's holdings of other mortgage-backed securities (including collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), and stripped mortgage-backed securities (MBS)) in the appropriate subitems by their expected weighted average life as of the report date. Include both fixed rate and floating rate securities. For held-to-maturity securities, report amortized cost. For available-for-sale securities, report fair value. Exclude all mortgage pass-through securities. Also exclude securities that are in nonaccrual status.

Banks should report based on the most recent average life information obtained within the twelve months preceding the report date. Weighted average life is the dollar-weighted average time in which principal is repaid. For a mortgage-backed security, weighted average life should be based on the prepayment assumptions associated with the pool of loans underlying the security as well as scheduled repayments. Weighted average life is computed by (a) multiplying the amount of each principal reduction by the number of years or months from the date of issuance or the testing date to the date of the principal reduction, (b) summing the results, and (c) dividing the sum by the remaining principal balance as of the date of issuance or the testing date. Because weighted average life should consider expected prepayments, it is not equivalent to contractual maturity. Because it is dollar- and time-weighted, it also is not equivalent to expected final maturity.

**2.c.(1)** **Three years or less.** Report the bank's holdings of other mortgage-backed securities with an expected weighted average life of three years or less as of the report date. Include both fixed rate and floating rate securities.

**2.c.(2)** **Over three years.** Report the bank's holdings of other mortgage-backed securities with an expected weighted average life of over three years as of the report date. Include both fixed rate and floating rate securities.

**2.d** **Debt securities with a remaining maturity of one year or less.** Report all debt securities with a remaining maturity of one year or less. Include both fixed rate and floating rate debt securities. Exclude debt securities that are in nonaccrual status.

For held-to-maturity debt securities, report amortized cost. For available-for-sale debt securities, report fair value.

The fixed rate debt securities (excluding "Other mortgage-backed securities") that should be included in this item will also have been reported by remaining maturity in Schedule RC-B, Memorandum items 2.a.(1), 2.a.(2), 2.b.(1), and 2.b.(2), above. The floating rate debt securities (excluding "Other mortgage-backed securities") that should be included in this item

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**2.d** (cont.) will have been reported by next repricing date in Memorandum items 2.a.(1), 2.a.(2), 2.b.(1), and 2.b.(2), above. However, these four Memorandum items may include floating rate debt securities with a remaining maturity of more than one year, but on which the interest rate can next change in one year or less; those debt securities should not be included in this Memorandum item 2.d. The "Other mortgage-backed securities" included in this item will have been reported by expected weighted average life in Memorandum items 2.c.(1) and 2.c.(2) above.

NOTE: Memorandum Item 3 is to be completed semiannually in the June and December reports only.

**3** **Amortized cost of held-to-maturity securities sold or transferred to available-for-sale or trading securities during the calendar year-to-date.** If the reporting bank has sold any held-to-maturity debt securities or has transferred any held-to-maturity debt securities to the available-for-sale or to trading securities during the calendar year-to-date, report the total amortized cost of these held-to-maturity debt securities as of their date of sale or transfer.

Exclude the amortized cost of any held-to-maturity debt security that has been sold near enough to (e.g., within three months of) its maturity date (or call date if exercise of the call is probable) that interest rate risk is substantially eliminated as a pricing factor. Also exclude the amortized cost of any held-to-maturity debt security that has been sold after the collection of a substantial portion (i.e., at least 85 percent) of the principal outstanding at acquisition due to prepayments on the debt security or, if the debt security is a fixed rate security, due to scheduled payments payable in equal installments (both principal and interest) over its term.

**4** **Structured notes.** Report in this item all structured notes included in the held-to-maturity and available-for-sale accounts and reported in Schedule RC-B, items 2, 3, 5, and 6. In general, structured notes are debt securities whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options or are otherwise commonly known as "structured notes." Include as structured notes any asset-backed securities (other than mortgage-backed securities) which possess the aforementioned characteristics.

Structured notes include, but are not limited to, the following common structures:

(1) Floating rate debt securities whose payment of interest is based upon:
   (a) a single index of a Constant Maturity Treasury (CMT) rate or a Cost of Funds Index (COFI), or
   (b) changes in the Consumer Price Index (CPI). However, ***exclude*** from structured notes all U.S. Treasury Inflation-Protected Securities (TIPS).

(2) **Step-up Bonds.** Step-up securities initially pay the investor an above-market yield for a short noncall period and then, if not called, "step up" to a higher coupon rate (which will be below current market rates). The investor initially receives a higher yield because of having implicitly sold one or more call options. A step-up bond may continue to contain call options even after the bond has stepped up to the higher coupon rate. A **multistep** bond has a series of fixed and successively higher coupons over its life. At each call date, if the bond is not called, the coupon rate increases.

(3) **Index Amortizing Notes (IANs).** IANs repay principal according to a predetermined amortization schedule that is linked to the level of a specific index (usually the London Interbank Offered Rate - LIBOR - or a specified prepayment rate). As market interest

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**4** (cont.) rates increase (or prepayment rates decrease), the maturity of an IAN extends, similar to that of a collateralized mortgage obligation. When the principal payments on these notes are indexed to the prepayment performance of a reference pool of mortgages or a reference mortgage-backed security, but the notes themselves are not collateralized by the mortgages or the mortgage-backed security, the notes are sometimes marketed as Prepayment-Linked Notes.

(4) **Dual Index Notes.** These bonds have coupon rates that are determined by the difference between two market indices, typically the CMT rate and LIBOR. These bonds often have a fixed coupon rate for a brief period, followed by a longer period of variable rates, e.g., 8 percent fixed for two years, then the 10-year CMT rate plus 300 basis points minus three-month LIBOR.

(5) **De-leveraged Bonds.** These bonds pay investors according to a formula that is based upon a fraction of the increase or decrease in a specified index, such as the CMT rate or the prime rate. For example, the coupon might be the 10-year CMT rate multiplied by 0.5, plus 150 basis points. The de-leveraging multiplier (0.5) causes the coupon to lag overall movements in market yields. A **leveraged** bond would involve a multiplier greater than 1.

(6) **Range Bonds.** Range bonds (or accrual bonds) pay the investor an above-market coupon rate as long as the reference rate is between levels established at issue. For each day that the reference rate is outside this range, the bonds earn no interest. For example, if LIBOR is the reference rate, a bond might pay LIBOR plus 75 basis points for each day that LIBOR is between 3.5 and 5.0 percent. When LIBOR is less than 3.5 percent or more than 5 percent, the bond would accrue no interest.

(7) **Inverse Floaters.** These bonds have coupons that increase as rates decline and decrease as rates rise. The coupon is based upon a formula, such as 12 percent minus three-month LIBOR.

***Exclude*** from structured notes floating rate debt securities denominated in U.S. dollars whose payment of interest is based upon a single index of a Treasury bill rate, the prime rate, or LIBOR and which do not contain adjusting caps, adjusting floors, leverage, or variable principal redemption. Furthermore, debt securities that do not possess the aforementioned characteristics of a structured note need not be reported as structured notes solely because they are callable as of a specified date at a specified price. In addition, debt securities that in the past possessed the characteristics of a structured note, but which have "fallen through" their structures (e.g., all of the issuer's call options have expired and there are no more adjustments to the interest rate on the security), need not be reported as structured notes.

Generally, municipal and corporate securities that have periodic call options should **not** be reported as structured notes. Although many of these securities have features similar to those found in some structured notes (e.g., step-ups, which generally remain callable after a step-up date), they are **not commonly known** as structured notes. Examples of such callable securities that should ***not*** be reported as structured notes include:

(1) Callable municipal and corporate bonds which have single (or multiple) explicit call dates and then can be called on any interest payment date after the last explicit call date (i.e., they are continuously callable).

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| **4** (cont.) | (2) Callable federal agency securities that have continuous call features after an explicit call date, except step-up bonds (which are structured notes).<br><br>The mere existence of simple caps and floors does not necessarily make a security a structured note. Securities with **adjusting** caps or floors (i.e., caps or floors that change over time), however, are structured notes. Therefore, the following types of securities should ***not*** be reported as structured notes:<br><br>(1) Variable rate securities, including Small Business Administration "Guaranteed Loan Pool Certificates," **unless** they have features of securities which are commonly known as structured notes (i.e., they are inverse, range, or de-leveraged floaters, index amortizing notes, dual index or variable principal redemption or step-up bonds), or have adjusting caps or floors.<br><br>(2) Mortgage-backed securities. |
| **4.a** | **Amortized cost (of structured notes).** Report the amortized cost of all structured notes included in the held-to-maturity and available-for-sale accounts. The amortized cost of these securities will have been reported in columns A and C of the body of Schedule RC-B. |
| **4.b** | **Fair value (of structured notes).** Report the fair (market) value of structured notes reported in Memorandum item 4.a above. The fair value of these securities will have been reported in columns B and D of the body of Schedule RC-B. Do not combine or otherwise net the fair value of any structured note with the fair or book value of any related asset, liability, or derivative instrument. |
| **5 - 6** | Not applicable. |
| **7** | **Guaranteed by U.S. Government agencies or sponsored agencies included in RC-B, item 5.b.** Report in the appropriate columns the amortized cost and fair value of the maximum amount recoverable from the U.S. Government, including its agencies and its government-sponsored agencies, under the guarantee applicable to the structured securities included in Schedule RC-B, item 5.b. |

# SCHEDULE RC-C – LOANS AND LEASE FINANCING RECEIVABLES

## Part I. Loans and Leases

### General Instructions for Part I

Loans and lease financing receivables are extensions of credit resulting from either direct negotiation between the bank and its customers or the purchase of such assets from others. See the Glossary entries for "loan" and for "lease accounting" for further information.

Report all loans and leases that the bank has the intent and ability to hold for the foreseeable future or until maturity or payoff, i.e., loans and leases held for investment, in Schedule RC-C, Part I. Also report in Schedule RC-C, Part I, all loans and leases held for sale as part of the consolidated bank's mortgage banking activities or activities of a similar nature involving other types of loans. Include the fair value of all loans held for investment and all loans held for sale that the bank has elected to report at fair value under a fair value option. Loans reported at fair value in Schedule RC-C, Part I, should include only the fair value of the funded portion of the loan. If the unfunded portion of the loan, if any, is reported at fair value, this fair value should be reported as an "Other asset" or an "Other liability," as appropriate, in Schedule RC, item 11 or item 20, respectively. If the bank has elected to apply the fair value option to any loans held for investment or held for sale, it also must report the fair value of these loans in Schedule SU, item 3.a.

Exclude from Schedule RC-C, Part I, all loans and leases classified as trading (report in Schedule RC, item 5, "Trading assets.")

When a loan is acquired (through origination or purchase) with the intent or expectation that it may or will be sold at some indefinite date in the future, the loan should be reported as held for sale or held for investment, based on facts and circumstances, in accordance with generally accepted accounting principles and related supervisory guidance. In addition, a loan acquired and held for securitization purposes should be reported as a loan held for sale, provided the securitization transaction will be accounted for as a sale under ASC Topic 860, Transfers and Servicing. Notwithstanding the above, banks may classify loans 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 that meets these criteria as a trading asset unless the bank holds the loan for one of the following purposes: (a) for market making activities, including such activities as accumulating loans for sale or securitization; (b) to benefit from actual or expected price movements; or (c) to lock in arbitrage profits.

Loans held for sale (not classified as trading in accordance with the preceding instruction) shall be reported in Schedule RC-C, Part I, at the lower of cost or fair value as of the report date, except for those that the bank has elected to account for at fair value under a fair value option. For loans held for sale that are reported at the lower of cost or fair value, the amount by which cost exceeds fair value, if any, shall be accounted for as a valuation allowance. For further information, see ASC Subtopic 948-310, Financial Services-Mortgage Banking – Receivables, ASC Subtopic 310-10, Receivables – Overall, and the March 26, 2001, Interagency Guidance on Certain Loans Held for Sale.

**General Instructions for Part I (cont.)**

Institutions should report loans and leases held for investment in this schedule without any deduction for allowances for credit losses on loans and leases or any allocated transfer risk reserves related to loans and leases, which are to be reported in Schedule RC, item 4.c, "Allowance for credit losses on loans and leases."

Each item in this schedule should be reported net of (1) unearned income (to the extent possible) and (2) deposits accumulated for the payment of personal loans (hypothecated deposits). Net unamortized loan fees represent an adjustment of the loan yield, and shall be reported in this schedule in the same manner as unearned income on loans, i.e., deducted from the related loan balances (to the extent possible) or deducted from total loans in Schedule RC-C, Part I, item 11, "LESS: Any unearned income on loans reflected in items 1-9 above." Net unamortized direct loan origination costs shall be added to the related loan balances in each item in this schedule. (See the Glossary entry for "Loan Fees" for further information.)

“Purchased credit-deteriorated loans” are acquired individual loans (or acquired groups of loans with similar risk characteristics) accounted for in accordance with ASC Topic 326, Financial Instruments–Credit Losses, that, as of the date of acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination, as determined by the acquiring institution’s assessment. Unless accounted for at fair value under a fair value option, purchased credit-deteriorated loans should be reported in Schedule RC-C, Part I, at amortized cost. Any noncredit discount or premium on a purchased credit-deteriorated loan should not be reported as unearned income in Schedule RC-C, Part I, item 11.

If, as a result of a change in circumstances, the bank regains control of a loan previously accounted for appropriately as having been sold because one or more of the conditions for sale accounting in ASC Topic 860 are no longer met, such a change should be accounted for in the same manner as a purchase of the loan from the former transferee (purchaser) in exchange for liabilities assumed. The rebooked loan must be reported as a loan asset in Schedule RC-C, Part I, either as a loan held for sale or a loan held for investment, based on facts and circumstances, in accordance with generally accepted accounting principles. This accounting and reporting treatment applies, for example, to U.S. Government-guaranteed or -insured residential mortgage loans backing Government National Mortgage Association (GNMA) mortgage-backed securities that a bank services after it has securitized the loans in a transfer accounted for as a sale. If and when individual loans later meet delinquency criteria specified by GNMA, the loans are eligible for repurchase, the bank is deemed to have regained effective control over these loans, and the delinquent loans must be brought back onto the bank's books as loan assets.

All loans should be categorized in Schedule RC-C, Part I, according to security, borrower, or purpose. All loans satisfying the criteria in the Glossary entry for “Loan secured by real estate” (except those to

**General Instructions for Part I (cont.)**

states and political subdivisions in the U.S.) should be categorized as “Loans secured by real estate” in Schedule RC-C, Part I. Loans secured by other collateral, such as securities, inventory, or automobiles, would require further examination of both purpose and borrower to properly categorize the loans in Schedule RC-C, Part I. For loan categories in Schedule RC-C, Part I, that include certain loans to individuals, the term “individual” may include a trust or other entity that acts on behalf of (or in place of) an individual or a group of individuals for purposes of obtaining the loan. Loans covering two or more categories are sometimes difficult to categorize. In such instances, categorize the entire loan according to the major criterion.

Report in Schedule RC-C, Part I, all loans and leases on the books of the reporting bank even if on the report date they are past due and collection is doubtful. Exclude any loans or leases the bank has sold or charged off. Also exclude assets received in full or partial satisfaction of a loan or lease (unless the asset received is itself reportable as a loan or lease) and any loans for which the bank has obtained physical possession of the underlying collateral, regardless of whether formal foreclosure or repossession proceedings have been instituted against the borrower. Refer to the Glossary entries for " Loan Modifications to Borrowers Experiencing Financial Difficulty" and "Foreclosed Assets" for further discussion of these topics.

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**General Instructions for Part I (cont.)**

When a bank acquires either (1) a portion of an entire loan that does not meet the definition of a participating interest (i.e., a nonqualifying loan participation) or (2) a qualifying participating interest in a transfer that does not does not meet all of the conditions for sale accounting, it should normally report the loan participation or participating interest in Schedule RC, item 4.b, “Loans and leases held for investment.” The bank also should report the loan participation or participating interest in Schedule RC-C, Part I, in the loan category appropriate to the underlying loan, e.g., as a “commercial and industrial loan” in item 4 or as a “loan secured by real estate” in item 1. See the Glossary entry for “transfers of financial assets” for further information.

Exclude, for purposes of this schedule, the following:

(1) Federal funds sold, i.e., all loans of immediately available funds that mature in one business day or roll over under a continuing contract, excluding funds lent in the form of securities purchased under agreements to resell. Report federal funds sold in Schedule RC, item 3.a. However, report overnight lending for commercial and industrial purposes as loans in this schedule.

(2) Lending transactions in the form of securities purchased under agreements to resell (report in Schedule RC, item 3.b, "Securities purchased under agreements to resell").

(3) All holdings of commercial paper (report in Schedule RC, item 5, if held for trading; report in Schedule RC-B, item 4.b, “Other mortgage-backed securities,” item 5.a, "Asset-backed securities," or item 6, "Other debt securities," as appropriate, if held for purposes other than trading).

(4) Contracts of sale or other loans indirectly representing other real estate (report in Schedule RC, item 7, "Other real estate owned").

(5) Undisbursed loan funds, sometimes referred to as incomplete loans or loans in process, unless the borrower is liable for and pays the interest thereon. If interest is being paid by the borrower on the undisbursed proceeds, the amount of such undisbursed funds should be included in both loans and deposits. (Do not include loan commitments that have not yet been taken down, even if fees have been paid; see Schedule RC-L, item 1.)

**Item Instructions for Part I**

| Item No. | Caption and Instructions |
|---|---|
| 1 | **Loans secured by real estate.** Report all loans that meet the definition of a “loan secured by real estate.” See the Glossary entry for "loan secured by real estate" for the definition of this term. Institutions should report in items 1.a.(1) through 1.e.(2) a nine-category breakdown of loans secured by real estate.<br><br>Include all loans (other than those to states and political subdivisions in the U.S.), regardless of purpose and regardless of whether originated by the bank or purchased from others, that are secured by real estate at origination as evidenced by mortgages, deeds of trust, land contracts, or other instruments, whether first or junior liens (e.g., equity loans, second mortgages) on real estate. |

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**1** (cont.)

Include as loans secured by real estate:

(1) Loans secured by residential properties that are guaranteed by the Farmers Home Administration (FmHA) and extended, collected, and serviced by a party other than the FmHA.

(2) Loans secured by properties and guaranteed by governmental entities in foreign countries.

(3) Participations in pools of Federal Housing Administration (FHA) Title I home improvement loans that are secured by liens (generally, junior liens) on residential properties.

(4) Loans secured by real estate that are guaranteed by the Small Business Administration (SBA). Include SBA "Guaranteed Interest Certificates," which represent a beneficial interest in the entire SBA-guaranteed portion of an individual loan, provided the loan is a loan secured by real estate. (Exclude SBA "Guaranteed Loan Pool Certificates," which represent an undivided interest in a pool of SBA-guaranteed portions of loans. SBA "Guaranteed Loan Pool Certificates" should be reported as securities in Schedule RC-B, item 2, or, if held for trading, in Schedule RC, item 5.)

Exclude from loans secured by real estate:

(1) Obligations (other than securities and leases) of states and political subdivisions in the U.S. that are secured by real estate (report in Schedule RC-C, Part I, item 8).

(2) All loans and sales contracts indirectly representing other real estate (report in Schedule RC, item 7, "Other real estate owned").

(3) Loans to real estate companies, real estate investment trusts, mortgage lenders, and foreign non-governmental entities that specialize in mortgage loan originations and that service mortgages for other lending institutions when the real estate mortgages or similar liens on real estate are not sold to the bank but are merely pledged as collateral (report in Schedule RC-C, Part I, item 2, "Loans to depository institutions and acceptances of other banks," or item 9.a, "Loans to nondepository financial institutions," as appropriate).

(4) Bonds issued by the Federal National Mortgage Association or by the Federal Home Loan Mortgage Corporation that are collateralized by residential mortgages (report in Schedule RC-B, item 2, "U.S. Government agency and sponsored agency obligations").

(5) Pooled residential mortgages for which participation certificates have been issued or guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation (report in Schedule RC-B, item 4.a). However, if the reporting bank is the seller-servicer of the residential mortgages backing such securities and, as a result of a change in circumstances, it must rebook any of these mortgages because one or more of the conditions for sale accounting in 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 by FASB Statement No. 166, "Accounting for Transfers of Financial Assets"), are no longer met, the rebooked mortgages should be included in Schedule RC-C, Part I, as loans secured by real estate.

**Part I. (cont.)**

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

**1.a** **Construction, land development, and other land loans.** Report in the appropriate subitem loans secured by real estate made to finance (a) land development (i.e., the process of improving land – laying sewers, water pipes, etc.) preparatory to erecting new structures or (b) the on-site construction of industrial, commercial, residential, or farm buildings. For purposes of this item, "construction" includes not only construction of new structures, but also additions or alterations to existing structures and the demolition of existing structures to make way for new structures.

Also include in this item:

(1) Loans secured by vacant land, except land known to be used or usable for agricultural purposes, such as crop and livestock production (which should be reported in Schedule RC-C, Part I, item 1.b, below, as loans secured by farmland).

(2) Loans secured by real estate the proceeds of which are to be used to acquire and improve developed and undeveloped property.

(3) Loans made under Title I or Title X of the National Housing Act that conform to the definition of construction stated above and that are secured by real estate.

Loans written as combination construction-permanent loans secured by real estate should be reported in this item until construction is completed or principal amortization payments begin, whichever comes first. When the first of these events occurs, the loans should begin to be reported in the real estate loan category in Schedule RC-C, Part I, item 1, appropriate to the real estate collateral. For purposes of these reports, a combination construction-permanent loan arises when the lender enters into a contractual agreement with the original borrower at the time the construction loan is originated to also provide the original borrower with permanent financing that amortizes principal after construction is completed and a certificate of occupancy is obtained (if applicable). This construction-permanent loan structure is intended to apply to situations where, at the time the construction loan is originated, the original borrower:

- Is expected to be the owner-occupant of the property upon completion of construction and receipt of a certificate of occupancy (if applicable), for example, where the financing is being provided to the original borrower for the construction and permanent financing of the borrower's residence or place of business, or
- Is not expected to be the owner-occupant of the property, but repayment of the permanent loan will be derived from rental income associated with the property being constructed after receipt of a certificate of occupancy (if applicable) rather than from the sale of the property being constructed.

All construction loans secured by real estate, other than combination construction-permanent loans as described above, should continue to be reported in this item after construction is completed unless and until (1) the loan is refinanced into a new permanent loan by the reporting bank or is otherwise repaid, (2) the bank acquires or otherwise obtains physical possession of the underlying collateral in full satisfaction of the debt, or (3) the loan is charged

**Part I. (cont.)**

**Item No. Caption and Instructions**

**1.a** (cont.) off. For purposes of these reports, a construction loan is deemed to be refinanced into a new permanent loan only if the bank originates:

- An amortizing permanent loan to a new borrower (unrelated to the original borrower) who has purchased the real property, or
- A prudently underwritten new amortizing permanent loan at market terms to the original borrower – including an appropriate interest rate, maturity, and loan-to-value ratio – that is no longer dependent on the sale of the property for repayment. The loan should have a clearly identified ongoing source of repayment sufficient to service the required principal and interest payments over a reasonable and customary period relative to the type of property securing the new loan. A new loan to the original borrower not meeting these criteria (including a new loan on interest-only terms or a new loan with a short-term balloon maturity that is inconsistent with the ongoing source of repayment criterion) should continue to be reported as a "Construction, land development, and other land loan" in the appropriate subitem of Schedule RC-C, Part I, item 1.a.

Exclude loans to finance construction and land development that are not secured by real estate (report in other items of Schedule RC-C, Part I, as appropriate).

**1.a.(1)** **1-4 family residential construction loans.** Report the amount outstanding of 1-4 family residential construction loans, i.e., loans for the purpose of constructing 1-4 family residential properties, which will secure the loan. The term "1-4 family residential properties" is defined in Schedule RC-C, Part I, item 1.c, below. "1-4 family residential construction loans" include:

- Construction loans to developers secured by tracts of land on which 1-4 family residential properties, including townhouses, are being constructed.
- Construction loans secured by individual parcels of land on which single 1-4 family residential properties are being constructed.
- Construction loans secured by single-family dwelling units in detached or semidetached structures, including manufactured housing.
- Construction loans secured by duplex units and townhouses, excluding garden apartment projects where the total number of units that will secure the permanent mortgage is greater than four.
- Construction loans secured by buildings in which individual condominium dwelling units or individual cooperative housing units are being constructed, even if the buildings have five or more units, where repayment will come from sales of individual condominium dwelling units or interests in individual cooperative housing units, which are 1-4 family residential properties.
- Combination land and construction loans on 1-4 family residential properties, regardless of the current stage of construction or development.
- Combination construction-permanent loans on 1-4 family residential properties until construction is completed or principal amortization payments begin, whichever comes first.
- Loans secured by apartment buildings undergoing conversion to condominiums or cooperatives, regardless of the extent of planned construction or renovation, where repayment will come from sales of individual condominium dwelling units or interests in individual cooperative housing units, which are 1-4 family residential properties.
- Bridge loans to developers on 1-4 family residential properties where the buyer will not assume the same loan, even if construction is completed or principal amortization payments have begun.

**Part I. (cont.)**

**Item No. Caption and Instructions**

**1.a.(2)** **Other construction loans and all land development and other land loans.** Report the amount outstanding of all construction loans for purposes other than constructing 1-4 family residential properties, all land development loans, and all other land loans. Include loans for the development of building lots and loans secured by vacant land, unless the same loan finances the construction of 1-4 family residential properties on the property.

**1.b** **Secured by farmland.** Report loans secured by farmland and improvements thereon, as evidenced by mortgages or other liens. Farmland includes all land known to be used or usable for agricultural purposes, such as crop and livestock production. Farmland includes grazing or pasture land, whether tillable or not and whether wooded or not.

Include loans secured by farmland that are guaranteed by the Farmers Home Administration (FmHA) or by the Small Business Administration (SBA) and that are extended, serviced, and collected by any party other than FmHA or SBA.

Exclude loans for farm property construction and land development purposes (report in Schedule RC-C, Part I, item 1.a).

**1.c** **Secured by 1-4 family residential properties**. Report in the appropriate subitem open-end and closed-end loans secured by real estate as evidenced by mortgages (FHA, FmHA, VA, or conventional) or other liens on:

(1) Nonfarm property containing 1-to-4 dwelling units (including vacation homes) or more than four dwelling units if each is separated from other units by dividing walls that extend from ground to roof (e.g., row houses, townhouses, or the like).

(2) Mobile homes where (a) state laws define the purchase or holding of a mobile home as the purchase or holding of real property and where (b) the loan to purchase the mobile home is secured by that mobile home as evidenced by a mortgage or other instrument on real property.

(3) Individual condominium dwelling units and loans secured by an interest in individual cooperative housing units, even if in a building with five or more dwelling units.

(4) Housekeeping dwellings with commercial units combined where use is primarily residential and where only 1-to-4 family dwelling units are involved.

A home equity line of credit (HELOC) is a revolving open-end line of credit secured by a lien on a 1-to-4 family residential property that generally provides a draw period followed by a repayment period. During the draw period, a borrower has revolving access to unused amounts under a specified line of credit. During the repayment period, the borrower can no longer draw on the line of credit and the outstanding principal is either due immediately in a balloon payment or repaid over the remaining term through monthly payments. HELOCs in the draw period or in the repayment period should be reported in Schedule RC-C, Part I, item 1.c.(1).[1] Beginning June 30, 2021, revolving open-end lines of credit that are no longer

[1] All HELOCs that convert to non-revolving, closed-end status on or after January 1, 2021, must be reported as open-end loans in item 1.c.(1). An institution that, as of March 31, 2020, reports HELOCs that convert to non-revolving, closed-end status as closed-end loans in Schedule RC-C, Part I, item 1.c.(2)(a) or 1.c.(2)(b), as appropriate, may continue to report HELOCs that convert on or before December 31, 2020, as closed-end loans in Call Reports for report dates after that date. Alternatively, the institution may choose to begin reporting some or all of these closed-end HELOCs as open-end loans in item 1.c.(1) as of the March 31, 2020, or any subsequent report date, provided this reporting treatment is consistently applied.

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**1.c** (cont.) in the draw period and have converted to non-revolving closed-end status also should be reported in Schedule RC-C, Part I, Memorandum item 16 (in the June and December reports only).

Reverse 1-4 family residential mortgages should be reported in the appropriate subitem based on whether they are closed-end or open-end mortgages. A reverse mortgage is an arrangement in which a homeowner borrows against the equity in his/her home and receives cash either in a lump sum or through periodic payments. However, unlike a traditional mortgage loan, no payment is required until the borrower no longer uses the home as his or her principal residence. Cash payments to the borrower after closing, if any, and accrued interest are added to the principal balance. These loans may have caps on their maximum principal balance or they may have clauses that permit the cap on the maximum principal balance to be increased under certain circumstances. Homeowners generally have one of the following options for receiving tax free loan proceeds from a reverse mortgage: (1) one lump sum payment; (2) a line of credit; (3) fixed monthly payments to homeowner either for a specified term or for as long as the homeowner lives in the home; or (4) a combination of the above.

Reverse mortgages that provide for a lump sum payment to the borrower at closing, with no ability for the borrower to receive additional funds under the mortgage at a later date, should be reported as closed-end loans in Schedule RC-C, Part I, item 1.c.(2). Normally, closed-end reverse mortgages are first liens and would be reported in Schedule RC-C, Part I, item 1.c.(2)(a). Reverse mortgages that are structured like home equity lines of credit in that they provide the borrower with additional funds after closing (either as fixed monthly payments, under a line of credit, or both) should be reported as open-end loans in Schedule RC-C, Part I, item 1.c.(1). Open-end reverse mortgages also are normally first liens. Where there is a combination of both a lump sum payment to the borrower at closing and payments after the closing of the loan, the reverse mortgage should be reported as an open-end loan in Schedule RC-C, Part I, item 1.c.(1).

Exclude loans for 1-to-4 family residential property construction and land development purposes (report in Schedule RC-C, Part I, item 1.a.(1)). Also exclude loans secured by vacant lots in established single-family residential sections or in areas set aside primarily for 1-to-4 family homes (report in Schedule RC-C, Part I, item 1.a).

**1.c.(1)** **Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit**. Report the amount outstanding under revolving, open-end lines of credit secured by 1-to-4 family residential properties, i.e., HELOCs.

Include revolving, open-end lines of credit secured by 1-to-4 family residential properties for which the draw periods have ended and the loans have converted to non-revolving closed-end status.[1] After their conversion, such loans also should be reported in Schedule RC-C, Part I, Memorandum item 16, in the June and December reports only beginning June 30, 2021.

Also include amounts drawn on a HELOC during its draw period that the borrower has converted to a closed-end loan before the end of this period (sometimes referred to as a HELOC flex product).

[1] See footnote 1 in the instructions for Schedule RC-C, Part I, item 1.c.

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**1.c.(2)** **Closed-end loans secured by 1-4 family residential properties**. Report in the appropriate subitem the amount of all closed-end loans secured by 1-to-4 family residential properties (i.e., closed-end first mortgages and junior liens).

Exclude loans that were extended under revolving, open-end lines of credit secured by 1-to-4 family residential properties for which the draw periods have ended and the loans have converted to non-revolving closed-end status (report in Schedule RC-C, Part I, item 1.c.(1) above).[1]

**1.c.(2)(a)** **Secured by first liens**. Report the amount of all closed-end loans secured by first liens on 1-to-4 family residential properties.

**1.c.(2)(b)** **Secured by junior liens**. Report the amount of all closed-end loans secured by junior (i.e., other than first) liens on 1-to-4 family residential properties. Include loans secured by junior liens in this item even if the bank also holds a loan secured by a first lien on the same 1-to-4 family residential property and there are no intervening junior liens.

**1.d** **Secured by multifamily (5 or more) residential properties**. Report all other nonfarm residential loans secured by real estate as evidenced by mortgages (FHA and conventional) or other liens that are not reportable in Schedule RC-C, Part I, item 1.c. Specifically, include loans on:

(1) Nonfarm properties with 5 or more dwelling units in structures (including apartment buildings and apartment hotels) used primarily to accommodate households on a more or less permanent basis.

(2) 5 or more unit housekeeping dwellings with commercial units combined where use is primarily residential.

(3) Cooperative-type apartment buildings containing 5 or more dwelling units.

[1] See footnote 1 in the instructions for Schedule RC-C, Part I, item 1.c.

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**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| **1.d** (cont.) | Exclude loans for multifamily residential property construction and land development purposes and loans secured by vacant lots in established multifamily residential sections or in areas set aside primarily for multifamily residential properties (report in Schedule RC-C, Part I, item 1.a.(2)). Also exclude loans secured by nonfarm nonresidential properties (report in Schedule RC-C, Part I, item 1.e). |
| **1.e** | **Secured by nonfarm nonresidential properties.** Report in the appropriate subitem loans secured by real estate as evidenced by mortgages or other liens on nonfarm nonresidential properties, including business and industrial properties, hotels, motels, churches, hospitals, educational and charitable institutions, dormitories, clubs, lodges, association buildings, "homes" for aged persons and orphans, golf courses, recreational facilities, and similar properties.<br><br>Exclude loans for nonfarm nonresidential property construction and land development purposes and loans secured by vacant lots in established nonfarm nonresidential sections or in areas set aside primarily for nonfarm nonresidential properties (report in Schedule RC-C, Part I, item 1.a.(2)).<br><br>For purposes of reporting loans in Schedule RC-C, Part I, items 1.e.(1) and 1.e.(2), below, the determination as to whether a nonfarm nonresidential property is considered “owner-occupied” should be made upon acquisition (origination or purchase) of the loan. Once a bank determines whether a loan should be reported as “owner-occupied” or not, this determination need not be reviewed thereafter. |
| **1.e.(1)** | **Loans secured by owner-occupied nonfarm nonresidential properties.** Report the amount of loans secured by owner-occupied nonfarm nonresidential properties.<br><br>“Loans secured by owner-occupied nonfarm nonresidential properties” are those nonfarm nonresidential property loans for which the primary source of repayment is the cash flow from the ongoing operations and activities conducted by the party, or an affiliate of the party, who owns the property. Thus, for loans secured by owner-occupied nonfarm nonresidential properties, the primary source of repayment is not derived from third party, nonaffiliated, rental income associated with the property (i.e., any such rental income is less than 50 percent of the source of repayment) or the proceeds of the sale, refinancing, or permanent financing of the property. Include loans secured by hospitals, golf courses, recreational facilities, and car washes unless the property is owned by an investor who leases the property to the operator who, in turn, is not related to or affiliated with the investor (in which case, the loan should be reported in Schedule RC-C, Part I, item 1.e.(2), below). Also include loans secured by churches unless the property is owned by an investor who leases the property to the congregation (in which case, the loan should be reported in Schedule RC-C, Part I, item 1.e.(2), below). |
| **1.e.(2)** | **Loans secured by other nonfarm nonresidential properties.** Report the amount of nonfarm nonresidential real estate loans that are not secured by owner-occupied nonfarm nonresidential properties.<br><br>“Loans secured by other nonfarm nonresidential properties” are those nonfarm nonresidential property loans where the primary source of repayment is derived from rental income associated with the property (i.e., loans for which 50 percent or more of the source of repayment comes from third party, nonaffiliated, rental income) or the proceeds of the sale, refinancing, or permanent financing of the property. Include loans secured by hotels, motels, dormitories, nursing homes, assisted-living facilities, mini-storage warehouse facilities, and similar properties in this item as loans secured by other nonfarm nonresidential properties. |

**Part I. (cont.)**

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

**1.e.(2)** (cont.) In some instances, it may be appropriate to report loans secured by nursing homes or assisted-living facilities in Schedule RC-C, Part I, item 1.e.(1), "Loans secured by owner-occupied nonfarm nonresidential properties." The owner-occupied determination for a loan secured by a nursing home or an assisted-living facility is based on whether 50 percent or more of the source of repayment for the loan comes from the cash flow from the ongoing operations and activities, such as medical or maintenance services, conducted by the party, or an affiliate of the party, who owns the property rather than from third party, nonaffiliated, rental income associated with the property or the proceeds from residents or patients exercising "buy-in" options or "purchase" options on particular units.

**2** **Loans to depository institutions and acceptances of other banks.** Report all loans (other than those that meet the definition of a "loan secured by real estate"), including overdrafts, to banks, other depository institutions, and other associations, companies, and financial intermediaries whose primary business is to accept deposits and to extend credit for business or for personal expenditure purposes and the bank's holdings of all bankers acceptances accepted by other banks that are not held for trading. Acceptances accepted by other banks may be purchased in the open market or discounted by the reporting bank. For further information, see the Glossary entry for "bankers acceptances."

Depository institutions cover:

(1) commercial banks in the U.S., including:

(a) U.S. branches and agencies of foreign banks, U.S. branches and agencies of foreign official banking institutions, and investment companies that are chartered under Article XII of the New York State banking law and are majority-owned by one or more foreign banks; and
(b) all other commercial banks in the U.S., i.e., U.S. branches of U.S. banks;

(2) depository institutions in the U.S., other than commercial banks, including:

(a) credit unions;
(b) mutual or stock savings banks;
(c) savings or building and loan associations;
(d) cooperative banks; and
(e) other similar depository institutions; and

(3) banks in foreign countries, including:

(a) foreign-domiciled branches of other U.S. banks; and
(b) foreign-domiciled branches of foreign banks.

See the Glossary entry for "banks, U.S. and foreign" and "depository institutions in the U.S." for further discussion of these terms.

Include as loans to depository institutions and acceptances of other banks:

(1) Loans to depository institutions for which the collateral is a mortgage instrument and not the underlying real property. Report loans to depository institutions where the collateral is the real estate itself, as evidenced by mortgages or similar liens, in Schedule RC-C, Part I, item 1.

**Part I. (cont.)**

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

**2** (cont.)

(2) Purchases of mortgages and other loans under agreements to resell that do not involve the lending of immediately available funds or that mature in more than one business day, if acquired from depository institutions.

(3) The reporting bank's own acceptances discounted and held in its portfolio when the account party is another depository institution.

Exclude from loans to depository institutions:

(1) All transactions reportable in Schedule RC, item 3, "Federal funds sold and securities purchased under agreements to resell."

(2) Loans that meet the definition of a “loan secured by real estate,” even if extended to depository institutions (report in Schedule RC-C, Part I, item 1).

(3) Loans to holding companies of depository institutions (report in Schedule RC-C, Part I, item 9.a, “Loans to nondepository financial institutions”).

(4) Loans to real estate investment trusts and to mortgage companies that specialize in mortgage loan originations and warehousing or in mortgage loan servicing (report in Schedule RC-C, Part I, item 9.a, “Loans to nondepository financial institutions”).

(5) Loans to finance companies and insurance companies (report in Schedule RC-C, Part I, item 9.a, “Loans to nondepository financial institutions”).

(6) Loans to brokers and dealers in securities, investment companies, and mutual funds (report in Schedule RC-C, Part I, item 9.a, “Loans to nondepository financial institutions”).

(7) Loans to Small Business Investment Companies (report in Schedule RC-C, Part I, item 9.a, “Loans to nondepository financial institutions”).

(8) Loans to lenders other than brokers, dealers, and banks whose principal business is to extend credit for the purpose of purchasing or carrying securities, including margin loans (as described in Federal Reserve Regulation U), and loans to "plan lenders" (as defined in Federal Reserve Regulation G) (report in Schedule RC-C, Part I, item 9.b, “Other loans”).

(9) Loans to federally-sponsored lending agencies (report in Schedule RC-C, Part I, item 9.a, “Loans to nondepository financial institutions”). Refer to the Glossary entry for "Federally-Sponsored Lending Agency" for the definition of this term.

(10) Dollar exchange acceptances created by foreign governments and official institutions (report in Schedule RC-C, Part I, item 9.b, “Other loans”).

(11) Loans to foreign governments and official institutions, including foreign central banks (report in Schedule RC-C, Part I, item 9.b, “Other loans”). See the Glossary entry for "Foreign Governments and Official Institutions" for the definition of this term.

(12) Acceptances accepted by the reporting bank, discounted, and held in its portfolio, when the account party is not another depository institution. Report such acceptances in other items of Schedule RC-C, Part I, according to the account party.

**Part I. (cont.)**

**Item No. Caption and Instructions**

**3** **Loans to finance agricultural production and other loans to farmers.** Report loans for the purpose of financing agricultural production. Include such loans whether secured (other than those that meet the definition of a "loan secured by real estate") or unsecured and whether made to farm and ranch owners and operators (including tenants) or to nonfarmers. All other loans to farmers, other than those excluded below, should also be reported in this item.

Include as loans to finance agricultural production and other loans to farmers:

(1) Loans and advances made for the purpose of financing agricultural production, including the growing and storing of crops, the marketing or carrying of agricultural products by the growers thereof, and the breeding, raising, fattening, or marketing of livestock.

(2) Loans and advances made for the purpose of financing fisheries and forestries, including loans to commercial fishermen.

(3) Agricultural notes and other notes of farmers that the bank has discounted for, or purchased from, merchants and dealers, either with or without recourse to the seller.

(4) Loans to farmers that are guaranteed by the Farmers Home Administration (FmHA) or by the Small Business Administration (SBA) and that are extended, serviced, and collected by a party other than the FmHA or SBA. Include SBA "Guaranteed Interest Certificates," which represent a beneficial interest in the entire SBA-guaranteed portion of an individual loan, provided the loan is for the financing of agricultural production or other lending to farmers. (Exclude SBA "Guaranteed Loan Pool Certificates," which represent an undivided interest in a pool of SBA-guaranteed portions of loans. SBA "Guaranteed Loan Pool Certificates" should be reported as securities in Schedule RC-B, item 2, or, if held for trading, in Schedule RC, item 5.)

(5) Loans and advances to farmers for purchases of farm machinery, equipment, and implements.

(6) Loans and advances to farmers for all other purposes associated with the maintenance or operations of the farm, including purchases of private passenger automobiles and other retail consumer goods and provisions for the living expenses of farmers or ranchers and their families.

Loans to farmers for household, family, and other personal expenditures (including credit cards) that are not readily identifiable as being made to farmers need not be broken out of Schedule RC-C, Part I, item 6, for inclusion in this item.

Exclude from loans to finance agricultural production and other loans to farmers:

(1) Loans that meet the definition of a "loan secured by real estate" (report in Schedule RC-C, Part I, item 1).

(2) Loans to farmers for commercial and industrial purposes, e.g., when a farmer is operating a business enterprise as well as a farm (report in Schedule RC-C, Part I, item 4).

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**3** (cont.)

(3) Loans to farmers for the purpose of purchasing or carrying securities (report in Schedule RC-C, Part I, item 9.b, "Other loans").

(4) Loans to farmers secured by oil or mining production payments (report in Schedule RC-C, Part I, item 4).

**4**

**Commercial and industrial loans.** Report loans for commercial and industrial purposes to sole proprietorships, partnerships, corporations, and other business enterprises, whether secured (other than those that meet the definition of a "loan secured by real estate") or unsecured, single-payment or installment.

Commercial and industrial loans may take the form of direct or purchased loans. Include loans to individuals for commercial, industrial, and professional purposes but not for investment or personal expenditure purposes. Also include the reporting bank's own acceptances that it holds in its portfolio when the account party is a commercial or industrial enterprise. Exclude all commercial and industrial loans held for trading.

Include loans of the types listed below as commercial and industrial loans. These descriptions may overlap and are not all inclusive.

(1) Loans for commercial, industrial, and professional purposes to:

(a) mining, oil- and gas-producing, and quarrying companies;
(b) manufacturing companies of all kinds, including those which process agricultural commodities;
(c) construction companies;
(d) transportation and communications companies and public utilities;
(e) wholesale and retail trade enterprises and other dealers in commodities;
(f) cooperative associations including farmers' cooperatives;
(g) service enterprises such as hotels, motels, laundries, automotive service stations, and nursing homes and hospitals operated for profit;
(h) insurance agents; and
(i) practitioners of law, medicine, and public accounting.

(2) Loans for the purpose of financing capital expenditures and current operations.

(3) Loans to business enterprises guaranteed by the Small Business Administration (SBA). Include SBA "Guaranteed Interest Certificates," which represent a beneficial interest in the entire SBA-guaranteed portion of an individual loan, provided the loan is for commercial and industrial purposes. (Exclude SBA "Guaranteed Loan Pool Certificates," which represent an undivided interest in a pool of SBA-guaranteed portions of loans. SBA "Guaranteed Loan Pool Certificates" should be reported as securities in Schedule RC-B, item 2, or, if held for trading, in Schedule RC, item 5.)

(4) Loans to farmers for commercial and industrial purposes (when farmers operate a business enterprise as well as a farm).

(5) Loans supported by letters of commitment from the Agency for International Development.

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**4** (cont.)

(6) Loans made to finance construction that do not meet the definition of a "loan secured by real estate."

(7) Loans to merchants or dealers on their own promissory notes secured by the pledge of their own installment paper.

(8) Loans extended under credit cards and related plans that are readily identifiable as being issued in the name of a commercial or industrial enterprise.

(9) Dealer flooring or floor-plan loans.

(10) Loans collateralized by production payments (e.g., oil or mining production payments). Treat as a loan to the original seller of the production payment rather than to the holder of the production payment. For example, report in this item, as a loan to an oil company, a loan made to a nonprofit organization collateralized by an oil production payment; do not include in Schedule RC-C, Part I, item 9.b, as a loan to the nonprofit organization.

(11) Loans and participations in loans secured by conditional sales contracts made to finance the purchase of commercial transportation equipment.

(12) Commercial and industrial loans guaranteed by foreign governmental institutions.

(13) Overnight lending for commercial and industrial purposes.

Exclude from commercial and industrial loans:

(1) Loans that meet the definition of a "loan secured by real estate," even if for commercial and industrial purposes (report in Schedule RC-C, Part I, item 1).

(2) Loans to depository institutions (report in Schedule RC-C, Part I, item 2).

(3) Loans to nondepository financial institutions such as real estate investment trusts, mortgage companies, and insurance companies (report in Schedule RC-C, Part I, item 9.a).

(4) Loans for the purpose of purchasing or carrying securities, including margin loans (report in Schedule RC-C, Part I, item 9.b).

(5) Loans for the purpose of financing agricultural production, whether made to farmers or to nonagricultural businesses (report in Schedule RC-C, Part I, item 3).

(6) Loans to nonprofit organizations, such as hospitals or educational institutions (report as all other loans in Schedule RC-C, Part I, item 9.b), except those for which oil or mining production payments serve as collateral which are to be reported in this item.

(7) Holdings of acceptances accepted by other banks (report in Schedule RC-C, Part I, item 2).

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**4** (8) Holdings of the bank's own acceptances when the account party is another bank (report in Schedule RC-C, Part I, item 2) or a foreign government or official institution (report in Schedule RC-C, Part I, item 9.b).

(9) Equipment trust certificates (report in Schedule RC-B, item 6, "Other debt securities").

(10) Any commercial or industrial loans held by the reporting bank for trading purposes (report in Schedule RC, item 5, "Trading assets").

(11) Commercial paper (report in Schedule RC-B, item 5.a, "Asset-backed securities," or item 6, "Other debt securities," or in Schedule RC, item 5, "Trading assets," as appropriate).

**5** Not applicable.

**6** **Loans to individuals for household, family, and other personal expenditures.** Report in the appropriate subitem all credit extended to individuals for household, family, and other personal expenditures that does not meet the definition of a "loan secured by real estate," whether direct loans or purchased paper. Exclude loans to individuals for the purpose of purchasing or carrying securities (report in Schedule RC-C, Part I, item 9.b).

Deposits accumulated by borrowers for the payment of personal loans (i.e., hypothecated deposits) should be netted against the related loans.

**6.a** **Credit cards.** Report all extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards. Report the total amount outstanding of all funds advanced under these credit cards regardless of whether there is a period before interest charges are made. Report only amounts carried on the books of the reporting bank as loans that are outstanding on the report date, even if the plan is shared with other banks or organizations and even if accounting and billing are done by a correspondent bank or the accounting center of a plan administered by others.

If the reporting bank has securitized credit cards and has retained a seller's interest that is not in the form of a security, the carrying value of the seller's interest should be reported as credit card loans in this item. For purposes of these reports, the term "seller's interest" means the reporting bank's ownership interest in loans that have been securitized, except an interest that is a form of recourse or other seller-provided credit enhancement. Seller's interests differ from the securities issued to investors by the securitization structure. The principal amount of a seller's interest is generally equal to the total principal amount of the pool of assets included in the securitization structure less the principal amount of those assets attributable to investors, i.e., in the form of securities issued to investors.

Do not net credit balances resulting from overpayments of account balances on credit card accounts against the debit balances of other credit card accounts. Report credit balances in Schedule RC-E, item 1, column A, and item 7, column B.

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**6.a** (cont.) Exclude from credit cards:

(1) Credit extended under credit card plans to business enterprises (report in Schedule RC-C, Part I, item 4, "Commercial and industrial loans").

(2) All credit extended to individuals through credit cards that meets the definition of a “loan secured by real estate” (report in Schedule RC-C, Part I, item 1).

(3) All credit extended to individuals for household, family, and other personal expenditures under prearranged overdraft plans (report in Schedule RC-C, Part I, item 6.b).

If the bank acts only as agent or correspondent for other banks or nonbank corporations and carries no credit card plan assets on its books, enter a zero. Banks that do not participate in any credit card plan should also enter a zero.

**6.b** **Other revolving credit plans.** Report all extensions of credit to individuals for household, family, and other personal expenditures arising from prearranged overdraft plans and other revolving credit plans not accessed by credit cards. Report the total amount outstanding of all funds advanced under these revolving credit plans regardless of whether there is a period before interest charges are made.

Do not net credit balances resulting from overpayments of account balances on other revolving credit plan accounts against the debit balances of other revolving credit plan accounts. Report credit balances in Schedule RC-E, item 1, column A, and item 7, column B.

Exclude from other revolving credit plans:

(1) All ordinary (unplanned) overdrafts on transaction accounts not associated with revolving credit plans (report in other items of Schedule RC-C, Part I, as appropriate).

(2) Credit extended to individuals for household, family, and other personal expenditures arising from credit cards (report in Schedule RC-C, Part I, item 6.a).

**6.c** **Automobile loans.** Report all consumer loans extended for the purpose of purchasing new and used passenger cars and other vehicles such as minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use. Include both direct and indirect consumer automobile loans as well as retail installment sales paper purchased by the bank from automobile dealers.

Exclude from automobile loans:

(1) Loans that meet the definition of a “loan secured by real estate,” even if extended for the purpose of purchasing an automobile (report in Schedule RC-C, Part I, item 1).

(2) Consumer loans for purchases of, or otherwise secured by, motorcycles, recreational vehicles, golf carts, boats, and airplanes (report in Schedule RC-C, Part I, item 6.d).

(3) Personal cash loans secured by automobiles already paid for (report in Schedule RC-C, Part I, item 6.d).

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**6.c** (cont.)

(4) Vehicle flooring or floor-plan loans (report in Schedule RC-C, Part I, item 4).

(5) Loans to finance purchases of passenger cars and other vehicles for commercial, industrial, state or local government, or other nonpersonal nonagricultural use (report in Schedule RC-C, Part I, item 4, item 8, or item 9,b, as appropriate).

(6) Loans to finance vehicle fleet sales (report in Schedule RC-C, Part I, item 4).

(7) Loans to farmers for purchases of passenger cars and other vehicles used in association with the maintenance or operations of the farm, and loans for purchases of farm equipment (report in Schedule RC-C, Part I, item 3).

(8) Consumer automobile lease financing receivables (report in Schedule RC-C, Part I, item 10).

(9) Consumer loans where the purchase of an automobile is not the primary purpose of the loan (report in Schedule RC-C, Part I, item 6.d).

**6.d** **Other consumer loans.** Report all other loans to individuals for household, family, and other personal expenditures (other than those that meet the definition of a "loan secured by real estate" and other than those for purchasing or carrying securities). Include loans for such purposes as:

(1) purchases of household appliances, furniture, trailers, and boats;
(2) repairs or improvements to the borrower's residence (that do not meet the definition of a "loan secured by real estate");
(3) educational expenses, including student loans;
(4) medical expenses;
(5) personal taxes;
(6) vacations;
(7) consolidation of personal (nonbusiness) debts;
(8) purchases of real estate or mobile homes to be used as a residence by the borrower's family (that do not meet the definition of a "loan secured by real estate"); and
(9) other personal expenditures.

Other consumer loans may take the form of:

(1) Installment loans, demand loans, single payment time loans, and hire purchase contracts (for purposes other than retail sales of passenger cars and other vehicles such as minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use), and should be reported as loans to individuals for household, family, and other personal expenditures regardless of size or maturity and regardless of whether the loans are made by the consumer loan department or by any other department of the bank.

(2) Retail installment sales paper purchased by the bank from merchants or dealers (other than dealers of passenger cars and other vehicles such as minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks), finance companies, and others.

**Part I. (cont.)**

| Item No. | Caption and Instructions |
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**6.d** (cont.) Exclude from other consumer loans:

(1) All direct and purchased loans, regardless of purpose, that meet the definition of a loan secured by real estate" as evidenced by mortgages, deeds of trust, land contracts, or other instruments, whether first or junior liens (e.g., equity loans, second mortgages), on real estate (report in Schedule RC-C, Part I, item 1).

(2) Loans to individuals that do not meet the definition of a "loan secured by real estate" for the purpose of investing in real estate when the real estate is not to be used as a residence or vacation home by the borrower or by members of the borrower's family (report in Schedule RC-C, Part I, item 9.b).

(3) Loans to individuals for commercial, industrial, and professional purposes and for "floor plan" or other wholesale financing (report in Schedule RC-C, Part I, item 4).

(4) Loans to individuals for investment (as distinct from commercial, industrial, or professional) purposes or for the purpose of purchasing or carrying securities, including margin loans (report in Schedule RC-C, Part I, item 9.b).

(5) Loans to merchants, automobile dealers, and finance companies on their own promissory notes, secured by the pledge of installment paper or similar instruments (report in Schedule RC-C, Part I, item 4, or as loans to nondepository financial institutions in Schedule RC-C, Part I, item 9.a, as appropriate).

(6) Loans to farmers, regardless of purpose, to the extent that can be readily identified as such loans (report in Schedule RC-C, Part I, item 3).

(7) All credit extended to individuals for household, family, and other personal expenditures arising from:
   (a) Credit cards (report in Schedule RC-C, Part I, item 6.a);
   (b) Prearranged overdraft plans (report in Schedule RC-C, Part I, item 6.b); and
   (c) Retail sales of passenger cars and other vehicles such as minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use (report in Schedule RC-C, Part I, item 6.c).

**7** Not applicable.

**8** **Obligations (other than securities and leases) of states and political subdivisions in the U.S.** Report all obligations of states and political subdivisions in the United States (including overdrafts and obligations secured by real estate), other than leases and obligations reported as securities. (Report leases to states and political subdivisions in the U.S. in Schedule RC-C, Part I, item 10, and securities issued by such entities in Schedule RC-B, item 3, "Securities issued by states and political subdivisions in the U.S.," or item 4, "Mortgage-backed securities," as appropriate.) Exclude all such obligations held for trading.

**Part I. (cont.)**

| Item No. | Caption and Instructions |
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**8** (cont.)

States and political subdivisions in the U.S. include:

(1) the fifty States of the United States and the District of Columbia and their counties, municipalities, school districts, irrigation districts, and drainage and sewer districts;

(2) the governments of Puerto Rico and of the U.S. territories and possessions and their political subdivisions; and

(3) Indian tribes in the U.S.

Treatment of industrial development bonds (IDBs). Industrial development bonds (IDBs), sometimes referred to as "industrial revenue bonds," are issued under the auspices of states or political subdivisions for the benefit of a private party or enterprise where that party or enterprise, rather than the government entity, is obligated to pay the principal and interest on the obligation. For purposes of these reports, all IDBs should be reported as securities in Schedule RC-B, item 3, or as loans in this item (Schedule RC-C, Part I, item 8), consistent with the asset category in which the bank reports IDBs on its balance sheet for other financial reporting purposes. Regardless of whether they are reported as securities in Schedule RC-B or as loans in Schedule RC-C, Part I, all IDBs that meet the definition of a "security" in ASC Topic 320, Investments-Debt Securities (formerly FASB Statement No. 115, “Accounting for Certain Investments in Debt and Equity Securities”) must be measured in accordance with ASC Topic 320.

Treatment of other obligations of states and political subdivisions in the U.S. In addition to those IDBs that are reported in this item in accordance with the preceding paragraph, also include in this item all obligations (other than securities) of states and political subdivisions in the U.S. except those that meet any of the following criteria:

(1) Industrial development bonds (IDBs) that are reported as securities in accordance with the reporting treatment described above (report as securities in Schedule RC, item 2, and Schedule RC-B, item 3).

(2) Notes, bonds, and debentures (including tax warrants and tax-anticipation notes) which are rated by a nationally-recognized rating service (report as securities in Schedule RC, item 2, and Schedule RC-B, item 3).

(3) Mortgage-backed securities issued by state and local housing authorities (report as securities in Schedule RC, item 2, and Schedule RC-B, item 4).

(4) Obligations of state and local governments that are guaranteed by the United States Government (report as securities in Schedule RC, item 2, and Schedule RC-B, item 3).

(5) Nonrated obligations of states and political subdivisions in the U.S. that the bank considers securities for other financial reporting purposes (report as securities in Schedule RC, item 2, and Schedule RC-B, item 3).

**Part I. (cont.)**

| Item No. | Caption and Instructions |
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**8 (cont.)** (6) Lease financing receivables of states and political subdivisions in the U.S. (report as leases in Schedule RC-C, Part I, item 10).

(7) Obligations of states and political subdivisions in the U.S. held by the reporting bank for trading purposes (report in Schedule RC, item 5).

**9** **Loans to nondepository financial institutions and other loans.** Report in the appropriate subitem loans to nondepository financial institutions and all other loans that cannot properly be reported in one of the preceding items in this schedule.

**9.a** **Loans to nondepository financial institutions.** Report all loans to nondepository financial institutions.

Nondepository financial institutions (NDFIs) encompass a wide range of financial entities that provide services similar to those of traditional banks but do not accept deposits from the general public and are not regulated by the Federal banking agencies. NDFIs include, but are not limited to, mortgage companies, insurance companies, investment funds (such as mutual funds, money market funds, hedge funds, and private capital funds), pension funds, broker-dealers, securitization vehicles, and other financial entities engaged in credit intermediation, asset management, market-making, and other financial services activities.

Include the following loans in this item:

(1) Loans to mortgage credit intermediaries. Include loans to mortgage companies that specialize in residential or commercial mortgage loan origination or servicing activities (other than those that meet the definition of a “loan secured by real estate”). Include loans to special purpose entities designed to facilitate residential or commercial mortgage-related securitizations activities, such as mortgage warehousing facilities, including loans to direct lenders, real estate investment trusts (REITs), collateralized debt obligations (CDOs), collateralized loan obligations (CLOs), private debt funds, asset-backed commercial paper (ABCP) conduits, or other financial intermediaries in which the underlying assets are predominately (greater than 50% of assets or lending activities) comprised of residential or commercial mortgages. Include CLO tranche holdings that are reported as “loans” in accordance with GAAP. Exclude outright purchases of mortgages or other loans that meet the definition of "loans secured by real estate," which - unless held for trading - are to be reported in item 1 above.

(2) Loans to business credit intermediaries. Include loans to special purpose entities, finance companies, direct lenders, CDOs, CLOs, private debt funds, leasing companies, ABCP conduits, Business Development Companies (BDCs), Small Business Investment Companies (SBICs), or other financial intermediaries in which the underlying assets are predominately (greater than 50% of assets or lending activities) comprised of loans to businesses. Include CLO tranche holdings that are reported as “loans” in accordance with GAAP. Include loans to other non-bank business lenders, including internet-based lending platforms and other marketplace lenders.

(3) Loans to private equity funds. Include all loans to private equity funds. Include capital call commitment and other subscription-based facilities to private equity and venture capital funds, or any other general partnership funds that raise capital through limited partnership arrangements in which the underlying investment assets are predominately (greater than 50%of assets) comprised of equity investments in private, non-listed assets or companies.

**Part I. (cont.)**

| Item No. | Caption and Instructions |
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**9.a** (cont.)

(4) Loans to consumer credit intermediaries. Include loans to special purposes entities, finance companies, direct lenders, private debt funds, leasing companies, ABCP conduits, or other financial intermediaries in which the underlying assets are predominately (greater than 50% of assets or lending activities) comprised of loans to consumers. Include loans designed to facilitate asset-backed securitization (ABS) activities for consumer credit products, such as auto ABS, credit card ABS, student loan ABS, etc. Include loans to other non-bank consumer lenders, including internet-based lending platforms and other marketplace lenders.

(5) Other loans to nondepository financial institutions. Other NDFI loans include, but are not limited to, the following

- Loans to holding companies of other depository institutions.
- Loans to insurance companies.
- Loans to federally-sponsored lending agencies (see the Glossary entry for "Federally-Sponsored Lending Agency" for the definition of this term).
- Loans to investment banks and brokers-dealers. Exclude loans that meet the definition of a "loan secured by real estate" (Report in Schedule RC-C, Part I, item 1) and loans that meet the definition of "loans for purchasing or carrying securities, including margin loans" (Report in Schedule RC-C, Part I, item 9.b and item 9.b.1, as appropriate).
- Loans and advances made to the bank's own trust department.
- Loans to publicly-listed investment funds, such as money market funds, mutual funds (both open and closed-end), index funds, and exchange-traded funds.
- Loans to private capital funds, including private equity and private debt funds.
- Loans to hedge funds.
- Loans to pension funds, endowments, family offices and sovereign wealth funds.
- Loans to securitization vehicles.
- Loans to other investment firms and financial vehicles.

**9.b** **Other loans.** Report all other loans that cannot properly be reported in one of the preceding items in this schedule. Include loans for purchasing or carrying securities, including margin loans, and all other loans, as described below.

Other loans include:

(1) Loans for purchasing or carrying securities, including margin loans. Include all loans, whether secured (other than those that meet the definition of a "loan secured by real estate") or unsecured, to any other borrower for the purpose of purchasing or carrying securities, such as:

(a) Loans made to provide funds to pay for the purchase of securities at settlement date;
(b) Loans made to provide funds to repay indebtedness incurred in purchasing securities;
(c) Loans that represent the renewal of loans to purchase or carry securities;
(d) Loans to "plan lenders" as defined in Section 221.4(a) of Federal Reserve Regulation U; and
(e) Loans to Employee Stock Ownership Plans (ESOPs);

but excluding loans to finance an acquirer's purchase of the stock of another entity in merger or acquisition that meets the definition of a business combination under U.S. generally accepted accounting principles (and which may include funds to cover

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**9.b** (cont.)

acquisition-related costs incurred to effect the business combination).

For purposes of the Consolidated Report of Condition, the purpose of a loan collateralized by "stock" is determined as follows:

- For loans that are collateralized in whole or in part by "margin stock," as defined by Federal Reserve Regulation U, the purpose of the loan is determined by the latest Statement of Purpose (Form FR U-1) on file.
- For loans that are collateralized by "stock" other than "margin stock," the bank may determine the purpose of the loan according to the most current information available.

(2) All non-purpose securities-based margin loans, regardless of borrower type. Include, for example, non-purpose securities-based margin loans that are predominately secured (greater than 50% of underlying collateral) by securities with readily determinable fair values. A securities-based margin loan is a loan provided to an investor that is secured by the borrower's investment portfolio, which generally consists of equity and debt securities with readily determinable fair values. Securities-based margin loans are further distinguished by routine monitoring and margining practices, which generally involves ongoing assessment and adjustment of the loan's credit availability. Margining is a risk management practice where the lender routinely reviews the value of the underlying securities collateral to ensure it remains sufficient to secure the loan based on agreed upon terms. If the market value of the underlying securities falls below a certain threshold, the lender may initiate a "margin call".

(3) Unplanned overdrafts to deposit accounts (except overdrafts of depository institutions, which are to be reported in Schedule RC-C, Part I, item 2; and overdrafts of states and political subdivisions in the U.S., which are to be reported in Schedule RC-C, Part I, item 8).

(4) Loans (other than those that meet the definition of a "loan secured by real estate") to nonprofit organizations, e.g., churches, hospitals, educational and charitable institutions, clubs, and similar associations (except those collateralized by production payments where the proceeds ultimately go to a commercial or industrial organization, which are to be reported in Schedule RC-C, Part I, item 4).

(5) Loans to individuals for investment purposes (as distinct from commercial, industrial, or professional purposes), other than those that meet the definition of a "loan secured by real estate."

**Part I. (cont.)**

| Item No. | Caption and Instructions |
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**9.b** (cont.)

(6) Loans to foreign governments, their official institutions, and international and regional institutions, other than those that meet the definition of a “loan secured by real estate”.

(7) Bankers acceptances accepted by the reporting bank and held in its portfolio when the account party is a foreign government or official institution, including such acceptances for the purpose of financing dollar exchange (except acceptances held for trading, which are to be reported in Schedule RC, item 5).

Exclude from other loans:

(1) Extensions of credit initially made in the form of planned or "advance agreement" overdrafts other than those made to borrowers of the types whose obligations are specifically reportable in this item (report such planned overdrafts in other items of Schedule RC-C, Part I, as appropriate). For example, report overdrafts under consumer check-credit plans as “Other revolving credit plans” to individuals in Schedule RC-C, Part I, item 6.b. Report both planned and unplanned overdrafts on "due to" deposit accounts of depository institutions in Schedule RC-C, Part I, item 2.

(2) Transactions reportable in Schedule RC, item 3, "Federal funds sold and securities purchased under agreements to resell."

(3) Loans that meet the definition of a “loan secured by real estate” (report in Schedule RC-C, Part I, item 1).

(4) Loans to nationalized banks and other banking institutions owned by foreign governments and not functioning as central banks, banks of issue, or development banks (report in Schedule RC-C, Part I, item 2).

(5) Loans to U.S. branches and agencies of foreign official banking institutions (report in Schedule RC-C, Part I, item 2).

(6) Loans to foreign-government-owned nonbank corporations and enterprises for commercial and industrial purposes (report in Schedule RC-C, Part I, item 4).

**10** **Lease financing receivables (net of unearned income).** Report the net investments in all:

(1) Direct financing and sales-type leases accounted for under 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

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

Include all leases to states and political subdivisions in the U.S. in this item.

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**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 bank should enter 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), "Fair Value Hedging - 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 amortized cost basis 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 a closed portfolio basis. As such, an institution that applies the portfolio layer 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.

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 RC-C, Part I, 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 RC-C, Part I, item 10.

**12** **Total loans and leases held for investment and held for sale.** Report the sum of items 1.a.(1) through 10, less item 11.

The amount reported for this item must equal Schedule RC, item 4.a plus item 4.b.

**Part I. (cont.)**

**Memoranda**

**Item No. Caption and Instructions**

NOTE: Schedule RC-C, Part I, Memorandum items 1.a.(1) through 1.f.(5), are to be completed semiannually in the June and December reports only. Memorandum item 1.g is to be completed quarterly.

**1 Loan modifications to borrowers experiencing financial difficulty that are in compliance with their modified terms.** Report in the appropriate subitem loans that have been modified to borrowers experiencing financial difficulty and are in compliance with their modified terms.

Institutions are required for financial reporting purposes to disclose modifications to borrowers experiencing financial difficulty if such modifications include principal forgiveness, an interest rate reduction, an other-than-insignificant payment delay, or a term extension (or a combination thereof). For purposes of this Memorandum item, report loan modifications to borrowers experiencing financial difficulty that are performing in accordance with their modified terms, unless the loan meets the conditions that would require it to be reported in Schedule RC-N, Memorandum item 1.

A loan to a third-party purchaser of "other real estate owned" by the reporting bank for the purpose of facilitating the disposal of such real estate is not considered a loan modification to a borrower experiencing financial difficulty. For further information, see the Glossary entry for "Loan Modifications to Borrowers Experiencing Financial Difficulty."

Include in the appropriate subitem loan modifications to borrowers experiencing financial difficulty as defined above that are in compliance with their modified terms, that is, restructured loans (1) on which all contractual payments of principal or interest scheduled that are due under the modified repayment terms have been paid or (2) on which contractual payments of both principal and interest scheduled under the modified repayment terms are less than 30 days past due.

Exclude from this item (1) those loan modifications to borrowers experiencing financial difficulty on which under their modified repayment terms either principal or interest is 30 days or more past due and (2) those loan modifications to borrowers experiencing financial difficulty that are in nonaccrual status under their modified repayment terms. Report such loan modifications in the category and column appropriate to the loan in Schedule RC-N, items 1 through 7, column A, B, or C, and in Schedule RC-N, Memorandum items 1.a through 1.f, column A, B, or C.

Loan amounts should be reported net of unearned income to the extent that they are reported net of unearned income in Schedule RC-C, Part I.

**Part I. (cont.)**

**Memoranda**

| Item No. | Caption and Instructions |
|---|---|
| 1.a | **Construction, land development, and other land loans:** |
| 1.a.(1) | **1-4 family construction loans.** Report all loans secured by real estate for the purpose of constructing 1-4 family residential properties (as defined for Schedule RC-C, Part I, item 1.a.(1)) that have been modified to borrowers experiencing financial difficulty and are in compliance with their modified terms. |
| 1.a.(2) | **Other construction loans and all land development and other land loans.** Report all construction loans for purposes other than constructing 1-4 family residential properties, all land development loans, and all other land loans (as defined for Schedule RC-C, Part I, item 1.a.(2)) that have been modified to borrowers experiencing financial difficulty and are in compliance with their modified terms. |
| 1.b | **Loans secured by 1-4 family residential properties.** Report all loans secured by 1-4 family residential properties (as defined for Schedule RC-C, Part I, item 1.c) that have been modified to borrowers experiencing financial difficulty and are in compliance with their modified terms.<br><br>Exclude from this item all 1-4 family construction loans that have been modified to borrowers experiencing financial difficulty and are in compliance with their modified terms (report in Schedule RC-C, Part I, Memorandum item 1.a.(1), above). |
| 1.c | **Loans secured by multifamily (5 or more) residential properties.** Report all loans secured by multifamily (5 or more) residential properties (as defined for Schedule RC-C, Part I, item 1.d) that have been modified to borrowers experiencing financial difficulty and are in compliance with their modified terms. |
| 1.d | **Secured by nonfarm nonresidential properties:** |
| 1.d.(1) | **Loans secured by owner-occupied nonfarm nonresidential properties.** Report all loans secured by owner-occupied nonfarm nonresidential properties (as defined for Schedule RC-C, Part I, item 1.e.(1),) that have been modified to borrowers experiencing financial difficulty and are in compliance with their modified terms. |

**Part I. (cont.)**

**Memoranda**

| Item No. | Caption and Instructions |
|---|---|
| 1.d.(2) | **Loans secured by other nonfarm nonresidential properties.** Report all loans secured by other nonfarm nonresidential properties (as defined for Schedule RC-C, Part I, item 1.e.(2)) that have been modified to borrowers experiencing financial difficulty and are in compliance with their modified terms. |
| 1.e | **Commercial and industrial loans.** Report all commercial and industrial loans (as defined for Schedule RC-C, Part I, item 4) that have been modified to borrowers experiencing financial difficulty and are in compliance with their modified terms. |
| 1.f | **All other loans.** Report all other loans that cannot properly be reported in Schedule RC-C, Part I, Memorandum items 1.a through 1.e, above that have been modified to borrowers experiencing financial difficulty and are in compliance with their modified terms.<br><br>Include in this item loans in the following categories that have been modified to borrowers experiencing financial difficulty and are in compliance with their modified terms:<br><br>(1) Loans secured by farmland (as defined for Schedule RC-C, Part I, item 1.b);<br>(2) Loans to depository institutions and acceptances of other banks (as defined for Schedule RC-C, Part I, item 2);<br>(3) Loans to finance agricultural production and other loans to farmers (as defined for Schedule RC-C, Part I, item 3);<br>(4) Loans to individuals for household, family, and other personal expenditures (as defined for Schedule RC-C Part I, item 6);<br>(5) Obligations (other than securities and leases) of states and political subdivisions in the U.S. (as defined for Schedule RC-C, Part I, item 8); and<br>(6) Loans to nondepository financial institutions and other loans (as defined for Schedule RC-C, Part I, item 9)<br><br>For loans in the following loan categories within “All other loans” that have been modified to borrowers experiencing financial difficulty and are in compliance with their modified terms, report the amount of such modified loans in the appropriate subitem of Schedule RC-C, Part I, Memorandum item 1.f, if the dollar amount of such modified loans in that loan category exceeds 10 percent of total loan modifications to borrowers experiencing financial difficulty |

**Part I. (cont.)**

**Memoranda**

| Item No. | Caption and Instructions |
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**1.f (cont.)** that are in compliance with their modified terms (i.e., 10 percent of the sum of Schedule RC-C, Part I, Memorandum items 1.a through 1.e plus Memorandum item 1.f):

- Memorandum item 1.f.(1), "Loans secured by farmland";
- Memorandum item 1.f.(4)(a), Consumer "Credit cards";
- Memorandum item 1.f.(4)(b), Consumer "Automobile loans";
- Memorandum item 1.f.(4)(c), "Other" consumer loans; and
- Memorandum item 1.f.(5) "Loans to finance agricultural production and other loans to farmers," for banks with $300 million or more in total assets and banks with less than $300 million in total assets that have loans to finance agricultural production and other loans to farmers (Schedule RC-C, Part I, item 3) exceeding five percent of total loans and leases held for investment and held for sale (Schedule RC-C, Part I, item 12).

**1.g** **Total loan modifications to borrowers experiencing financial difficulty that are in compliance with their modified terms.** In the reports for March and September, report the total amount of loan modifications to borrowers experiencing financial difficulty that are in compliance with their modified terms. In the reports for June and December, report the sum of Memorandum items 1.a.(1) through 1.f.

**2** **Maturity and repricing data for loans and leases (excluding those in nonaccrual status).** Report in the appropriate subitem maturity and repricing data for the bank's loans and leases held for investment and held for sale. Loans and leases are to be reported in this Memorandum item regardless of whether they are current or are reported as "past due and still accruing" in Schedule RC-N, columns A and B. However, exclude those loans and leases that are reported as "nonaccrual" in Schedule RC-N, column C.

The sum of Memorandum items 2.a.(1) through 2.b.(6) plus total nonaccrual loans and leases from Schedule RC-N, item 9, column C, must equal Schedule RC-C, sum of items 1 through 10.

For purposes of this memorandum item, the following definitions apply:

A fixed interest rate is a rate that is specified at the origination of the transaction, is fixed and invariable during the term of the loan or lease, and is known to both the borrower and the lender. Also treated as a fixed interest rate is a predetermined interest rate which is a rate that changes during the term of the loan on a predetermined basis, with the exact rate of interest over the life of the loan known with certainty to both the borrower and the lender when the loan is acquired. Examples of predetermined-rate transactions are: (1) Loans that carry a specified interest rate, for, say, six months and thereafter carry a rate equal to a specific percentage over the initial rate. (2) Loans that carry a specified interest rate while the loan amount is below a certain threshold amount but carry a different specified rate above that threshold (e.g., a line of credit where the interest rate is 10% when the unpaid balance of amounts advanced is $100,000 or less, and 8% when the unpaid balance is more than $100,000).

A floating rate is a rate that varies, or can vary, in relation to an index, to some other interest rate such as the rate on certain U.S. Government securities or the bank's "prime rate," or to some other variable criterion the exact value of which cannot be known in advance. Therefore, the exact rate the loan carries at any subsequent time cannot be known at the time of origination.

**Part I. (cont.)**

**Memoranda**

| Item No. | Caption and Instructions |
|---|---|
| 2 (cont.) | When the rate on a loan with a floating rate has reached a contractual floor or ceiling level, the loan is to be treated as "fixed rate" rather than as "floating rate" until the rate is again free to float. |

Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a loan or lease without regard to the loan's or lease's repayment schedule, if any.

Next repricing date is the date the interest the rate on a floating rate loan can next change in accordance with the terms of the contract (without regard to the loan's repayment schedule, if any, or expected prepayments) or the contractual maturity date of the loan, whichever is earlier.

Banks whose records or information systems provide data on the final contractual maturities and next repricing dates of their loans and leases for time periods that closely approximate the maturity and repricing periods specified in Memorandum items 2.a through 2.c (e.g., 89 or 90 days rather than three months, 359 or 360 days rather than 12 months) may use these data to complete Memorandum items 2.a through 2.c.

For loans and leases with scheduled contractual payments, banks whose records or information systems provide repricing data that take into account these scheduled contractual payments, with or without the effect of anticipated prepayments, may adjust these data in an appropriate manner to derive reasonable estimates for the final contractual maturities of fixed rate loans and leases (and floating rate loans for purposes of Memorandum item 2.c) and the next repricing dates of floating rate loans.

Loan amounts should be reported net of unearned income to the extent that they have been reported net of unearned income in Schedule RC-C, Part I, items 1 through 9. Leases must be reported net of unearned income.

Fixed rate loans and leases that are past due (with respect to principal or interest) and still accruing should be reported according to the time remaining to final contractual maturity without regard to delinquency status. Floating rate loans that are past due (with respect to principal or interest) and still accruing should be reported according to their next repricing date without regard to delinquency status.

Report all unplanned overdrafts as fixed rate loans with a remaining maturity of three months or less in Memorandum item 2.b.(1).

Report all leases, net of unearned income, as fixed rate instruments in Memorandum item 2.b according to the amount of time remaining to final contractual maturity without regard to repayment schedules.

Report fixed rate and floating rate loans made solely on a demand basis (i.e., without an alternate maturity date or without repayment terms) as having a remaining maturity or next repricing date of three months or less in Memorandum items 2.a.(1) and 2.b.(1),

**Part I. (cont.)**

**Memoranda**

| Item No. | Caption and Instructions |
|---|---|
| 2 (cont.) | as appropriate. In addition, report all fixed rate and floating rate loans made solely on a demand basis as having a remaining maturity of one year or less in Memorandum item 2.c. |

Fixed rate demand loans that have an alternate maturity date or repayment terms are to be reported in this Memorandum item according to the amount of time remaining to the alternate maturity date or final payment due date. Floating rate demand loans that have an alternate maturity date or repayment terms are to be reported according to their next repricing date in Memorandum items 2.a and 2.b, as appropriate. In addition, fixed rate and floating rate demand loans for which the amount of time remaining to the alternate maturity date or final payment due date is one year or less are to be reported in Memorandum item 2.c.

Fixed rate “Credit cards” and “Other revolving credit plans" are considered to have a remaining maturity of over one year through three years and should be reported in Memorandum item 2.b.(3), regardless of the actual maturity experience or expectation. Floating rate "Credit cards” and “Other revolving credit plans" (e.g., where the rate varies, or can be varied, periodically) are to be reported in Memorandum item 2.b according to their next repricing date. Where the bank in its contract with the borrower simply reserves the right to change the interest rate on the "Credit card” or “Other revolving credit," the plan should be considered to have a fixed rate.

Student loans whose interest rate is adjusted periodically by the U.S. Government by means of interest payments that include an amount of "additional interest" should be treated as floating rate loans and should be reported in Memorandum item 2.b according to their next repricing date.

Fixed rate loans that are held by the bank for sale and delivery in the secondary market under the terms of a binding commitment should be reported in Memorandum item 2.a or 2.b, as appropriate, on the basis of the time remaining until the delivery date specified in the commitment. Floating rate loans that are held by the bank for sale and delivery in the secondary market under the terms of a binding commitment should be reported in Memorandum item 2.a or 2.b, as appropriate, based on the date the interest rates on the loans can next change or the delivery date specified in the commitment, whichever is earlier. Loans and leases that are held by the bank for sale and delivery in the secondary market under the terms of a binding commitment should be included in Memorandum item 2.c only if they have a remaining maturity of one year or less, i.e., without regard to the delivery date specified in the commitment.

**2.a** **Closed-end loans secured by first liens on 1-4 family residential properties with a remaining maturity or next repricing date of.** Report the dollar amount of the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties in the appropriate subitems according to the amount of time remaining to their final contractual maturities (without regard to repayment schedules, if any). Report the dollar amount of the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties in the appropriate subitems according to their next repricing date. Exclude loans that are in nonaccrual status.

**Part I. (cont.)**

**Memoranda**

| Item No. | Caption and Instructions |
|---|---|

**2.a.(1)** **Three months or less.** Report the amount of:

- the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties with remaining maturities of three months or less, and
- the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties with next repricing dates occurring in three months or less.

**2.a.(2)** **Over three months through 12 months.** Report the amount of:

- the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties with remaining maturities (without regard to repayment schedules, if any) of over three months through 12 months, and
- the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties with next repricing dates occurring in over three months through 12 months.

**2.a.(3)** **Over one year through three years.** Report the amount of:

- the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties with remaining maturities (without regard to repayment schedules, if any) of over one year through three years, and
- the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties with next repricing dates occurring in over one year through three years.

**2.a.(4)** **Over three years through five years.** Report the amount of:

- the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties with remaining maturities (without regard to repayment schedules, if any) of over three years through five years, and
- the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties) with next repricing dates occurring in over three years through five years.

**2.a.(5)** **Over five years through 15 years.** Report the amount of:

- the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties with remaining maturities (without regard to repayment schedules, if any) of over five years through 15 years, and
- the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties with next repricing dates occurring in over five years through 15 years.

**Part I. (cont.)**

**Memoranda**

**Item No. Caption and Instructions**

**2.a.(6)** **Over 15 years.** Report the amount of:

- the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties with remaining maturities (without regard to repayment schedules, if any) of over 15 years, and
- the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties with next repricing dates occurring in over 15 years.

**2.b** **All loans and leases other than closed-end loans secured by first liens on 1-4 family residential properties with a remaining maturity or next repricing date of.** Report the dollar amount of the bank's fixed rate loans and leases – *other than closed-end loans secured by first liens on 1-4 family residential properties* -- in the appropriate subitems according to the amount of time remaining to their final contractual maturities (without regard to repayment schedules, if any). Report the dollar amount of the bank's floating rate loans -- *other than closed-end loans secured by first liens on 1-4 family residential properties* -- in the appropriate subitems according to their next repricing date. Exclude loans that are in nonaccrual status.

**2.b.(1)** **Three months or less.** Report the amount of:

- the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties -- with remaining maturities of three months or less, and
- the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties– with next repricing dates occurring in three months or less.

**2.b.(2)** **Over three months through 12 months.** Report the amount of:

- the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties -- with remaining maturities (without regard to repayment schedules, if any) of over three months through 12 months, and
- the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties– with next repricing dates occurring in over three months through 12 months.

**2.b.(3)** **Over one year through three years.** Report the amount of:

- the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties -- with remaining maturities (without regard to repayment schedules, if any) of over one year through three years, and
- the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties– with next repricing dates occurring in over one year through three years.

**Part I. (cont.)**

**Memoranda**

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

**2.b.(4)** **Over three years through five years.** Report the amount of:

- the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties -- with remaining maturities (without regard to repayment schedules, if any) of over three years through five years, and
- the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties– with next repricing dates occurring in over three years through five years.

**2.b.(5)** **Over five years through 15 years.** Report the amount of:

- the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties -- with remaining maturities (without regard to repayment schedules, if any) of over five years through 15 years, and
- the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties – with next repricing dates occurring in over five years through 15 years.

**2.b.(6)** **Over 15 years.** Report the amount of:

- the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties -- with remaining maturities (without regard to repayment schedules, if any) of over 15 years, and
- the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties – with next repricing dates occurring in over 15 years.

**2.c** **Loans and leases with a remaining maturity of one year or less.** Report all loans and leases held for investment and held for sale with a remaining maturity of one year or less. Include both fixed rate and floating rate loans and leases. Loans and leases that are held by the bank for sale and delivery in the secondary market under the terms of a binding commitment should be included in Memorandum item 2.c only if they have a remaining maturity of one year or less, i.e., without regard to the delivery date specified in the commitment.

The fixed rate loans and leases that should be included in this item will also have been reported by remaining maturity in Schedule RC-C, Part I, Memorandum items 2.a.(1), 2.a.(2), 2.b.(1), and 2.b.(2), above. The floating rate loans that should be included in this item will have been reported by next repricing date in Memorandum items 2.a.(1), 2.a.(2), 2.b.(1), and 2.b.(2), above. However, these four Memorandum items may include floating rate loans with a remaining maturity of more than one year, but on which the interest rate can next change in one year or less; those loans should not be included in this Memorandum item 2.c.

**Part I. (cont.)**

**Memoranda**

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

**3** **Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in Schedule RC-C, Part I, items 4 and 9.** Report in this item loans to finance commercial and residential real estate activities, e.g., acquiring, developing, and renovating commercial and residential real estate, that are reported in Schedule RC-C, Part I, item 4, "Commercial and industrial loans," and item 9, "Loans to nondepository financial institutions," and item 9.b "Other loans".

Such loans generally may include:

(1) loans made for the express purpose of financing real estate ventures as evidenced by loan documentation or other circumstances connected with the loan; or

(2) loans made to organizations or individuals 80 percent of whose revenue or assets are derived from or consist of real estate ventures or holdings.

Exclude from this item all loans secured by real estate that are reported in Schedule RC-C, Part I, item 1. Also exclude loans to commercial and industrial firms where the sole purpose for the loan is to construct a factory or office building to house the company's operations or employees.

NOTE: Memorandum item 4 is to be completed semiannually in the June and December reports only.

**4** **Adjustable rate closed-end loans secured by first liens on 1-4 family residential properties.** Report the amount of closed-end loans secured by first liens on 1-4 family residential properties included in Schedule RC-C, Part I, item 1.c.(2)(a), that have a floating or adjustable interest rate.

A floating or adjustable rate is a rate that varies, or can vary, in relation to an index, to some other interest rate such as the rate on certain U.S. Government securities, or to some other variable criterion the exact value of which cannot be known in advance. Therefore, the exact rate the loan carries at any subsequent time cannot be known at the time of origination. For purposes of this item, even if the rate on a loan with a floating or adjustable rate can no longer float because it has reached a floor or ceiling level, the loan is to be reported in this item as an adjustable rate loan.

Also include in this item amortizing fixed rate loans secured by first liens on 1-4 family residential properties that have original maturities of one year or less and require a balloon payment at maturity.

**5 - 7** Not applicable.

**Part I. (cont.)**

**Memoranda**

| Item No. | Caption and Instructions |
|---|---|
| 8 | **Closed-end loans with negative amortization features secured by 1-4 family residential properties.** Report in the appropriate subitem the amount of closed-end loans with negative amortization features secured by 1-4 family residential properties and, if certain criteria are met, the maximum remaining amount of negative amortization contractually permitted on these loans and the total amount of negative amortization included in the amount of these loans. Negative amortization refers to a method in which a loan is structured so that the borrower's minimum monthly (or other periodic) payment is contractually permitted to be less than the full amount of interest owed to the lender, with the unpaid interest added to the loan's principal balance. The contractual terms of the loan provide that if the borrower allows the principal balance to rise to a pre-specified amount or maximum cap, the loan payments are then recast to a fully amortizing schedule. Negative amortization features may be applied to either adjustable rate mortgages or fixed rate mortgages, the latter commonly referred to as graduated payment mortgages (GPMs).<br><br>Exclude reverse 1-4 family residential mortgage loans as described in the instructions for Schedule RC-C, Part I, item 1.c. |

**Part I. (cont.)**

**Memoranda**

**Item No. Caption and Instructions**

NOTE: Memorandum item 8.a is to be completed by all banks semiannually in the June and December reports only.

**8.a** **Total amount of closed-end loans with negative amortization features secured by 1-4 family residential properties (included in Schedule RC-C, Part I, items 1.c.(2)(a) and (b)).** Report the total amount of, i.e., the amortized cost of closed-end loans secured by 1-4 family residential properties whose terms allow for negative amortization. The amounts included in this item will also have been reported in Schedule RC-C, Part I, items 1.c.(2)(a) and (b).

NOTE: Memorandum items 8.b and 8.c are to be completed annually in the December report only by banks that had closed-end loans with negative amortization features secured by 1-4 family residential properties (as reported in Schedule RC-C, Part I, Memorandum item 8.a) as of the previous December 31 report date that exceeded the lesser of $100 million or 5 percent of total loans and leases held for investment and held for sale (as reported in Schedule RC-C, Part I, item 12) as of the previous December 31 report date.

**8.b** **Total maximum remaining amount of negative amortization contractually permitted on closed-end loans secured by 1-4 family residential properties.** For all closed-end loans secured by 1-4 family residential properties whose terms allow for negative amortization (that were reported in Schedule RC-C, Part I, Memorandum item 8.a), report the total maximum remaining amount of negative amortization permitted under the terms of the loan contract (i.e., the maximum loan principal balance permitted under the negative amortization cap less the principal balance of the loan as of the quarter-end report date).

**8.c** **Total amount of negative amortization on closed-end loans secured by 1-4 family residential properties included in the amount reported in Memorandum item 8.a above.** For all closed-end loans secured by 1-4 family residential properties whose terms allow for negative amortization, report the total amount of negative amortization included in the amount (i.e., the total amount of interest added to the original loan principal balance that has not yet been repaid) reported in Schedule RC-C, Part I, Memorandum item 8.a above. Once a loan reaches its maximum principal balance, the amount of negative amortization included in the amount should continue to be reported until the principal balance of the loan has been reduced through cash payments below the original principal balance of the loan.

**9** **Loans secured by 1-4 family residential properties in process of foreclosure.** Report the total unpaid principal balance of loans secured by 1-4 family residential properties) included in Schedule RC-C, Part I, item 1.c, for which formal foreclosure proceedings to seize the real estate collateral have started and are ongoing as of quarter-end, regardless of the date the foreclosure procedure was initiated. Loans should be classified as in process of foreclosure according to local requirements. If a loan is already in process of foreclosure and the mortgagor files a bankruptcy petition, the loan should continue to be reported as in process of foreclosure until the bankruptcy is resolved. Exclude loans where the foreclosure process has been completed and the bank reports the real estate collateral as “Other real estate owned” in Schedule RC, item 7. This item should include both closed-end and open-end 1-4 family residential mortgage loans that are in process of foreclosure.

**10** and **11** Not applicable.

**Part I. (cont.)**

**Memoranda**

**Item No. Caption and Instructions**

NOTE: Memorandum item 12 is to be completed semiannually in the June and December reports only.

**12** **Loans (not considered purchased credit-deteriorated) and leases held for investment that were acquired in business combinations with acquisition dates in the current calendar year.** Report in the appropriate column the specified information on loans and leases held for investment purposes that were acquired in a business combination, as prescribed under ASC Topic 805, Business Combinations, with an acquisition date in the current calendar year. The acquisition date is the date on which the bank obtains control[1] of the acquiree. If the reporting bank was acquired in a transaction during the calendar year pursuant to ASC Topic 805 and pushdown accounting was applied, report the specified information on the bank's loans and leases reported as held for investment after the application of push down accounting.

Loans and leases acquired in the current calendar year should be reported in this item in the reports for June 30 and December 31 of the current calendar year, as appropriate, regardless of whether the bank still holds the loans and leases. For example, loans and leases acquired in a business combination with an acquisition date in the first six months of the current calendar year should be reported in this item in both the June 30 and December 31 reports for the current calendar year; loans and leases acquired in the second six months of the current calendar year should be reported in the December 31 report for the current calendar year.

Institutions should exclude purchased credit-deteriorated loans held for investment that are accounted for in accordance with ASC Topic 326, Financial Instruments–Credit Losses.

***Column Instructions***

***Column A, Fair value of acquired loans and leases at acquisition date:*** Report in this column the purchase price of acquired loans and leases held for investment.

***Column B, Gross contractual amounts receivable at acquisition date:*** Report in this column the expected cash flows of the acquired loans and leases as of the acquisition date.

***Column C, Best estimate at acquisition date of contractual cash flows not expected to be collected:*** Report in this column the allowance for credit losses an institution would have recorded as of the acquisition date.

[1] Control has the meaning of "controlling financial interest" in ASC Subtopic 810-10, Consolidation – Overall.

**Part I. (cont.)**

**Memoranda**

**Item No. Caption and Instructions**

**13** **Construction, land development, and other land loans with interest reserves.** Memorandum items 13.a and 13.b are to completed by banks that had construction, land development, and other land loans (in domestic offices) (as reported in Schedule RC-C, Part I, items 1.a.(1) and 1.a.(2), column B) that exceeded the sum of tier 1 capital (as reported in Schedule RC-R, Part I, item 26) plus the allowance for credit losses on loans and leases (as reported in Schedule RC, item 4.c) as of the previous December 31. For purposes of Memorandum items 13, 13.a, and 13.b, construction, land development, and other land loans are hereafter referred to as "construction loans."

When a bank enters into a loan agreement with a borrower on a construction loan, an interest reserve is often included in the amount of the loan commitment to the borrower and it allows the lender to periodically advance loan funds to pay interest charges on the outstanding balance of the loan. The interest is capitalized and added to the loan balance.

**13.a** **Amount of loans that provide for the use of interest reserves.** Report the amount of construction loans included in Schedule RC-C, part I, items 1.a.(1) and 1.a.(2), column B, for which the loan agreement with the borrower provides for the use of interest reserves.

If a construction loan included in Schedule RC-C, part I, items 1.a.(1) and 1.a.(2), column B, has been fully advanced or the funds budgeted for interest have been fully advanced, but the loan agreement provided for the use of interest reserves, continue to report the loan in this item even if the borrower is now paying interest from other sources of funds. Similarly, if a construction loan included in Schedule RC-C, part I, items 1.a.(1) and 1.a.(2), column B, has been renewed or extended, but the original loan agreement provided for the use of interest reserves, continue to report the loan in this item.

Include in this item new construction loans (as defined for and reported in Schedule RC-C, part I, items 1.a.(1) and 1.a.(2), column B) that have been granted for the purpose of paying interest on existing construction loans (in domestic offices) when the new construction loan is secured by the same real estate that secures the existing construction loan.

**13.b** **Amount of interest capitalized from interest reserves on construction, land development, and other land loans that is included in interest and fee income on loans during the quarter.** Report the amount of interest advanced to borrowers on construction loans (as defined for Schedule RC-C, Part I, item 1.a) that has been capitalized into the borrowers' loan balances through the use of interest reserves (including interest advanced on new construction loans granted for the purpose of paying interest on existing construction loans when the loans are secured by the same real estate) and included in interest and fee income during the quarter on "All other loans secured by real estate" (Schedule RI, item 1.a.(1)(b)). The amount of capitalized interest included in interest income during the quarter should be reduced by amounts reversed against interest during the quarter.

**14** **Pledged loans and leases.** Report the amount of all loans and leases included in Schedule RC-C, Part I, above that are pledged to secure deposits, repurchase transactions, or other borrowings (regardless of the balance of the deposits or other liabilities against which the loans and leases are pledged) or for any other purpose. Include loans and leases that have been transferred in transactions that are accounted for as secured borrowings with a

**Part I. (cont.)**

**Memoranda**

| Item No. | Caption and Instructions |
|---|---|

**14** (cont.) pledge of collateral because they do not qualify as sales under ASC Topic 860, Transfers and Servicing. Also include loans and leases held for sale or investment by consolidated variable interest entities (VIEs) that can be used only to settle obligations of the same consolidated VIEs. (Such loans and leases should also be reported in Schedule SU, item 7.a). In general, the pledging of loans and leases is the act of setting aside certain loans and leases to secure or collateralize bank transactions with the bank continuing to own the loans and leases unless the bank defaults on the transaction.

When a bank is subject to a blanket lien arrangement or has otherwise pledged an entire portfolio of loans to secure its Federal Home Loan Bank advances, it should report the amount of the entire portfolio of loans subject to the blanket lien in this item. Any loans within the portfolio that have been explicitly excluded or specifically released from the lien and that the bank has the right, without constraint, to repledge to another party should not be reported as pledged in this item. However, if any such loans have been repledged to another party, they should be reported in this item.

NOTE: Memorandum item 15 is to be completed for the December report only.

**15** **Reverse mortgages.** A reverse mortgage is an arrangement in which a homeowner borrows against the equity in his or her home and receives cash either in a lump sum or through periodic payments. However, unlike a traditional mortgage loan, no payment is required until the borrower no longer uses the home as his or her principal residence. Cash payments to the borrower after closing, if any, and accrued interest are added to the principal balance. These loans may have caps on their maximum principal balance or they may have clauses that permit the cap on the maximum principal balance to be increased under certain circumstances. The reverse mortgage market currently consists of two basic types of products: proprietary products designed and originated by financial institutions and a federally-insured product known as a Home Equity Conversion Mortgage (HECM).

Report the specified information about the bank's involvement with reverse mortgages.

**15.a** **Reverse mortgages outstanding that are held for investment.** Report the amount of HECM and proprietary reverse mortgages held for investment that are included in Schedule RC-C, Part I, item 1.c, Loans "Secured by 1-4 family residential properties." A loan is held for investment if the bank has the intent and ability to hold the loan for the foreseeable future or until maturity or payoff. Exclude reverse mortgages that are held for sale.

**Part I. (cont.)**

**Memoranda**

| Item No. | Caption and Instructions |
|---|---|

**15.b** **Estimated number of reverse mortgage loan referrals to other lenders during the year from whom compensation has been received for services performed in connection with the origination of the reverse mortgages.** A bank that does not underwrite and fund reverse mortgages may refer customers to other lenders that underwrite and fund such mortgages. Under the Real Estate Settlement Procedures Act and its implementing regulations, a mortgage lender may pay fees or compensation to another party, such as a bank that has referred a customer to the mortgage lender, only for services actually performed by that party.

If the bank receives compensation from reverse mortgage lenders for services the bank has performed in connection with the origination of reverse mortgages granted to customers that the bank has referred to the reverse mortgage lenders, report a reasonable estimate of the number of HECM and proprietary reverse mortgages for which the bank received such compensation during the year. Do not report the estimated amount of referral fee income in this item.

**15.c** **Principal amount of reverse mortgage originations that have been sold during the year.** Report the principal amount of HECM and proprietary reverse mortgages sold during the year that were originated by the bank. Report the principal balance outstanding of the reverse mortgages as of their sale dates, which excludes any unused commitments to the borrowers on the reverse mortgages sold.

NOTE: Memorandum item 16 is to be completed semiannually in the June and December reports only.

**16** **Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit (in domestic offices) that have converted to non-revolving closed-end status (included in item 1.c.(1) above).** Report the amount outstanding of loans included in Schedule RC-C, Part I, item 1.c.(1), that have converted to non-revolving, closed-end status, but originated as draws under revolving, open-end lines of credit secured by 1-to-4 family residential properties, including those for which the draw periods have ended.

**17** **Eligible loan modifications under Section 4013, Temporary Relief from Troubled Debt Restructurings, of the 2020 Coronavirus Aid, Relief, and Economic Security Act.** As provided for under the 2020 Coronavirus Aid, Relief, and Economic Security Act (CARES Act), a financial institution may elect to account for an eligible loan modification under Section 4013 of that Act (Section 4013 loan). If a loan modification is not eligible under Section 4013, or if the institution elects not to account for an eligible loan modification under Section 4013, the institution should not report the loan in Memorandum items 17.a and 17.b and should instead evaluate whether the modified loan is a troubled debt restructuring (TDR) under ASC Subtopic 310-40, Receivables– Troubled Debt Restructurings by Creditors.

To be an eligible loan modification under Section 4013, as amended by the Consolidated Appropriations Act, 2021, a loan modification must be (1) related to the Coronavirus Disease 2019 (COVID-19); (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date of termination of the national emergency concerning the COVID-19 outbreak declared by the President on March 13, 2020, under the National Emergencies Act or (B) January 1, 2022 (the applicable period).

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| Item No. | Caption and Instructions |
|---|---|
| 17 (cont.) | Institutions accounting for eligible loan modifications under Section 4013 are not required to apply ASC Subtopic 310-40 to the Section 4013 loans for the term of the loan modification and do not have to report Section 4013 loans as TDRs in regulatory reports, subject to the following considerations for additional modifications. If an institution elects to account for a loan modification under Section 4013, an additional loan modification could also be eligible under Section 4013 provided it is executed during the applicable period and meets the other statutory criteria referenced above. If an institution does not elect to account for a loan modification under Section 4013 or a loan modification is not eligible under Section 4013 (e.g., because it is executed after the applicable period), additional modifications should be viewed cumulatively in determining whether the additional modification is accounted for as a TDR under ASC Subtopic 310-40.<br><br>Consistent with the CARES Act, the agencies are collecting information on a fully consolidated basis about the volume of Section 4013 loans, including the number of Section 4013 loans outstanding (Memorandum item 17.a) and the outstanding balance of Section 4013 loans (Memorandum item 17.b). These two items are collected on a confidential basis at the institution level. Once the term of an eligible Section 4013 loan modification ends, an institution should no longer include the loan in these Schedule RC-C, Part I, Memorandum items.<br><br>For further information on loan modifications, including those that may not be eligible under Section 4013 or for which an institution elects not to apply Section 4013, institutions may refer to the Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised), issued April 7, 2020, and the Joint Statement on Additional Loan Accommodations Related to COVID-19 issued August 3, 2020. |
| 17.a | **Number of Section 4013 loans outstanding.** Report the number of Section 4013 loans outstanding held by the reporting institution as of the report date whose outstanding balances are included in the amount reported in Schedule RC-C, Part I, Memoranda item 17.b, below. |
| 17.b | **Outstanding balance of Section 4013 loans.** Report the aggregate amount at which Section 4013 loans held for investment and held for sale are included in Schedule RC-C, Part I, and Section 4013 loans held for trading are included in Schedule RC, item 5, as of the report date. |

## Schedule RC-C, Part II. Loans to Small Businesses and Small Farms

### General Instructions

Schedule RC-C, Part II, is to be completed semiannually in the June and December reports only.

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

For purposes of this schedule, "**loans to small businesses**" consist of the following:

(1) Loans with original amounts of $1 million or less that have been reported as “Loans secured by nonfarm nonresidential properties” in Schedule RC-C, Part I, items 1.e.(1) and 1.e.(2), and

(2) Loans with original amounts of $1 million or less that have been reported in Schedule RC-C, Part I, item 4, "Commercial and industrial loans."

For purposes of this schedule, "**loans to small farms**" consist of the following:

(1) Loans with original amounts of $500,000 or less that have been reported in Schedule RC-C, Part I, item 1.b, "Loans secured by farmland (including farm residential and other improvements)", and

(2) Loans with original amounts of $500,000 or less that have been reported in Schedule RC-C, Part I, item 3, "Loans to finance agricultural production and other loans to farmers".

The following guidelines should be used to determine the "**original amount**" of a loan:

(1) For loans drawn down under lines of credit or loan commitments, the "original amount" of the loan is the size of the line of credit or loan commitment when the line of credit or loan commitment was most recently approved, extended, or renewed prior to the report date. However, if the amount currently outstanding as of the report date exceeds this size, the "original amount" is the amount currently outstanding on the report date.

(2) For loan participations and syndications, the "original amount" of the loan participation or syndication is the entire amount of the credit originated by the lead lender.

(3) For all other loans, the "original amount" is the total amount of the loan at origination or the amount currently outstanding as of the report date, whichever is larger.

The "**amount currently outstanding**" for a loan is its carrying value, i.e., the amount at which the loan is reported in Schedule RC-C, Part I, item 1.b, 1.e.(1), 1.e.(2), 3, or 4.

Except as noted below for "corporate" or "business" credit card programs, when determining "original amounts" and reporting the number and amount currently outstanding for a category of loans in this Part II, multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.

A bank that offers "corporate" or "business" credit card programs under which credit cards are issued to one or more of a company's employees for business-related use should treat each company's program

**Part II. (cont.)**

**General Instructions (cont.)**

as a single extension of credit to that company. The credit limits for all of the individual credit cards issued to the company's employees should be totaled and this total should be treated as the "original amount" of the "corporate" or "business" credit card program established for this company. The company's program should be reported as one loan and the amount currently outstanding would be the sum of the credit card balances as of the report date on each of the individual credit cards issued to the company's employees. However, when aggregated data for each individual company in a "corporate" or "business" credit card program are not readily determinable from the bank's credit card records, the bank should develop reasonable estimates of the number of "corporate" or "business" credit card programs in existence as of the report date, the "original amounts" of these programs, and the "amounts currently outstanding" for these programs and should then report information about these programs on the basis of its reasonable estimates. In no case should the individual credit cards issued to a company's employees under a "corporate" or "business" credit card program be reported as separate individual loans to small businesses.

**Item Instructions**

**Loans to Small Businesses**

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

**1** **Indicate in the appropriate box at the right whether all or substantially all of the dollar volume of your bank's "Loans secured by nonfarm nonresidential properties" reported in Schedule RC-C, Part I, items 1.e.(1) and 1.e.(2), and all or substantially all of the dollar volume of your bank's "Commercial and industrial loans" reported in Schedule RC-C, Part I, item 4, have original amounts of $100,000 or less.**

If: (a) the average size of the amount currently outstanding for your bank's "Loans secured by nonfarm nonresidential properties" as reported in Schedule RC-C, Part I, items 1.e.(1) and 1.e.(2), above, is $100,000 or less, and

(b) the average size of the amount currently outstanding for your bank's "Commercial and industrial loans" as reported in Schedule RC-C, Part I, item 4, above, is $100,000 or less, and

(c) your lending officers' knowledge of your bank's loans or other relevant information pertaining to "Loans secured by nonfarm nonresidential properties" and "Commercial and industrial loans" indicates that all or substantially all of the dollar volume of your bank's loans in each of these two categories has "original amounts" (as described above in the General Instructions to this Part II) of $100,000 or less,

place an "X" in the box marked "YES," complete items 2.a and 2.b below, skip items 3 and 4, and go to item 5.

If your bank has no loans outstanding in both of these two loan categories, place an "X" in the box marked "NO," skip items 2 through 4, and go to item 5.

Otherwise, place an "X" in the box marked "NO," skip items 2.a and 2.b, complete items 3 and 4 below, and go to item 5.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| 2 | **Report the total number of loans currently outstanding for each of the following Schedule RC-C, Part I, loan categories.** Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans. |
| 2.a | **Number of "Loans secured by nonfarm nonresidential properties" reported in Schedule RC-C, Part I, items 1.e(1) and 1.e.(2).** Count the number of individual loans currently outstanding whose carrying values add up to the amount of "Loans secured by nonfarm nonresidential properties" reported in Schedule RC-C, Part I, items 1.e.(1) and 1.e.(2). The sum of the amounts reported in Schedule RC-C, Part I, items 1.e.(1) and 1.e.(2), divided by the number of loans reported in this item should not exceed $100,000. |
| 2.b | **Number of "Commercial and industrial loans" reported in Schedule RC-C, Part I, item 4.** Count the number of individual loans currently outstanding whose carrying values add up to the amount reported in Schedule RC-C, Part I, item 4.<br><br>The amount reported in Schedule RC-C, Part I, item 4, divided by the number of loans reported in this item should not exceed $100,000. |
| 3 | **Number and amount currently outstanding of "Loans secured by nonfarm nonresidential properties" reported in Schedule RC-C, Part I, items 1.e.(1) and 1.e.(2).** See the General Instructions to this Part II for the guidelines for determining the "original amount" of a loan. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.<br><br>The sum of the amounts currently outstanding reported in items 3.a through 3.c, column B, must be less than or equal to the sum of the amounts reported in Schedule RC-C, Part I, items 1.e.(1) and 1.e.(2). |
| 3.a | **With original amounts of $100,000 or less.** Add up the total carrying value of all currently outstanding "Loans secured by nonfarm nonresidential properties" with "original amounts" of $100,000 or less and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.<br><br>Count the number of individual "Loans secured by nonfarm nonresidential properties" whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by nonfarm nonresidential properties" with "original amounts" of $100,000 or less). Report this number in column A. |

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**3.b** **With original amounts of more than $100,000 through $250,000.** Add up the total carrying value of all currently outstanding "Loans secured by nonfarm nonresidential properties" with "original amounts" of more than $100,000 through $250,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Loans secured by nonfarm nonresidential properties" whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by nonfarm nonresidential properties" with "original amounts" of more than $100,000 through $250,000). Report this number in column A.

**3.c** **With original amounts of more than $250,000 through $1,000,000.** Add up the total carrying value of all currently outstanding "Loans secured by nonfarm nonresidential properties" with "original amounts" of more than $250,000 through $1,000,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Loans secured by nonfarm nonresidential properties" whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by nonfarm nonresidential properties" with "original amounts" of more than $250,000 through $1,000,000). Report this number in column A.

**4** **Number and amount currently outstanding of "Commercial and industrial loans reported in Schedule RC-C, Part I, item 4.** See the General Instructions to this Part II for the guidelines for determining the "original amount" of a loan and for the treatment of "corporate" or "business" credit card programs. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.

The sum of the amounts currently outstanding reported in items 4.a through 4.c, column B, must be less than or equal to the amount reported in Schedule RC-C, Part I, item 4.

**4.a** **With original amounts of $100,000 or less.** Add up the total carrying value of all currently outstanding “Commercial and industrial loans” with "original amounts" of $100,000 or less and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual “Commercial and industrial loans” (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those “Commercial and industrial loans” with "original amounts" of $100,000 or less). Report this number in column A.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**4.b** **With original amounts of more than $100,000 through $250,000.** Add up the total carrying value of all currently outstanding "Commercial and industrial loans") with "original amounts" of more than $100,000 through $250,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Commercial and industrial loans" whose carrying values were included in the amount reported in column B for this item (i.e., those "Commercial and industrial loans" with "original amounts" of more than $100,000 through $250,000). Report this number in column A.

**4.c** **With original amounts of more than $250,000 through $1,000,000.** Add up the total carrying value of all currently outstanding "Commercial and industrial loans" with "original amounts" of more than $250,000 through $1,000,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Commercial and industrial loans" whose carrying values were included in the amount reported in column B for this item (i.e., those "Commercial and industrial loans" with "original amounts" of more than $250,000 through $1,000,000). Report this number in column A.

**Agricultural Loans to Small Farms**

| Item No. | Caption and Instructions |
|---|---|

**5** **Indicate in the appropriate box at the right whether all or substantially all of the dollar volume of your bank's "Loans secured by farmland (including farm residential and other improvements)" reported in Schedule RC-C, Part I, item 1.b, and all or substantially all of the dollar volume of your bank's "Loans to finance agricultural production and other loans to farmers" reported in Schedule RC-C, Part I, item 3, have original amounts of $100,000 or less.**

If: (a) the average size of the amount currently outstanding for your bank's "Loans secured by farmland (including farm residential and other improvements)" as reported in Schedule RC-C, Part I, item 1.b, above, is $100,000 or less, and

(b) the average size of the amount currently outstanding for your bank's "Loans to finance agricultural production and other loans to farmers" as reported in Schedule RC-C, Part I, item 3, above, is $100,000 or less, and

(c) your lending officers' knowledge of your bank's loans or other relevant information pertaining to "Loans secured by farmland (including farm residential and other improvements" and your "Loans to finance agricultural production and other loans to farmers" indicates that all or substantially all of the dollar volume of your bank's loans in each of these two categories has "original amounts" (as described above in the General Instructions to this Part II) of $100,000 or less,

place an "X" in the box marked "YES," complete items 6.a and 6.b below, and do not complete items 7 and 8 below.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| 5 (cont.) | If your bank has no loans outstanding in both of these two loan categories, place an "X" in the box marked "NO," and do not complete items 6 through 8.<br><br>Otherwise, place an "X" in the box marked "NO," skip items 6.a and 6.b, and complete items 7 and 8 below. |
| 6 | **Report the total number of loans currently outstanding for each of the following Schedule RC-C, Part I, loan categories.** Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans. |
| 6.a | **Number of "Loans secured by farmland (including farm residential and other improvements)" reported in Schedule RC-C, Part I, item 1.b.** Count the number of individual loans currently outstanding whose carrying values add up to the amount reported in Schedule RC-C, Part I, item 1.b, "Loans secured by farmland (including farm residential and other improvements)." The amount reported in Schedule RC-C, Part I, item 1.b, divided by the number of loans reported in this item should not exceed $100,000. |
| 6.b | **Number of "Loans to finance agricultural production and other loans to farmers" reported in Schedule RC-C, Part I, item 3.** Count the number of individual loans currently outstanding whose carrying values add up to the amount reported in Schedule RC-C, Part I, item 3, "Loans to finance agricultural production and other loans to farmers." The amount reported in Schedule RC-C, Part I, item 3, divided by the number of loans reported in this item should not exceed $100,000. |
| 7 | **Number and amount currently outstanding of "Loans secured by farmland (including farm residential and other improvements)" reported in Schedule RC-C, Part I, item 1.b.** See the General Instructions to this Part II for the guidelines for determining the "original amount" of a loan. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.<br><br>The sum of the amounts currently outstanding reported in items 7.a through 7.c, column B, must be less than or equal to the amount reported Schedule RC-C, Part I, item 1.b. |
| 7.a | **With original amounts of $100,000 or less.** Add up the total carrying value of all currently outstanding "Loans secured by farmland (including farm residential and other improvements)" with "original amounts" of $100,000 or less and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B. |

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| **7.a** (cont.) | Count the number of individual "Loans secured by farmland (including farm residential and other improvements" whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by farmland (including farm residential and other improvements)" with "original amounts" of $100,000 or less). Report this number in column A. |
| **7.b** | **With original amounts of more than $100,000 through $250,000.** Add up the total carrying value of all currently outstanding "Loans secured by farmland (including farm residential and other improvements" with "original amounts" of more than $100,000 through $250,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.<br><br>Count the number of individual "Loans secured by farmland (including farm residential and other improvements)" whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by farmland (including farm residential and other improvements)" with "original amounts" of more than $100,000 through $250,000). Report this number in column A. |
| **7.c** | **With original amounts of more than $250,000 through $500,000.** Add up the total carrying value of all currently outstanding "Loans secured by farmland (including farm residential and other improvements)" with "original amounts" of more than $250,000 through $500,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.<br><br>Count the number of individual "Loans secured by farmland (including farm residential and other improvements)" whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by farmland (including farm residential and other improvements)" with "original amounts" of more than $250,000 through $500,000). Report this number in column A. |
| **8** | **Number and amount currently outstanding of "Loans to finance agricultural production and other loans to farmers" reported in Schedule RC-C, Part I, item 3.** See the General Instructions to this Part II for the guidelines for determining the "original amount" of a loan. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.<br><br>The sum of the amounts currently outstanding reported in items 8.a through 8.c, column B, must be less than or equal to the amount reported in Schedule RC-C, Part I, item 3. |
| **8.a** | **With original amounts of $100,000 or less.** Add up the total carrying value of all currently outstanding "Loans to finance agricultural production and other loans to farmers" with "original amounts" of $100,000 or less and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B. |

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| **8.a** (cont.) | Count the number of individual "Loans to finance agricultural production and other loans to farmers" whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans to finance agricultural production and other loans to farmers" with "original amounts" of $100,000 or less). Report this number in column A. |
| **8.b** | **With original amounts of more than $100,000 through $250,000.** Add up the total carrying value of all currently outstanding "Loans to finance agricultural production and other loans to farmers" with "original amounts" of more than $100,000 through $250,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.<br><br>Count the number of individual "Loans to finance agricultural production and other loans to farmers" whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans to finance agricultural production and other loans to farmers" with "original amounts" of more than $100,000 through $250,000). Report this number in column A. |
| **8.c** | **With original amounts of more than $250,000 through $500,000.** Add up the total carrying value of all currently outstanding "Loans to finance agricultural production and other loans to farmers" with "original amounts" of more than $250,000 through $500,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.<br><br>Count the number of individual "Loans to finance agricultural production and other loans to farmers" whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans to finance agricultural production and other loans to farmers" with "original amounts" of more than $250,000 through $500,000). Report this number in column A. |

**Examples of Reporting in Schedule RC-C, Part II**

(1) A bank has a "Loan secured by owner-occupied nonfarm nonresidential property" which has a carrying value on the report date of $70,000 and this amount is included in Schedule RC-C, Part I, item 1.e.(1). The bank made this loan to the borrower in the original amount of $75,000, so it would be considered a "loan to a small business" and would be reported in Schedule RC-C, Part II. Because the original amount of the loan is $100,000 or less, the bank would report the $70,000 amount currently outstanding in Part II, item 3.a, column B.

(2) The bank has a second "Loan secured by owner-occupied nonfarm nonresidential property" which has a carrying value on the report date of $60,000 and this amount is included in Schedule RC-C, Part I, item 1.e.(1). The bank made this loan to the borrower in the original amount of $125,000, so it would be considered a "loan to a small business" and would be reported in Schedule RC-C, Part II. Because the original amount of the loan falls within the more than $100,000 through $250,000 range, the bank would report the $60,000 amount currently outstanding in Part II, item 3.b, column B.

(3) The bank has a "Commercial and industrial loan" which has a carrying value on the report date of $200,000 and this amount is included in Schedule RC-C, Part I, item 4. The bank made this loan to the borrower in the original amount of $250,000, so it would be considered a "loan to a small business" and would be reported in Schedule RC-C, Part II. Because the original amount of the loan is exactly $250,000 which is the upper end of the more than $100,000 through $250,000 range, the bank would report the $200,000 amount currently outstanding in Part II, item 4.b, column B.

(4) The bank has a second "Commercial and industrial loan" which has a carrying value on the report date of $90,000 and this amount is included in Schedule RC-C, Part I, item 4. The bank made this loan to the borrower in the original amount of $500,000 and sold loan participations for $400,000 while retaining $100,000. Nevertheless, based on the entire amount of the credit that was originated by the bank, the loan would be considered a "loan to a small business" and would be reported in Schedule RC-C, Part II. Because the original amount of the entire loan is $500,000 which falls within the more than $250,000 through $1,000,000 range, the bank would report the $90,000 amount currently outstanding in Part II, item 4.c, column B.

(5) The bank has a third "Commercial and industrial loan" which has a carrying value on the report date of $55,000 and this amount is included in Schedule RC-C, Part I, item 4. This loan represents a participation purchased by the bank from another lender. The original amount of the entire credit is $750,000 and the bank's original share of this credit was $75,000. Based on the entire amount of the credit that was originated by the other lender, the loan would be considered a "loan to a small business" and would be reported in Schedule RC-C, Part II. Because the original amount of the entire credit is $750,000 which falls within the more than $250,000 through $1,000,000 range, the bank would report the $55,000 amount currently outstanding in Part II, item 4.c, column B.

(6) The bank has another "Commercial and industrial loan" and it has a carrying value on the report date of $120,000. This amount is included in Schedule RC-C, Part I, item 4. This loan represents a participation purchased by the bank from another lender. The original amount of the entire credit is $1,250,000 and the bank's original share of this credit was $250,000. Because the original amount of the entire credit exceeds $1,000,000, the loan would not be considered a "loan to a small business" and would not be reported in Schedule RC-C, Part II.

(7) The bank has a "Loan secured by other nonfarm nonresidential property" and a "Commercial and industrial loan" to the same borrower. The first loan has a carrying value on the report date of $375,000 and this amount is included in Schedule RC-C, Part I, item 1.e.(2). This "Loan secured by nonfarm nonresidential property" was made in the original amount of $400,000. The second loan has a carrying value on the report date of $650,000 and this amount is included in Schedule RC-C, Part I, item 4. This "Commercial and industrial loan" was made in the original amount of $750,000.

**Examples of Reporting in Schedule RC-C, Part II (cont.)**

Case I: The bank's loan system can provide aggregate individual borrower data without undue cost to the reporting institution. The loan system indicates that this borrower's two loans have a combined original amount of $1,150,000 and therefore the loans would not be considered "loans to a small business" and would not be reported in Schedule RC-C, Part II.

Case II: The bank's loan system cannot provide aggregate individual borrower data without undue cost to the reporting institution. Therefore, the borrower's two loans would be treated as separate loans for purposes of Schedule RC-C, Part II. Based on its $400,000 original amount, the "Loan secured by other nonfarm nonresidential property" would be considered a "loan to a small business" and would be reported in Schedule RC-C, Part II. Because the original amount of the loan falls within the more than $250,000 through $1,000,000 range, the bank would report the $375,000 amount currently outstanding in Part II, item 3.c, column B, and count this loan as one loan for purposes of Part II, item 3.c, column A. Since the "Commercial and industrial loan" is being handled separately and its original amount is $750,000, it would also be considered a "loan to a small business" and would be reported in Schedule RC-C, Part II. Because the original amount of this loan falls within the more than $250,000 through $1,000,000 range, the bank would report the $650,000 amount currently outstanding in Part II, item 4.c, column B, and count this loan as one loan for purposes of Part II, item 4.c, column A.

(8) The bank has a "Loan secured by farmland (including farm residential and other improvements)" which has a carrying value on the report date of $225,000. The bank made this loan to the borrower in the original amount of $260,000 and the loan is secured by a first lien on the borrower's farmland. The bank has a second "Loan secured by farmland" to this same borrower and it is secured by a second lien on the borrower's property. This second lien loan has a carrying value of $50,000 and the original amount of the loan is the same as its carrying value. The carrying values of both loans (the $225,000 first lien loan and the $50,000 second lien loan) are included in Schedule RC-C, Part I, item 1.b.

Case I: The bank's loan system can provide aggregate individual borrower data without undue cost to the reporting institution. The loan system indicates that this borrower's two loans have a combined original amount of $310,000 and therefore the two loans together would be considered a single "loan to a small farm" and would be reported in Schedule RC-C, Part II. Because the original amount of the two combined loans falls within the more than $250,000 through $500,000 range, the bank would report the $275,000 combined total of the amounts currently outstanding for the two loans in Part II, item 7.c, column B, and count these two loans to the same borrower as one loan for purposes of Part II, item 7.c, column A.

Case II: The bank's loan system cannot provide aggregate individual borrower data without undue cost to the reporting institution. Therefore, the borrower's two loans would be treated as separate loans for purposes of Schedule RC-C, Part II. Based on its $260,000 original amount, the first lien loan would be considered a "loan to a small farm" and would be reported in Schedule RC-C, Part II. Because the original amount of the loan falls within the more than $250,000 through $500,000 range, the bank would report the $225,000 amount currently outstanding in Part II, item 7.c, column B, and count this loan as one loan for purposes of Part II, item 7.c, column A. Since the second lien loan is being handled separately and its original amount is $50,000, it would also be considered a "loan to a small farm" and would be reported in Schedule RC-C, Part II. Because the original amount of this loan is less than $100,000, the bank would report the $50,000 amount currently outstanding in Part II, item 7.a, column B, and count this loan as one loan for purposes of Part II, item 7.a, column A.

**Examples of Reporting in Schedule RC-C, Part II (cont.)**

(9) The bank has one final "Loan secured by farmland" which has a carrying value on the report date of $5,000 and this amount is included in Schedule RC-C, Part I, item 1.b. The bank made this loan to the borrower in the original amount of $300,000, so it would be considered a "loan to a small farm" and would be reported in Schedule RC-C, Part II. Because the original amount of the loan falls within the more than $250,000 through $500,000 range, the bank would report the $5,000 amount currently outstanding in Part II, item 7.c, column B.

(10) The bank has granted a $150,000 line of credit to a farmer that is not secured by real estate. The farmer has received advances twice under this line of credit and, rather than having signed a single note for the entire $150,000 amount of the line of credit, has signed separate notes for each advance. One note is in the original amount of $30,000 and the other is in the original amount of $50,000. The carrying values of the two notes on the report date are the same as their original amounts and these amounts are included in Schedule RC-C, Part I, item 3. For loans drawn down under lines of credit, the original amount of the loan is the size of the line of credit when it was most recently approved, extended, or renewed prior to the report date. In this case, the line of credit was most recently approved for $150,000.

Case I: The bank's loan system can provide aggregate individual borrower data for multiple advances under lines of credit without undue cost to the reporting institution. Thus, even though a separate note was signed each time the farmer borrowed under the line of credit, the loan system combines all information about the farmer's separate borrowings under the line of credit. Therefore, the loan system indicates that the farmer has a line of credit for $150,000 and that the amount currently outstanding under the line of credit for the combined carrying values of the two borrowings under the line of credit is $80,000. Because the line of credit was most recently approved for $150,000, this $150,000 original amount for the line of credit would be considered a "loan to a small farm" that would be reported in Schedule RC-C, Part II. Therefore, the original amount of the line of credit falls within the more than $100,000 through $250,000 range and the bank would report the $80,000 combined total of the amounts currently outstanding for the two notes in Part II, item 8.b, column B, and count these two notes to the farmer under the line of credit as one loan for purposes of Part II, item 8.b, column A.

Case II: The bank's loan system cannot provide aggregate individual borrower data for lines of credit without undue cost to the reporting institution. Therefore, the farmer's two notes under the line of credit would be treated as separate loans for purposes of Schedule RC-C, Part II. The original amount of the line of credit is $150,000 and each of the two notes would be considered a "loan to a small farm" that would be reported in Schedule RC-C, Part II. Because each of the two notes indicates that it is part of a $150,000 line of credit and the $150,000 original amount of the line of credit falls within the more than $100,000 through $250,000 range, the bank would report both the $30,000 and $50,000 amounts currently outstanding in Part II, item 8.b, column B, and count these as two loans for purposes of Part II, item 8.b, column A.

(11) The bank has one other "Loan to finance agricultural production and other loans to a farmer" which has a carrying value on the report date of $75,000 and this amount is included in Schedule RC-C, Part I, item 3. The bank made this loan to the borrower in the original amount of $100,000, so it would be considered a "loan to a small farm" and would be reported in Schedule RC-C, Part II. Because the original amount of the loan is exactly $100,000 which is the upper end of the $100,000 or less range, the bank would report the $75,000 amount currently outstanding in Part II, item 8.a, column B.

# SCHEDULE RC-E – DEPOSIT LIABILITIES

## General Instructions

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

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

Additional discussions pertaining to deposits will also be found under separate Glossary entries for:

(1) brokered deposits;
(2) cash management arrangements;
(3) dealer reserve accounts;
(4) hypothecated deposits;
(5) letter of credit (for letters of credit sold for cash and travelers letters of credit);
(6) overdraft;
(7) pass-through reserve balances; and
(8) reciprocal balances.

NOTE: For information about the reporting of deposits for deposit insurance assessment purposes, refer to Schedule RC-O.

NOTE: 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."

NOTE: For banks that elect to report deposits at fair value under a fair value option, report the fair value of those deposits in the same items and columns as similar deposits to which a fair value option has not been applied. Currently, deposits that include a demand feature (e.g., demand and savings deposits) are not eligible to be reported under a fair value election.

## Definitions

The term "deposits" is defined in the Glossary and generally follows the definitions of deposits used in the Federal Deposit Insurance Act and in Federal Reserve Regulation D.

Reciprocal balances between the reporting bank and other depository institutions may be reported on a net basis in accordance with generally accepted accounting principles.

The following are not reported as deposits in Schedule RC-E:

(1) Deposits received in one office of the bank for deposit in another office of the bank.

(2) Outstanding drafts (including advices or authorizations to charge the bank's balance in another depository institution) drawn in the regular course of business by the reporting bank on other depository institutions.

(3) Trust funds held in the bank's own trust department that the bank keeps segregated and apart from its general assets and does not use in the conduct of its business. NOTE: Such uninvested trust funds must be reported as deposit liabilities in Schedule RC-O, item 1.

(4) Deposits accumulated for the payment of personal loans (i.e., hypothecated deposits), which should be netted against loans in Schedule RC-C, Loans and Lease Financing Receivables.

(5) All obligations arising from assets sold under agreements to repurchase.

(6) Overdrafts in deposit accounts. Overdrafts are to be reported as loans in Schedule RC-C and not as negative deposits. Overdrafts in one or more transaction accounts within a group of related transaction accounts of a single type (i.e., demand deposit accounts or NOW accounts, but not a combination thereof) maintained in the same right and capacity by a customer (a single legal entity) that are established under a bona fide cash management arrangement by this customer are not to be classified as loans unless there is a net overdraft position in the group of related transaction accounts taken as a whole. For reporting and deposit insurance assessment purposes, such accounts function as, and are regarded as, one account rather than multiple separate accounts. (NOTE: Affiliates and subsidiaries are considered separate legal entities.) See the Glossary entry for "cash management arrangements" for information on bona fide cash management arrangements.

(7) Time deposits sold (issued) by the reporting bank that it has subsequently purchased in the secondary market (typically as a result of the bank's trading activities) and has not resold as of the report date. For purposes of these reports, a bank that purchases a time deposit it has issued is regarded as having paid the time deposit prior to maturity. The effect of the transaction is that the bank has cancelled a liability as opposed to having acquired an asset for its portfolio.

(8) Cash payments 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.” Until a transfer qualifies for sale accounting, these cash payments shall be reported in Schedule RC-G, item 4, “All other liabilities.” See the Glossary entry for “foreclosed assets” for further information.

The following are reported as deposits:

(1) Deposits of trust funds standing to the credit of other banks and all trust funds held or deposited in any department of the reporting bank other than the trust department.

(2) Credit items that could not be posted to the individual deposit accounts but that have been credited to the control accounts of the various deposit categories on the general ledger.

**Definitions (cont.)**

(3) Credit items not yet posted to deposit accounts that are carried in suspense or similar nondeposit accounts and are material in amount. As described in the Glossary entry for "suspense accounts," the items included in such accounts should be reviewed and material amounts reported in the appropriate balance sheet accounts. NOTE: Regardless of whether deposits carried in suspense accounts have been reclassified as deposits and reported in Schedule RC-E, they must be reported as deposit liabilities in Schedule RC-O, items 1 and 4.

(4) Escrow funds.

(5) 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.

(6) Credit balances resulting from customers' overpayments of account balances on credit cards and other revolving credit plans.

(7) Funds received or held in connection with checks or drafts drawn by the reporting bank and drawn on, or payable at or through, another depository institution either on a zero-balance account or on an account that is not routinely maintained with sufficient balances to cover checks drawn in the normal course of business (including accounts where funds are remitted by the reporting bank only when it has been advised that the checks or drafts have been presented).

(8) Funds received or held in connection with traveler's checks and money orders sold (but not drawn) by the reporting bank, until the proceeds of the sale are remitted to another party, and funds received or held in connection with other such checks used (but not drawn) by the reporting bank, until the amount of the checks is remitted to another party.

(9) Checks drawn by the reporting bank on, or payable at or through, a Federal Reserve Bank or a Federal Home Loan Bank.

(10) Refundable loan commitment fees received or held by the reporting bank prior to loan closing.

(11) Refundable stock subscription payments received or held by the reporting bank prior to the issuance of the stock. (Report nonrefundable stock subscription payments in Schedule RC-G, item 4, "All other liabilities.")

(12) Improperly executed repurchase agreement sweep accounts (repo sweeps). According to Section 360.8 of the FDIC's regulations, an "internal sweep account" is "an account held pursuant to a contract between an insured depository institution and its customer involving the pre-arranged, automated transfer of funds from a deposit account to . . . another account or investment vehicle located within the depository institution." When a repo sweep from a deposit account is improperly executed by an institution, the customer obtains neither an ownership interest in identified assets subject to a repurchase agreement nor a perfected security interest in the applicable assets. In this situation, the institution should report the swept funds as deposit liabilities, not as repurchase agreements.

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

In addition, the gross amount of debit items ("throw-outs," "bookkeepers' cutbacks," or "rejects") that cannot be posted to the individual deposit accounts without creating overdrafts or for some other reason (e.g., stop payment, missing endorsement, post or stale date, or account closed), but which have been

**Definitions (cont.)**

charged to the control accounts of the various deposit categories on the general ledger, should be credited to (added back to) the appropriate deposit control totals and reported in Schedule RC-F, item 6, "All other assets."

The distinction between transaction and nontransaction accounts is discussed in detail in the Glossary entry for "Deposits."

Deposits defined in Regulation D as transaction accounts include demand deposits, NOW accounts, telephone and preauthorized transfer accounts, and savings deposits. However, for Call Report purposes, savings deposits are classified as a type of nontransaction account.

For institutions that have suspended the six transfer limit on an account that meets the definition of a savings deposit, please see the "Treatment of Accounts where Reporting Institutions Have Suspended Enforcement of the Six Transfer Limit per Regulation D" in the Glossary entry for "Deposits" for further details on reporting savings deposits.

**Column Instructions**

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

Column A – Total transaction accounts. Report in column A the total of all transaction accounts as defined in the Glossary entry for "Deposits." With the exceptions noted in the item instructions and the Glossary entry, the term "transaction account" is defined as a deposit or account from which the depositor or account holder is permitted to make transfers or withdrawals by negotiable or transferable instruments, payment orders of withdrawal, telephone transfers, or other similar devices for the purpose of making third party payments or transfers to third persons or others, or from which the depositor may make third party payments at an automated teller machine (ATM), a remote service unit (RSU), or another electronic device, including by debit card.

Column B - Memo: Total demand deposits. Report in item 7, column B, the total of all demand deposits, both interest-bearing and noninterest-bearing. Also include any matured time or savings deposits without automatic renewal provisions, unless the deposit agreement specifically provides for the funds to be transferred at maturity to another type of account (i.e., other than a demand deposit). (See the Glossary entry for "Deposits.")

NOTE: Demand deposits are, of course, one type of transaction account. Therefore, the amount reported in item 7, column B, should be included by category of depositor in the breakdown of transaction accounts by category of depositor that is reported in column A.

Column C - Total nontransaction accounts (including MMDAs). Report in column C nontransaction accounts as defined in the Glossary entry for "Deposits." Include in column C all interest-bearing and noninterest-bearing savings deposits and time deposits together with all interest paid by crediting savings and time deposit accounts.

## Item Instructions

In items 1 through 6 of Schedule RC-E, banks report separate breakdowns of their transaction and nontransaction accounts by category of depositor. When reporting brokered deposits in these items, the funds should be categorized as deposits of “Individuals, partnerships, and corporations,” “States and political subdivisions in the U.S.,” or “Commercial banks and other depository institutions in the U.S.” based on the beneficial owners of the funds that the broker has placed in the bank. However, if this information is not readily available to the issuing bank for certain brokered deposits because current deposit insurance rules do not require the deposit broker to provide information routinely on the beneficial owners of the deposits and their account ownership capacity to the bank issuing the deposits, these brokered deposits may be rebuttably presumed to be deposits of “Individuals, partnerships, and corporations” and reported in Schedule RC-E, item 1, below. For further information, see the Glossary entry for "brokered deposits."

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

**1** **Deposits of individuals, partnerships, and corporations (include all certified and official checks).** Report in the appropriate column all deposits of individuals, partnerships, and corporations, wherever located, and all certified and official checks.

Include in this item:

(1) Deposits related to the personal, household, or family activities of both farm and nonfarm individuals and to the business activities of sole proprietorships.

(2) Deposits of corporations and organizations (other than depository institutions), regardless of whether they are operated for profit, including but not limited to:

(a) mutual funds and other nondepository financial institutions;

(b) foreign government-owned nonbank commercial and industrial enterprises; and

(c) quasi-governmental organizations such as post exchanges on military posts and deposits of a company, battery, or similar organization (unless the reporting bank has been designated by the U.S. Treasury as a depository for such funds and appropriate security for the deposits has been pledged, in which case, report in Schedule RC-E, item 2).

(3) Dealer reserve accounts (see the Glossary entry for "dealer reserve accounts" for the definition of this term).

(4) Deposits of U.S. Government agencies and instrumentalities such as the:

(a) Banks for Cooperatives,
(b) Export-Import Bank of the U.S.,
(c) Federal Deposit Insurance Corporation,
(d) Federal Financing Bank,
(e) Federal Home Loan Banks,
(f) Federal Home Loan Mortgage Corporation,
(g) Federal Intermediate Credit Banks,
(h) Federal Land Banks,
(i) Federal National Mortgage Association,
(j) National Credit Union Administration Central Liquidity Facility, and
(k) National Credit Union Share Insurance Fund.

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

**1** (cont.)

(5) Deposits of trust funds standing to the credit of other banks and all trust funds held or deposited in any department (except the trust department) of the reporting bank if the beneficiary is an individual, partnership, or corporation.

(6) Credit balances on credit cards and other revolving credit plans as a result of customer overpayments.

(7) Deposits of a federal or state court held for the benefit of individuals, partnerships, or corporations, such as bankruptcy funds and escrow funds.

(8) Deposits of a pension fund held for the benefit of individuals.

(9) Certified and official checks, which include the following:

(a) Unpaid depositors' checks that have been certified.

(b) Cashiers' checks, money orders, and other officers' checks issued for any purpose including those issued in payment for services, dividends, or purchases that are drawn on the reporting bank by any of its duly authorized officers and that are outstanding on the report date.

(c) Funds received or held in connection with checks or drafts drawn by the reporting bank and drawn on, or payable at or through, another depository institution either on a zero-balance account or on an account that is not routinely maintained with sufficient balances to cover checks drawn in the normal course of business (including accounts where funds are remitted by the reporting bank only when it has been advised that the checks or drafts have been presented).

(d) Funds received or held in connection with traveler's checks and money orders sold (but not drawn) by the reporting bank, until the proceeds of the sale are remitted to another party, and funds received or held in connection with other such checks used (but not drawn) by the reporting bank, until the amount of the checks is remitted to another party.

(e) Checks drawn by the reporting bank on, or payable at or through, a Federal Reserve Bank or a Federal Home Loan Bank.

(f) Outstanding travelers' checks, travelers' letters of credit and other letters of credit (less any outstanding drafts accepted thereunder) sold for cash or its equivalent by the reporting bank or its agents.

(g) Outstanding drafts and bills of exchange accepted by the reporting bank or its agents for money or its equivalent, including drafts accepted against a letter of credit issued for money or its equivalent.

Exclude from this item deposits of:

(1) The U.S. Government (report in Schedule RC-E, item 2).

(2) States and political subdivisions in the U.S. (report in Schedule RC-E, item 3).

(3) Commercial banks in the U.S. (report in Schedule RC-E, item 4).

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

**1** (cont.)

(4) Other depository institutions in the U.S. (report in Schedule RC-E, item 4).

(5) Banks in foreign countries (report in Schedule RC-E, item 5).

**2** **Deposits of U.S. Government.** Report in the appropriate column all deposits of federal public funds made by or for the account of the United States or some department, bureau, or official thereof.

Include in this item:

(1) Deposits of the U.S. Treasury.

(2) Deposits standing to the credit of certain quasi-governmental institutions when the reporting bank has been designated by the U.S. Treasury as a depository for such funds.

(3) Deposits of the U.S. Postal Service and local post offices.

Exclude from this item deposits of U.S. Government agencies and instrumentalities. (Such deposits are to be reported in Schedule RC-E, item 1, above.)

**3** **Deposits of states and political subdivisions in the U.S.** Report in the appropriate column all deposits standing to the credit of states, counties, municipalities, and local housing authorities; school, irrigation, drainage, and reclamation districts; other instrumentalities of one or more states of the United States, the District of Columbia, Puerto Rico, and U.S. territories and possessions; and Indian tribes in the U.S.

Also include deposits of funds advanced to states and political subdivisions by U.S. Government agencies and corporations and deposits of withheld income taxes of states and political subdivisions.

**4** **Deposits of commercial banks and other depository institutions in the U.S.** Report in the appropriate column all deposits of commercial banks and other depository institutions located in the U.S.

Commercial banks in the U.S. cover:

(1) U.S. branches and agencies of foreign banks; and

(2) all other commercial banks in the U.S., i.e., U.S. branches of U.S. banks.

Other depository institutions in the U.S. cover:

(1) Building or savings and loan associations, homestead associations, and cooperative banks;

(2) credit unions; and

(3) mutual and stock savings banks.

For purposes of these reports, U.S. branches and agencies of foreign banks include U.S. branches and agencies of foreign official banking institutions and investment companies that

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

**4** (cont.) are chartered under Article XII of the New York State banking law and that are majority-owned by one or more foreign banks.

For the appropriate treatment of deposits of depository institutions for which the reporting bank is serving as a pass-through correspondent for balances maintained to satisfy reserve balance requirements, see the Glossary entry for "pass-through reserve balances." For the appropriate treatment of deposits of depository institutions for which the reporting bank is acting as an agent for an excess balance account at a Federal Reserve Bank, see the Glossary entry for "excess balance account."

Refer to the Glossary entries for "banks, U.S. and foreign" and "depository institutions in the U.S." for further discussion of these terms.

Exclude from this item deposits of 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.)

**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).

| Item No. | Caption and Instructions |
|---|---|
| 6 (cont.) | (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 (Schedule RC-E, sum of item 7, columns A and C).

NOTE: Schedule RC-E, Memorandum item 1.a, is to be completed semiannually in the June and December reports only.

**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 (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 (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.b** (cont.)

- "Network member bank" means an insured depository institution that is a member of a deposit placement network.
- "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.

All reciprocal deposits, whether they are brokered reciprocal deposits or not, should be reported in Schedule RC-E, Memorandum item 1.g, below.

Deposits placed and received through a "deposit placement network" that are not "covered deposits" under Section 337.6(b)(2)(ii)(e)(2)(ii) of the FDIC's regulations must be reported as brokered deposits in this Memorandum item 1.b.

General Cap

Under the *general cap*, an agent institution may except reciprocal deposits from treatment as brokered deposits up to the lesser of $5 billion or an amount equal to 20 percent of the agent institution's total liabilities. An agent institution that holds reciprocal deposits in excess of the *general cap* should report such excess deposits as brokered deposits in this Memorandum item 1.b (and as brokered reciprocal deposits in Schedule RC-O, item 9, and, if applicable, item 9.a), and include such excess deposits as part of its total reciprocal deposits in Schedule RC-E, Memorandum item 1.g,

Special Cap

A *special cap* applies if the institution is either not well rated or not well capitalized.[1] The special cap is defined as:

> "the average amount of reciprocal deposits held by the agent institution on the last day of each of the 4 calendar quarters preceding the calendar quarter in which the agent institution was found not to have a composite condition of outstanding or good or was determined to be not well capitalized."

In no event, however, can an institution's non-brokered reciprocal deposits exceed the *general cap.*

An institution that is not well rated or not well capitalized may qualify as an "agent institution" if:

(1) The amount of reciprocal deposits that the institution holds as of the first reporting period of being subject to the special cap is below or equal to the special cap and, in any reporting period that it remains subject to the special cap, it does not subsequently receive reciprocal deposits that cause the total amount of reciprocal deposits to exceed the special cap; OR
(2) The amount of reciprocal deposits that it holds as of the first quarter of being subject to the special cap is above the special cap, if such deposits were received before the institution became subject to the special cap and, in any reporting period that it remains

[1] See generally, 12 CFR Part 324, Subpart H (FDIC); 12 CFR Part 208, Subpart D (Federal Reserve Board); 12 CFR Part 6 (OCC). 12 U.S.C. 1831o. "Well capitalized" is defined in 12 CFR 337.6(a)(3)(i).

**Memoranda**

| Item No. | Caption and Instructions |
|---|---|

**1.b (cont.)** subject to the special cap, it does not subsequently receive reciprocal deposits that cause the total amount of reciprocal deposits to exceed the special cap and the institution satisfies all other qualifications necessary to be an agent institution.

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" and all of its reciprocal deposits should be reported as brokered deposits in this Memorandum item 1.b (and as brokered reciprocal deposits in Schedule RC-O, item 9, and, if applicable, item 9.a) and as total reciprocal deposits in Schedule RC-E, Memorandum item 1.g.

An institution shall consider the effective date of a CAMELS composite rating to be the date of written notification to the institution by its primary federal regulator, or state authority, of its supervisory rating.

An institution that is not well capitalized or that has composite supervisory rating of other than outstanding (CAMELS "1") or good (CAMELS "2") as of the quarter-end date of the Call Report for which the institution is filing shall calculate the special cap by:

(1) Determining the most recent calendar quarter in which the institution was both well capitalized and had a composite CAMELS rating of "1" or "2" at quarter-end.
(2) Calculating the average of the total amount of reciprocal deposits held by the institution on the last day of the calendar quarter determined above (in the preceding step) and on each of the three preceding calendar quarters.

To illustrate how an institution should calculate the special cap, consider the examples after the instructions to Schedule RC-E, Memorandum item 7.

**1.c** **Brokered deposits of $250,000 or less (fully insured brokered deposits).** Report in this item all fully insured brokered deposits (as defined in the Glossary entry for "brokered deposits") included in Schedule RC-E, Memorandum item 1.b, above. Include brokered deposits with balances of $250,000 or less and time deposits issued to deposit brokers in the form of certificates of deposit of more than $250,000 that have been participated out by the broker in shares with balances of $250,000 or less.

In some cases, brokered certificates of deposit are 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. For these so-called "retail brokered deposits," multiple purchases by individual depositors from an individual bank normally do not exceed the applicable deposit insurance limit (currently $250,000), but under current deposit insurance rules the deposit broker is not required to provide information routinely on these purchasers and their account ownership capacity to the bank issuing the deposits. If this information is not readily available to the issuing bank, these brokered certificates of deposit in $1,000 amounts may be rebuttably presumed to be fully insured brokered deposits and should be reported in this item. In addition, some brokered deposits are transaction accounts or money market deposit accounts (MMDAs) that are 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. An individual depositor's deposits within the brokered transaction account or MMDA normally do not exceed the applicable deposit insurance limit. As with retail brokered deposits, if information on these depositors and their account ownership capacity is not readily available to the bank establishing the transaction account or MMDA,

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**1.c** (cont.) the amounts in the transaction account or MMDA may be rebuttably presumed to be fully insured brokered deposits and 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."

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**1.e** (cont.) 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 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 (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.

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**1.f (cont.)** 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 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."<br><br>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.<br><br>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. |
| **1.h** | **Sweep deposits.** Report in the 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.(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.(3)** | **Fully insured, non-affiliate sweep deposits.** Report the amount of non-affiliate sweep deposits that are fully insured. |
| **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.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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**2** (cont.) Include as time deposits in Memorandum items 2.b, 2.c, and 2.d:

(1) All time deposits (as defined in the Glossary entry for "deposits") with original maturities of seven days or more that are not classified as transaction accounts.

(2) Interest paid by crediting time deposit accounts.

**2.a** **Savings deposits.** Report in the appropriate subitem all savings deposits included in column C above. See the Glossary entry for "deposits" for the definition of savings deposits.

Include as savings deposits in Memorandum items 2.a.(1) and 2.a.(2) interest paid by crediting savings deposit accounts.

Exclude from Memorandum items 2.a.(1) and 2.a.(2):

(1) NOW accounts, ATS accounts, and telephone or preauthorized transfer accounts that meet the definition of a transaction account (report in Schedule RC-E, column A, as transaction accounts).

(2) Special passbook or statement accounts, such as "90-day notice accounts," "golden passbook accounts," or deposits labeled as "savings certificates," that have a specified original maturity of seven days or more (report as time deposits in Schedule RC-E, Memorandum item 2.b, 2.c, or 2.d, below).

(3) Interest accrued on savings deposits but not yet paid or credited to a deposit account (exclude from this schedule and report in Schedule RC-G, item 1.a, "Interest accrued and unpaid on deposits").

**2.a.(1)** **Money market deposit accounts (MMDAs).** Report in this item the total amount of all money market deposit accounts (MMDAs) that are included in Schedule RC-E, column C, above. See the Glossary entry for "deposits" for the definition of money market deposit accounts.

**2.a.(2)** **Other savings deposits.** Report in this item the total amount of all other savings deposits that are included in Schedule RC-E, column C, above. This item includes those accounts commonly known as passbook savings and statement savings. See the Glossary entry for "deposits" for the definition of other savings deposits.

**2.b** **Total time deposits of less than $100,000.** Report in this item all time deposits included in Schedule RC-E, column C, above with balances of less than $100,000. This item includes both time certificates of deposit and open-account time deposits with balances of less than $100,000, regardless of negotiability or transferability. This item also includes time deposits issued to deposit brokers in the form of large ($100,000 or more) certificates of deposit that have been participated out by the broker in shares of less than $100,000. In addition, if the bank has issued a master certificate of deposit to a deposit broker in an amount that exceeds $100,000 and under which brokered certificates of deposit are issued in $1,000 amounts (so-called “retail brokered deposits”), individual depositors who purchase multiple certificates issued by the bank normally do not exceed the applicable deposit insurance limit (currently $250,000). Under current deposit insurance rules the deposit broker is not required to

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**2.b (cont.)** provide information routinely on these purchasers and their account ownership capacity to the bank issuing the deposits. If this information is not readily available to the issuing bank, these brokered certificates of deposit in $1,000 amounts should be reported in this item as time deposits of less than $100,000.

Exclude from this item all time deposits with balances of $100,000 or more (report in Schedule RC-E, Memorandum items 2.c and 2.d, below).

**2.c** **Total time deposits of $100,000 through $250,000.** Report in this item all time deposits included in Schedule RC-E, column C, above with balances of $100,000 through $250,000. This item includes both time certificates of deposit and open-account time deposits with balances of $100,000 through $250,000, regardless of negotiability or transferability.

Exclude from this item and from Schedule RC-E, Memorandum item 2.d, below:

- all time deposits issued to deposit brokers in the form of large ($100,000 or more) certificates of deposit that have been participated out by the broker in shares of less than $100,000, and
- all time deposits with balances of less than $100,000,

which should be reported in Schedule RC-E, Memorandum item 2.b, above.

NOTE: Banks should include as time deposits of $100,000 through $250,000 those time deposits originally issued in denominations of less than $100,000 that, because of interest paid or credited, or because of additional deposits, now have balances of $100,000 through $250,000.

**2.d** **Total time deposits of more than $250,000.** Report in this item all time deposits included in Schedule RC-E, column C, above with balances of more than $250,000. This item includes both time certificates of deposit and open-account time deposits with balances of more than $250,000, regardless of negotiability or transferability.

NOTE: Banks should include as time deposits of more than $250,000 those time deposits originally issued in denominations of $250,000 or less that, because of interest paid or credited, or because of additional deposits, now have balances of more than $250,000.

**2.e** **Individual Retirement Accounts (IRAs) and Keogh Plan accounts included in Memorandum items 2.c and 2.d above.** Report in this item all IRA and Keogh Plan time deposits of $100,000 or more included in Schedule RC-E, Memorandum items 2.c and 2.d, above. These IRA and Keogh Plan time deposits will also have been included in Schedule RC-E, Memorandum item 1.a., "Total Individual Retirement Accounts (IRAs) and Keogh Plan accounts."

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).

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**3** **Maturity and repricing data for time deposits of $250,000 or less.** Report in the appropriate subitem maturity and repricing data for the bank's time deposits of $250,000 or less, i.e., the bank's time certificates of deposit of $250,000 or less and the bank's open-account time deposits of $250,000 or less. The time deposits included in this item will have been reported in Schedule RC-E, Memorandum items 2.b and 2.c, above. Therefore, the sum of the amounts reported in Schedule RC-E, Memorandum items 3.a.(1) through 3.a.(4), must equal the sum of Schedule RC-E, Memorandum items 2.b and 2.c, above.

For purposes of this memorandum item and Schedule RC-E, Memorandum item 4, the following definitions apply:

A fixed interest rate is a rate that is specified at the origination of the transaction, is fixed and invariable during the term of the time deposit, and is known to both the bank and the depositor. Also treated as a fixed interest rate is a predetermined interest rate which is a rate that changes during the term of the time deposit on a predetermined basis, with the exact rate of interest over the life of the time deposit known with certainty to both the bank and the depositor when the time deposit is acquired.

A floating rate is a rate that varies, or can vary, in relation to an index, to some other interest rate such as the rate on certain U.S. Government securities or the bank's "prime rate," or to some other variable criterion the exact value of which cannot be known in advance. Therefore, the exact rate the time deposit carries at any subsequent time cannot be known at the time the time deposit is received by the bank or subsequently renewed.

When the rate on a time deposit with a floating rate has reached a contractual floor or ceiling level, the time deposit is to be treated as "fixed rate" rather than as "floating rate" until the rate is again free to float.

Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a time deposit.

Next repricing date is the date the interest rate on a floating rate time deposit can next change in accordance with the terms of the contract or the contractual maturity date of the deposit, whichever is earlier.

Banks whose records or information systems provide data on the final contractual maturities and next repricing dates of their time deposits for time periods that closely approximate the maturity and repricing periods specified in this Memorandum item and Schedule RC-E, Memorandum item 4 (e.g., 89 or 90 days rather than three months, 359 or 360 days rather 12 months) may use these data to complete this Memorandum item and Schedule RC-E, Memorandum item 4.

Time deposits held in Individual Retirement Accounts (IRAs) and Keogh Plan accounts should be reported without regard to distribution schedules that may be in effect for funds held in certain depositors' accounts. Such time deposits should be reported in this Memorandum item and in Schedule RC-E, Memorandum item 4, in the same manner as time deposits not held in IRAs and Keogh Plan accounts.

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**3** (cont.) Noninterest-bearing time deposits should be treated as fixed rate time deposits and reported according to the amount of time remaining until the final contractual maturity in this Memorandum item and in Schedule RC-E, Memorandum item 4.

Fixed rate time deposits that offer the depositor the option to reset the interest rate on the deposit to a current market rate one time during the term of the deposit should be treated as fixed rate deposits and reported based on their remaining maturity.

Fixed rate time deposits that are callable at the option of the issuing bank should be reported according to their remaining maturity without regard to their next call date unless the time deposit has actually been called. When fixed rate time deposits have been called, they should be reported on the basis of the time remaining until the call date. Callable floating rate time deposits should be reported on the basis of their next repricing date, without regard to their next call date unless the time deposit has actually been called. Floating rate time deposits that have been called should be reported on the basis of their next repricing date or their actual call date, whichever is earlier.

Fixed rate time deposits that provide depositors with the option to redeem them at one or more specified dates prior to their contractual maturity date without penalty should be reported according to their remaining maturity without regard to "put" dates if the depositor has not exercised the "put." If a redemption option has been exercised, however, such deposits should be reported on the basis of the time remaining until the date on which the time deposit will be redeemed. Floating rate time deposits that provide depositors with redemption options without penalty should be reported on the basis of their next repricing date without regard to the "put" dates if the depositor has not exercised the "put." If a redemption option has been exercised but the time deposit has not yet been redeemed, the deposit should be reported on the basis of its next repricing date or its scheduled redemption date, whichever is earlier.

**3.a** **Time deposits of $250,000 or less with a remaining maturity or next repricing date of.** Report the dollar amount of the bank's fixed rate time deposits of $250,000 or less in the appropriate subitems according to the amount of time remaining to their final contractual maturities. Report the dollar amount of the bank's floating rate time deposits of $250,000 or less in the appropriate subitems according to their next repricing dates.

**3.a.(1)** **Three months or less.** Report the dollar amount of:

- the bank's fixed rate time deposits of $250,000 or less with remaining maturities of three months or less, and
- the bank's floating rate time deposits of $250,000 or less with the next repricing date occurring in three months or less.

**3.a.(2)** **Over three months through 12 months.** Report the dollar amount of:

- the bank's fixed rate time deposits of $250,000 or less with remaining maturities of over three months through 12 months, and
- the bank's floating rate time deposits of $250,000 or less with the next repricing date occurring in over three months through 12 months.

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**3.a.(3)** **Over one year through three years.** Report the dollar amount of:

- the bank's fixed rate time deposits of $250,000 or less with remaining maturities of over one year through three years, and
- the bank's floating rate time deposits of $250,000 or less with the next repricing date occurring in over one year through three years.

**3.a.(4)** **Over three years.** Report the dollar amount of:

- the bank's fixed rate time deposits of $250,000 or less with remaining maturities of over three years, and
- the bank's floating rate time deposits of $250,000 or less with the next repricing date occurring in over three years.

**3.b** **Time deposits of $250,000 or less with a remaining maturity of one year or less.** Report all time deposits of $250,000 or less with a remaining maturity of one year or less. Include both fixed rate and floating rate time deposits of $250,000 or less.

The fixed rate time deposits that should be included in this item will also have been reported by remaining maturity in Schedule RC-E, Memorandum items 3.a.(1) and 3.a.(2), above. The floating rate time deposits that should be included in this item will have been reported by next repricing date in Memorandum items 3.a.(1) and 3.a.(2), above. However, Memorandum items 3.a.(1) and 3.a.(2) may include floating rate time deposits with a remaining maturity of more than one year, but on which the interest rate can next change in one year or less; those time deposits should not be included in this Memorandum item 3.b.

**4** **Maturity and repricing data for time deposits of more than $250,000.** Report in the appropriate subitem maturity and repricing data for the bank's time deposits of more than $250,000, i.e., the bank's time certificates of deposit of more than $250,000 and the bank's open-account time deposits of more than $250,000. The time deposits included in this item will have been reported in Schedule RC-E, Memorandum item 2.d, above. Therefore, the sum of the amounts reported in Schedule RC-E, Memorandum items 4.a.(1) through 4.a.(4) must equal Schedule RC-E, Memorandum item 2.d, above. Refer to the definitions and other instructions about time deposits in Schedule RC-E, Memorandum item 3, above.

**4.a** **Time deposits of more than $250,000 with a remaining maturity or next repricing date of.** Report the dollar amount of the bank's fixed rate time deposits of more than $250,000 in the appropriate subitems according to the amount of time remaining to their final contractual maturities. Report the dollar amount of the bank's floating rate time deposits of more than $250,000 in the appropriate subitems according to their next repricing dates.

**4.a.(1)** **Three months or less.** Report the dollar amount of:

- the bank's fixed rate time deposits of more than $250,000 with remaining maturities of three months or less, and
- the bank's floating rate time deposits of more than $250,000 with the next repricing date occurring in three months or less.

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**4.a.(2)** **Over three months through 12 months.** Report the dollar amount of:

- the bank's fixed rate time deposits of more than $250,000 with remaining maturities of over three months through 12 months, and
- the bank's floating rate time deposits of more than $250,000 with the next repricing date occurring in over three months through 12 months.

**4.a.(3)** **Over one year through three years.** Report the dollar amount of:

- the bank's fixed rate time deposits of more than $250,000 with remaining maturities of over one year through three years, and
- the bank's floating rate time deposits of more than $250,000 with the next repricing date occurring in over one year through three years.

**4.a.(4)** **Over three years.** Report the dollar amount of:

- the bank's fixed rate time deposits of more than $250,000 with remaining maturities of over three years, and
- the bank's floating rate time deposits of more than $250,000 with the next repricing date occurring in over three years.

**4. b** **Time deposits of more than $250,000 with a remaining maturity of one year or less.** Report all time deposits of more than $250,000 with a remaining maturity of one year or less. Include both fixed rate and floating rate time deposits of more than $250,000.

The fixed rate time deposits that should be included in this item will also have been reported by remaining maturity in Schedule RC-E, Memorandum items 4.a.(1) and 4.a.(2), above. The floating rate time deposits that should be included in this item will have been reported by next repricing date in Memorandum items 4.a.(1) and 4.a.(2), above. However, Memorandum items 4.a.(1) and 4.a.(2) may include floating rate time deposits with a remaining maturity of more than one year, but on which the interest rate can next change in one year or less; those time deposits should not be included in this Memorandum item 4.b.

NOTE: Schedule RC-E, Memorandum item 5, is to be completed semiannually in the June and December reports only.

**5** **Does your institution offer one or more consumer deposit account products, i.e., transaction account or nontransaction savings account deposit products intended primarily for individuals for personal, household, or family use?** Indicate in the boxes marked "Yes" and "No" whether your institution offers one or more transaction account or nontransaction savings account deposit products intended, marketed, or presented to the public primarily for consumer use, i.e., deposit products offered primarily to individuals for personal, household, and family use. For purposes of this item, consumer deposit account products exclude (1) time deposits, (2) certified and official checks, and (3) pooled funds and commercial products with sub-account structures, such as escrow accounts, that are held for individuals but not eligible for consumer transacting, saving, or investing. Consumer deposit account products also exclude Health Savings Accounts, Medical Savings Accounts, and Coverdell Education Savings Accounts when such accounts are offered in the form of pooled funds and commercial products.

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**5** (cont.) Your institution should answer "Yes" if it offers one or more transaction account or nontransaction savings account deposit products intended primarily for consumer use even if it also offers other transaction account or nontransaction savings account deposit products intended for use by a broad range of depositors (which may include individuals) rather than being intended, marketed, or presented to the public primarily for individuals for consumer use and regardless of whether the products intended, marketed, or presented to the public primarily for consumer use carry the same terms as other deposit products intended for use by a broad range of depositors (which may include individuals).

Your institution should answer "No" if all of the transaction account and nontransaction savings account deposit products it offers are intended for use by a broad range of depositors (which may include individuals) or by non-consumer depositors and none of these products is intended, marketed, or presented to the public primarily for individuals for personal, household, or family use.

Transaction accounts include demand deposits, negotiable order of withdrawal (NOW) accounts, automatic transfer service (ATS) accounts, and telephone and preauthorized transfer accounts. Nontransaction savings accounts include money market deposit accounts (MMDAs) and other savings deposits. For the definitions of these types of accounts, see the Glossary entry for "deposits."

NOTE: Memorandum items 6 and 7 are to be completed annually in the December report only by institutions with $1 billion or more in total assets[1] that answered "Yes" to Schedule RC-E, Memorandum item 5, above.

**6 and 7** **General Instructions for Consumer Deposit Account Balances** – Once a customer has opened a deposit account with the reporting institution that is a deposit product intended primarily for individuals for personal, household, or family use, the institution is not required thereafter to review the customer's status or usage of the account to determine whether the transaction account is being used for personal, household, or family purposes. Thus, when reporting the amount of consumer deposit account balances in Memorandum items 6 and 7 of Schedule RC-E, the reporting institution is not required to identify those individual accounts within the population of a particular consumer deposit account product that are not being used for personal, household, or family purposes and remove the balances of these accounts from the total amount of deposit balances held in that consumer deposit account product.

An institution may have established a retail sweep arrangement for a transaction account deposit product that is offered primarily to individuals for personal, household, and family use. Under the sweep arrangement, the institution transfers funds between a customer's transaction account and that customer's nontransaction account. The "Reporting of Retail Sweep Arrangements Affecting Transaction and Nontransaction Accounts" section of the Glossary entry for "deposits" identifies three criteria that must be met in order for a retail sweep program to comply with the Federal Reserve Regulation D definitions of "transaction account" and nontransaction "savings account." The retail sweeps section of that Glossary entry further provides that if all three criteria are met, an institution must report the transaction account and nontransaction account components of a retail sweep program separately when

[1] In general, the determination as to whether an institution has $1 billion or more in total assets is measured as of June 30 of the previous calendar year. See pages 6a and 7 of the General Instructions for guidance on shifts in reporting status.

**Memoranda**

| Item No. | Caption and Instructions |
|---|---|

**6 and 7** (cont.) it reports its quarter-end deposit information in Schedule RC-E and certain other schedules. Thus, this separate reporting of the two components of a retail sweep program applies to the reporting of consumer deposit account balances in Memorandum items 6 and 7 of Schedule RC-E.

**6** **Components of total transaction account deposits of individuals, partnerships, and corporations.** Report in the appropriate subitem the specified component of total transaction account deposits of individuals, partnerships, and corporations. The sum of Memorandum items 6.a and 6.b plus the total deposits in all other transaction account deposits of individuals, partnerships, and corporations must equal Schedule RC-E, item 1, column A, above.

If an institution offers one or more transaction account deposit products intended, marketed, or presented to the public primarily for individuals for personal, household, or family use, but has other transaction account deposit products intended for a broad range of depositors (which may include individuals who would use the product for personal, household, or family use), the institution should exclude the entire amount of these latter transaction account deposit products from Memorandum items 6.a and 6.b. For example, if an institution has a single negotiable order of withdrawal (NOW) account deposit product that it offers to all depositors eligible to hold such accounts, including individuals, sole proprietorships, certain nonprofit organizations, and certain government units, the institution would exclude the entire amount of its NOW accounts from Memorandum items 6.a and 6.b. The institution should not identify the NOW accounts held by individuals for personal, household, or family use and report the amount of these accounts in Memorandum item 6.b, above.

**6.a** **Total deposits in those noninterest-bearing transaction account deposit products intended primarily for individuals for personal, household, or family use.** Report the amount of deposits reported in Schedule RC-E, item 1, column A, held in noninterest-bearing *transaction* accounts intended, marketed, or presented to the public primarily for individuals for personal, household, or family use. Exclude certified and official checks as well as pooled funds and commercial products with sub-account structures, such as escrow accounts, that are held for individuals but not eligible for consumer transacting, saving, or investing.

**6.b** **Total deposits in those interest-bearing transaction account deposit products intended primarily for individuals for personal, household, or family use.** Report the amount of deposits reported in Schedule RC-E, item 1, column A, held in interest-bearing *transaction* accounts intended, marketed, or presented to the public primarily for individuals for personal, household, or family use. Exclude pooled funds and commercial products with sub-account structures, such as escrow accounts, that are held for individuals but not eligible for consumer transacting, saving, or investing.

**7** **Components of total nontransaction savings account deposits of individuals, partnerships, and corporations.** Report in the appropriate subitem the specified component of total nontransaction savings account deposits of individuals, partnerships, and corporations. Exclude all time deposits of individuals, partnerships, and corporations reported in Schedule RC-E, item 1, column C. The sum of Memorandum items 7.a.(1), 7.a.(2), 7.b,(1), and 7.b.(2) plus all time deposits of individuals, partnerships, and corporations must equal Schedule RC-E, item 1, column C, above.

If an institution offers one or more nontransaction savings account deposit products intended, marketed, or presented to the public primarily for individuals for personal, household, or

**Memoranda**

| Item No. | Caption and Instructions |
|---|---|
| 7 (cont.) | family use, but has other nontransaction savings account deposit products intended for a broad range of depositors (which may include individuals who would use the product for personal, household, or family use), the institution should report the entire amount of these latter nontransaction savings account deposit products in Memorandum item 7.a.(2) or 7.b.(2), as appropriate. |
| 7.a | **Money market deposit accounts (MMDAs) of individuals, partnerships, and corporations.** Report in the appropriate subitem the specified component of MMDA deposits of individuals, partnerships, and corporations reported in Schedule RC-E, item 1, column C, above. The sum of Memorandum items 7.a.(1) and 7.a.(2) must be less than or equal to Schedule RC-E, Memorandum item 2.a.(1), above. |
| 7.a.(1) | **Total deposits in those MMDA deposit products intended primarily for individuals for personal, household, or family use.** Report the amount of deposits reported in Schedule RC-E, item 1, column C, held in MMDAs intended, marketed, or presented to the public primarily for individuals for personal, household, or family use. Exclude MMDAs in the form of pooled funds and commercial products with sub-account structures, such as escrow accounts, that are held for individuals but not eligible for consumer transacting, saving, or investing. |
| 7.a.(2) | **Deposits in all other MMDAs of individuals, partnerships, and corporations.** Report the amount of all other MMDA deposits of individuals, partnerships, and corporations included in Schedule RC-E, item 1, column C, that were not reported in Memorandum item 7.a.(1). |
| 7.b | **Other savings deposit accounts of individuals, partnerships, and corporations.** Report in the appropriate subitem the specified component of other savings deposits of individuals, partnerships, and corporations reported in Schedule RC-E, item 1, column C, above. The sum of Memorandum items 7.b.(1) and 7.b.(2) must be less than or equal to Schedule RC-E, Memorandum item 2.a.(2), above. |
| 7.b.(1) | **Total deposits in those other savings deposit account deposit products intended primarily for individuals for personal, household, or family use.** Report the amount of deposits reported in Schedule RC-E, item 1, column C, held in other savings deposit accounts intended, marketed, or presented to the public primarily for individuals for personal, household, or family use. Exclude other savings deposit accounts in the form of pooled funds and commercial products with sub-account structures, such as escrow accounts, that are held for individuals but not eligible for consumer transacting, saving, or investing. |
| 7.b.(2) | **Deposits in all other savings deposit accounts of individuals, partnerships, and corporations.** Report the amount of all other savings deposits of individuals, partnerships, and corporations included in Schedule RC-E, item 1, column C, that were not reported in Memorandum item 7.b.(1). |

**Examples – Calculating the Special Cap**
(Note: Amounts shown are in thousands of dollars.)

Example 1 – Well capitalized but not well rated

As of March 31, 2019, an institution has $9,000,000 in liabilities and $180,000 in total reciprocal deposits, is well capitalized (and has been well capitalized in every quarter for 10 years), but has a composite supervisory rating of "3". Therefore, the institution is subject to the special cap.

(1) Determine the most recent calendar quarter in which the institution was both well capitalized and had a composite CAMELS rating of "1" or "2" at quarter-end.

The effective date of the composite CAMELS rating of not "1" or "2" was March 15, 2018, the day the institution was notified in writing of a downgrade from CAMELS "2" to CAMELS "3". Thus, December 31, 2017, represents the most recent quarter-end that the bank was rated CAMELS "1" or "2" and was well capitalized

(2) Calculate the average of the total amount of reciprocal deposits held by the institution on the last day of the calendar quarter determined above (in the preceding bullet) and on each of the three preceding calendar quarters.

To calculate the special cap, the institution must calculate the average amount of total reciprocal deposits that it held as of the end of the four quarters ending December 31, 2017, September 30, 2017, June 30, 2017, and March 31, 2017. In this example, the institution received reciprocal deposits as follows for the last quarter in which it was well capitalized and had a composite CAMELS rating of "1" or "2", and for the three prior quarters:

- December 31, 2017 = $180,000
- September 30, 2017 = $300,000
- June 30, 2017 = $300,000
- March 31, 2017 = $350,000
- Average for the four quarters = $282,500

The special cap would be $282,500 and the general cap would be $1,800,000 (the lesser of $5,000,000 or $9,000,000 multiplied by 20 percent). In this example, assuming that the institution satisfies all other qualifications necessary to be an agent institution, the institution would meet the definition of an "agent institution."

For its March 31, 2019, Call Report, the institution would report $180,000 in total reciprocal deposits in Schedule RC-E, Memorandum item 1.g. Because the institution holds total reciprocal deposits that are below its special cap, it would not have to report any reciprocal deposits as brokered reciprocal deposits in Schedule RC-O, items 9 and 9.a, and would not have to include the reciprocal deposits in its brokered deposits in Schedule RC-E, Memorandum items 1.b, 1.c, and 1.d.

If the institution receives reciprocal deposits that cause its total reciprocal deposits to be greater than $282,500, it would no longer meet the definition of "agent institution" and all of the institution's reciprocal deposits would need to be reported as brokered reciprocal deposits in Schedule RC-O, item 9 (and, if applicable, item 9.a), and as total reciprocal deposits in Schedule RC-E, Memorandum item 1.g, and they also would need to be included as part of the institution's brokered deposits in Schedule RC-E, Memorandum item 1.b (and, if applicable, in Memorandum items 1.c and 1.d).

**Examples – Calculating the Special Cap (cont.)**

Example 2 – Well rated but not well capitalized

As of March 31, 2019, an institution has $5,000,000 in liabilities and $80,000 in total reciprocal deposits, has a composite CAMELS rating of "2" (and has been "2"-rated in every quarter for 5 years), but is not well capitalized, and has not received a waiver to accept brokered deposits. Therefore, the institution is subject to the special cap.

(1) Determine the most recent calendar quarter in which the institution was both well capitalized and had a composite CAMELS rating of "1" or "2" at quarter-end.

The bank was last well capitalized as of its September 30, 2017, Call Report. Thus, September 30, 2017, represents the most recent quarter-end that the bank was well capitalized and rated CAMELS "1" or "2".

(2) Calculate the average of the total amount of reciprocal deposits held by the institution on the last day of the calendar quarter determined above (in the preceding bullet) and on each of the three preceding calendar quarters.

To calculate the special cap, the institution must calculate the average amount of total reciprocal deposits that it held as of the end of the four quarters ending September 30, 2017, June 30, 2017, March 31, 2017, and December 31, 2016. In the example, the institution held reciprocal deposits as follows for the last quarter in which it was well-capitalized and had a composite CAMELS rating of "1" or "2", and for the three prior quarters:

- September 30, 2017 = $100,000
- June 30, 2017 = $150,000
- March 31, 2017 = $100,000
- December 31, 2016 = $0
- Average for the four quarters = $87,500

The special cap would be $87,500 and the general cap would be $1,000,000 (the lesser of $5,000,000 or $5,000,000 multiplied by 20 percent). In this example, assuming that the institution satisfies all other qualifications necessary to be an agent institution, the institution would meet the definition of an "agent institution."

For its March 31, 2019, Call Report, the institution would report $80,000 in total reciprocal deposits in Schedule RC-E, Memorandum item 1.g. Because the institution holds total reciprocal deposits that are below its special cap, it would not have to report any reciprocal deposits as brokered reciprocal deposits in Schedule RC-O, items 9 and 9.a, and would not have to include the reciprocal deposits in its brokered deposits in Schedule RC-E, Memorandum items 1.b, 1.c, and 1.d.

The institution may not receive reciprocal deposits that cause its total reciprocal deposits to be greater than $87,500. Doing so would prevent the institution from meeting the definition of "agent institution" and, as a consequence, all of its reciprocal deposits then would need to be reported as brokered reciprocal deposits in Schedule RC-O, item 9 (and, if applicable, item 9.a), and as total reciprocal deposits in Schedule RC-E, Memorandum item 1.g, and they also would need to be included as part of its brokered deposits in Schedule RC-E, Memorandum item 1.b (and, if applicable, in Memorandum items 1.c and 1.d).[1]

[1] Under Section 29 of the Federal Deposit Insurance Act, an insured depository institution that is less than well capitalized is restricted from accepting deposits by or through a deposit broker. The FDIC may waive this restriction if the insured depository institution is adequately capitalized; however, the restriction cannot be waived if the institution is undercapitalized.

# SCHEDULE RC-F – OTHER ASSETS

## General Instructions

Institutions should report financial assets reportable in Schedule RC-F that fall within the scope of ASC Topic 326, Financial Instruments–Credit Losses, net of any applicable allowances for credit losses.

## Item Instructions

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

**1** **Accrued interest receivable.** Report the amount of recorded accrued interest on interest-bearing assets applicable to current or prior periods that has not yet been collected. Exclude accrued interest receivable on interest-bearing assets that is reported elsewhere on Schedule RC, Balance Sheet.

Institutions should report amounts in this item net of any applicable allowance for credit losses.

Exclude retained interests in accrued interest receivable related to securitized credit cards (report in Schedule RC-F, item 6, "All other assets").

**2** **Net deferred tax assets.** Report the net amount after offsetting deferred tax assets (net of valuation allowance) and deferred tax liabilities measured at the report date for a particular tax jurisdiction if the net result is a debit balance. If the result for a particular tax jurisdiction is a net credit balance, report the amount in Schedule RC-G, item 2, "Net deferred tax liabilities." If the result for each tax jurisdiction is a net credit balance, enter a zero in this item. (A bank may report a net deferred tax debit, or asset, for one tax jurisdiction, such as for federal income tax purposes, and also report at the same time a net deferred tax credit, or liability, for another tax jurisdiction, such as for state or local income tax purposes.)

For further information on calculating deferred taxes for different tax jurisdictions, see the Glossary entry for "income taxes."

**3** **Interest-only strips receivable (not in the form of a security).** Report the fair value of interest-only strips receivable (not in the form of a security) on mortgage loans and all other financial assets.

As defined in ASC Topic 860, Transfers and Servicing, an interest-only strip receivable is 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. This includes, for example, contractual rights to future interest cash flows that exceed contractually specified servicing fees on financial assets that have been sold. Report in the appropriate subitem interest-only strips receivable not in the form of a security that are measured at fair value like available-for-sale securities.[1] Report unrealized gains (losses) on these interest-only strips receivable in Schedule RC, item 26.b, "Accumulated other comprehensive income."

[1] An interest-only strip receivable is not in the form of a security if the strip does not meet the definition of a security in ASC Topic 320, Investments-Debt Securities.

| Item No. | Caption and Instructions |
|---|---|
| 3 (cont.) | Exclude from this item interest-only strips receivable in the form of a security, which should be reported as available-for-sale securities in Schedule RC, item 2.b, or as trading assets in Schedule RC, item 5, as appropriate. Also exclude interest-only strips not in the form of a security that are held for trading, which should be reported in Schedule RC, item 5. |
| 4 | **Equity investments without readily determinable fair values.** Report the reporting institution's equity securities and other equity investments without readily determinable fair values that are not reportable in other items on the Call Report balance sheet (Schedule RC). An equity security does not have a readily determinable fair value if sales prices or bid-and-asked quotations are not currently available on a securities exchange registered with the U.S. Securities and Exchange Commission (SEC) or are not publicly reported by the National Association of Securities Dealers Automated Quotations systems or by OTC Markets Group Inc. The fair value of an equity security traded only in a foreign market is not readily determinable if that foreign market is not of a breadth and scope comparable to one of the U.S. markets referred to above.<br><br>Equity investments without readily determinable fair values may have been purchased by the reporting institution or acquired for debts previously contracted.<br><br>All institutions should report equity securities and other equity investments without readily determinable fair values at (i) fair value or (ii) if chosen by the reporting institution for an individual equity investment that does not have a readily determinable fair value, at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. These equity securities are within the scope of ASC Topic 321, Investments-Equity Securities, or ASC Topic 323, Investments-Equity Method and Joint Ventures.<br><br>Although Federal Reserve Bank stock and Federal Home Loan Bank stock do not have readily determinable fair values, they are outside the scope of ASC Topics 321 and 323. In accordance with ASC Subtopic 942-325, Financial Services-Depository and Lending – Investments-Other, Federal Reserve Bank stock and Federal Home Loan Bank stock are carried at cost and evaluated for impairment.<br><br>Include in this item:<br><br>(1) Federal Reserve Bank stock.<br><br>(2) Federal Home Loan Bank stock.<br><br>(3) Common and preferred stocks that do not have readily determinable fair values, such as stock of bankers' banks and Class B voting common stock of the Federal Agricultural Mortgage Corporation (Farmer Mac).<br><br>(4) "Restricted stock," as defined in ASC Topic 320, i.e., equity securities for which sale is restricted by governmental or contractual requirement (other than in connection with being pledged as collateral), except if that requirement terminates within one year or if the holder has the power by contract or otherwise to cause the requirement to be met within one year. |

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

**4** (cont.)

(5) Participation certificates issued by a Federal Intermediate Credit Bank, which represent nonvoting stock of the bank.

(6) Minority interests held by the reporting bank in any company not meeting the definition of associated company, except minority holdings that indirectly represent bank premises (report in Schedule RC, item 6), other real estate owned (report in Schedule RC, item 7), or investments in real estate ventures (report in Schedule RC, item 9), provided that the fair value of any capital stock representing the minority interest is not readily determinable. (See the Glossary entry for "subsidiaries" for the definition of associated company.)

(7) Equity holdings in those corporate ventures over which the reporting bank does not exercise significant influence, except equity holdings that indirectly represent bank premises (report in Schedule RC, item 6), other real estate owned (report in Schedule RC, item 7), or investments in real estate ventures (report in Schedule RC, item 9). (See the Glossary entry for "subsidiaries" for the definition of corporate joint venture.)

Exclude from this item:

(1) Investments in subsidiaries that have not been consolidated; 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”) (report 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).

(2) Preferred stock that by its terms either must be redeemed by the issuing enterprise or is redeemable at the option of the investor (report in Schedule RC-B, item 6, "Other debt securities").

**5** **Life insurance assets.** Report in the appropriate subitem the amount of the bank’s general account, separate account, and hybrid account holdings of life insurance that could be realized under the insurance contracts as of the report date. In general, this amount is the cash surrender value reported to the bank by the insurance carrier, less any applicable surrender charges not reflected by the carrier in the reported cash surrender value, on all forms of permanent life insurance policies owned by the bank, its consolidated subsidiaries, and grantor (rabbi) trusts established by the bank or its consolidated subsidiaries, regardless of the purposes for acquiring the insurance. A bank should also consider any additional amounts included in the contractual terms of the insurance policy in determining the amount that could be realized under the insurance contract. For further information, see the Glossary entry for “bank-owned life insurance.”

Permanent life insurance refers to whole and universal life insurance, including variable universal life insurance. Purposes for which insurance may be acquired include offsetting pre- and post-retirement costs for employee compensation and benefit plans, protecting against the loss of key persons, and providing retirement and death benefits to employees.

Include as life insurance assets the bank’s interest in insurance policies under split-dollar life insurance arrangements with directors, officers, and employees under both the endorsement and collateral assignment methods.

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

**5.a** **General account life insurance assets.** Report the amount of the bank's holdings of life insurance assets associated with general account insurance policies. In a general account life insurance policy, the general assets of the insurance company issuing the policy support the policy's cash surrender value.

Also include the portion of the carrying value of:

(1) Separate account policies that represents general account claims on the insurance company, such as realizable deferred acquisition costs and mortality reserves; and

(2) Hybrid account policies that represents general account claims on the insurance company, such as any shortfall in the value of the separate account assets supporting the cash surrender value of the policies.

**5.b** **Separate account life insurance assets.** Report the amount of the bank's holdings of life insurance assets associated with separate account insurance policies. In a separate account policy, the policy's cash surrender value is supported by assets segregated from the general assets of the insurance carrier. Under such an arrangement, the policyholder neither owns the underlying separate account created by the insurance carrier on its behalf nor controls investment decisions in the underlying account, but does assume all investment and price risk.

Separate accounts are employed by life insurers to meet specific investment objectives of policyholders. The accounts are often maintained as separate accounting and reporting entities for pension plans as well as fixed benefit, variable annuity, and other products. Investment income and investment gains and losses generally accrue directly to such policyholders and are not accounted for on the general accounts of the insurer. On the books of the insurer, the carrying values of separate account assets and liabilities usually approximate each other with little associated capital. Because they are legally segregated, the assets of each separate account are not subject to claims on the insurer that arise out of any other business of the insurance company.

**5.c** **Hybrid account life insurance assets.** Report the amount of the bank's holdings of life insurance assets associated with hybrid account insurance policies. A hybrid account insurance policy combines features of both general and separate account insurance products. Similar to a general account life insurance policy, a hybrid policy offers a guaranteed minimum crediting rate, does not carry market value risk, and does not require stable value protection. However, like a separate account life insurance policy, a hybrid policy's cash surrender value is supported by assets segregated from the general assets of the insurance carrier. Because they are legally segregated, the assets of each separate account are not subject to claims on the insurer that arise out of any other business of the insurance company. Additionally, the bank holding the hybrid account life insurance policy is able to select the investment strategy in which the insurance premiums are invested. Under such an arrangement, the policyholder neither owns the underlying separate account created by the insurance carrier on its behalf nor controls investment decisions in the underlying account.

NOTE: Items 6.a through 6.j are to be completed semiannually in the June and December reports only.

**6** **All other assets.** Report the amount of all other assets (other than those reported in Schedule RC-F, items 1, 2, 3, 4, and 5, above) that cannot properly be reported in Schedule RC, items 1 through 10.

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

**6** (cont.) Institutions should report financial assets included in this item net of any applicable allowances for credit losses.

Disclose in Schedule RC-F, items 6.a through 6.j, each component of all other assets, and the dollar amount of such component, that is greater than $100,000 and exceeds 25 percent of the amount of all other assets reported in this item.

For each component of all other assets that exceeds the reporting threshold for which a preprinted caption has not been provided in Schedule RC-F, items 6.a through 6.g, describe the component with a clear but concise caption in Schedule RC-F, items 6.h through 6.j. These descriptions should not exceed 50 characters in length (including spacing between words).

Include as all other assets:

(1) Prepaid expenses, i.e., those applicable as a charge against earnings in future periods.[1] (Report the amount of such assets in Schedule RC-F, item 6.a, if this amount is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.)

(2) Automobiles, boats, equipment, appliances, and similar personal property repossessed or otherwise acquired for debts previously contracted. (Report the amount of such assets in Schedule RC-F, item 6.b, if this amount is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.)

(3) Derivative instruments that have a positive fair value that the bank holds for purposes other than trading. For further information, see the Glossary entry for "derivative contracts." (Report this positive fair value in Schedule RC-F, item 6.c, if this amount is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.)

(4) Retained interests in accrued interest receivable related to securitized credit cards. For further information, see the Glossary entry for "accrued interest receivable related to credit card securitizations."

(5) Accrued interest on securities purchased (if accounted for separately from “accrued interest receivable” in the bank’s records).

(6) Cash items not conforming to the definition of "Cash items in process of collection" found in the instruction to Schedule RC, item 1.a.

(7) The *full* amount (with the exceptions noted below) of customers' liability to the reporting bank on drafts and bills of exchange that have been accepted by the reporting bank, or by others for its account, and are outstanding. The amount of customers' liability to the reporting bank on its acceptances that have not yet matured should be reduced *only* when: (a) the customer anticipates its liability to the reporting bank on an outstanding acceptance by making a payment to the bank in advance of the acceptance's maturity that immediately reduces the customer's indebtedness to the bank on such an acceptance; or (b) the reporting bank acquires and holds its own acceptance. See the Glossary entry for "bankers acceptances" for further information.

[1] For banks involved in insurance activities, examples of prepaid expenses include ceding fees and acquisition fees paid to insurance carriers external to the consolidated bank.

| Item No. | Caption and Instructions |
|---|---|

**6** (cont.)

(8) Credit or debit card sales slips in process of collection until the reporting bank has been notified that it has been given credit (report thereafter in Schedule RC, item 1.a, "Noninterest-bearing balances and currency and coin").

(9) Purchased computer software, net of accumulated amortization, and unamortized costs of computer software to be sold, leased, or otherwise marketed capitalized in accordance with the provisions of ASC Subtopic 985-20, Software – Costs of Software to Be Sold, Leased or Marketed. (Report the amount of computer software in Schedule RC-F, item 6.e, if this amount is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.)

(10) Bullion (e.g., gold or silver) not held for trading purposes.

(11) Original art objects, including paintings, antique objects, and similar valuable decorative articles (report at cost unless there has been a decline in value, judged to be other than temporary, in which case the object should be written down to its fair value).

(12) Securities or other assets held in charitable trusts (e.g., Clifford Trusts).

(13) Debt issuance costs related to line-of-credit arrangements, net of accumulated amortization. Debt issuance costs related to a recognized debt liability that is not a line-of-credit arrangement should be presented as a direct deduction from the face amount of the related debt, not as an asset. For debt reported at fair value under a fair value option, debt issuance costs should be expensed as incurred.

(14) Furniture and equipment rented to others under operating leases, net of accumulated depreciation.

(15) Ground rents.

(16) Customers' liability for deferred payment letters of credit.

(17) Reinsurance recoverables from reinsurers external to the consolidated bank.

(18) "Separate account assets" of the reporting bank's insurance subsidiaries.

(19) The positive fair value of unused loan commitments (not accounted for as derivatives) that the bank has elected to report at fair value under a fair value option.

(20) FDIC loss-sharing indemnification assets. These indemnification assets represent the carrying amount of the right to receive payments from the FDIC for losses incurred on specified assets acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC. (Exclude the assets covered by the FDIC loss-sharing agreements from this component of “All other assets.” Instead, report each covered asset in the balance sheet category appropriate to the asset on Schedule RC, e.g., report covered held-for-investment loans in Schedule RC, item 4.b, “Loans and leases held for investment.”)

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

**6** (cont.)

(21) Receivables arising from foreclosures on fully and partially government-guaranteed mortgage loans if the guarantee is not separable from the loan before foreclosure and, at the time of foreclosure, (a) the institution's intent is to convey the property to the guarantor and make a claim on the guarantee and the institution has the ability to recover under that claim, and (b) any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. For further information, see the Glossary entry for "Foreclosed assets." (Report these receivables in Schedule RC-F, item 6.g, if this amount is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.)

(22) The reporting institution's own accounts receivable. (Report these receivables in Schedule RC-F, item 6.f, if this amount is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.) (Exclude factored accounts receivable, which should be reported as loans in Schedule RC-C.)

Exclude from all other assets:

(1) Redeemed U.S. savings bonds and food stamps (report in Schedule RC, item 1.a, "Noninterest-bearing balances and currency and coin").

(2) Real estate owned or leasehold improvements to property intended for future use as banking premises (report in Schedule RC, item 6, "Premises and fixed assets").

(3) Accounts identified as "building accounts," "construction accounts," or "remodeling accounts" (report in Schedule RC, item 6, "Premises and fixed assets").

(4) Real estate acquired in any manner for debts previously contracted (including, but not limited to, real estate acquired through foreclosure and real estate acquired by deed in lieu of foreclosure), even if the bank has not yet received title to the property, and real estate collateral underlying a loan when the bank has obtained physical possession of the collateral (report as "Other real estate owned" in Schedule RC, item 7).

(5) Due bills representing purchases of securities or other assets by the reporting bank that have not yet been delivered (report as loans in Schedule RC-C).

(6) Factored accounts receivable (report as loans in Schedule RC-C).

**7** **Total.** Report the sum of items 1 through 6. This amount must equal Schedule RC, item 11, "Other assets."

# SCHEDULE RC-G – OTHER LIABILITIES

**Item Instructions**

| Item No. | Caption and Instructions |
|---|---|
| 1.a | **Interest accrued and unpaid on deposits.** Report the amount of interest on deposits accrued through charges to expense during the current or prior periods, but not yet paid or credited to a deposit account. For savings banks, include in this item "dividends" accrued and unpaid on deposits. |
| 1.b | **Other expenses accrued and unpaid.** Report the amount of income taxes, interest on nondeposit liabilities, and other expenses accrued through charges to expense during the current or prior periods, but not yet paid. Exclude interest accrued and unpaid on deposits (report such accrued interest in Schedule RC-G, item 1.a above). |
| 2 | **Net deferred tax liabilities.** Report the net amount after offsetting deferred tax assets (net of valuation allowance) and deferred tax liabilities measured at the report date for a particular tax jurisdiction if the net result is a credit balance. If the result for a particular tax jurisdiction is a net debit balance, report the amount in Schedule RC-F, item 2, "Net deferred tax assets." If the result for each tax jurisdiction is a net debit balance, enter a zero in this item. (A bank may report a net deferred tax debit, or asset, for one tax jurisdiction, such as for federal income tax purposes, and also report at the same time a net deferred tax credit, or liability, for another tax jurisdiction, such as for state or local income tax purposes.)<br><br>For further information on calculating deferred taxes for different tax jurisdictions, see the Glossary entry for "income taxes." |
| 3 | **Allowance for credit losses on off-balance sheet credit exposures.** Report the amount of any allowance for credit losses on off-balance sheet credit exposures established in accordance with ASC Subtopic 326-20, Financial Instruments-Credit Losses – Measured at Amortized Cost.<br><br>Institutions should exclude off-balance sheet credit exposures that are unconditionally cancellable by the institution when estimating expected credit losses. |

NOTE: Items 4.a through 4.h are to be completed semiannually in the June and December reports only.

| | |
|---|---|
| 4 | **All other liabilities.** Report the amount of all other liabilities (other than those reported in Schedule RC-G, items 1, 2, and 3, above) that cannot properly be reported in Schedule RC, items 13 through 19.<br><br>Disclose in items 4.a through 4.h each component of all other liabilities, and the dollar amount of such component, that is greater than $100,000 and exceeds 25 percent of the amount reported for this item.<br><br>For each component of all other liabilities that exceeds this disclosure threshold for which a preprinted caption has not been provided in Schedule RC-G, items 4.a through 4.e, describe the component with a clear but concise caption in Schedule RC-G, items 4.f through 4.h. These descriptions should not exceed 50 characters in length (including spacing between words). |

## Caption and Instructions

**4** (cont.) Include as all other liabilities:

(1) Accounts payable (other than expenses accrued and unpaid). (Report the amount of accounts payable in Schedule RC-G, item 4.a, if this amount is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule RC-G, item 4.)

(2) Deferred compensation liabilities. (Report the amount of such liabilities in Schedule RC-G, item 4.b, if this amount is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule RC-G, item 4.)

(3) Dividends declared but not yet payable, i.e., the amount of cash dividends declared on limited-life preferred, perpetual preferred, and common stock on or before the report date but not payable until after the report date. (Report the amount of such dividends in Schedule RC-G, item 4.c, if this amount is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule RC-G, item 4.) (Report dividend checks outstanding as deposit liabilities in Schedule RC-E, item 1, column A, and item 7, column B.)

(4) Derivative instruments that have a negative fair value that the reporting bank holds for purposes other than trading. For further information, see the Glossary entry for "derivative contracts." (Report this negative fair value in Schedule RC-G, item 4.d, if this amount is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule RC-G, item 4.)

(5) Lease liabilities for operating leases. (Report the amount of such liabilities in Schedule RC-G, item 4.e, if this amount is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule RC-G, item 4.)

(6) Deferred gains from sale-leaseback transactions.

(7) Unamortized loan fees, other than those that represent an adjustment of the interest yield, if material (refer to the Glossary entry for "loan fees" for further information).

(8) Bank's liability for deferred payment letters of credit.

(9) Recourse liability accounts arising from asset transfers with recourse that are reported as sales.

(10) Unearned insurance premiums, claim reserves and claims adjustment expense reserves, policyholder benefits, contract holder funds, and "separate account liabilities" of the reporting bank's insurance subsidiaries.

(11) The *full* amount (except as noted below) of the liability represented by drafts and bills of exchange that have been accepted by the reporting bank, or by others for its account, and that are outstanding. The bank's liability on acceptances executed and outstanding should be reduced prior to the maturity of such acceptances only when the reporting bank acquires and holds its own acceptances, i.e., only when the acceptances are not outstanding. See the Glossary entry for "bankers acceptances" for further information.

(12) Servicing liabilities.

(13) The negative fair value of unused loan commitments (not accounted for as derivatives) that the bank has elected to report at fair value under a fair value option.

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

**4** (cont.)

(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

(15) Income from the portion of conditional grants[1] 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 – Revenue Recognition, 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 and (2) 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' refers 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.

# SCHEDULE RC-K – QUARTERLY AVERAGES

## General Instructions

Report for the items on this schedule the average of the balances as of the close of business for each day for the calendar quarter or an average of the balances as of the close of business on each Wednesday during the calendar quarter. For days that an office of the bank (or any of its consolidated subsidiaries or branches) is closed (e.g., Saturdays, Sundays, or holidays), use the amount outstanding from the previous business day. An office is considered closed if there are no transactions posted to the general ledger as of that date.

If the reporting institution was the acquirer in a business combination accounted for under the acquisition method for which the acquisition date was during the calendar quarter, the quarterly averages for the reporting institution should include in the numerator:

- Dollar amounts for the reporting institution for each day (or each Wednesday) from the beginning of the quarter until the acquisition date and
- Dollar amounts for the reporting institution and the acquired institution or business for each day (or each Wednesday) from the acquisition date through the end of the quarter

and should include in the denominator the number of days (or Wednesdays) in the entire quarter.

If the reporting institution was acquired in a transaction that became effective during the calendar quarter, retained its separate corporate existence, and elected to apply pushdown accounting in its separate financial statements (including the Consolidated Reports of Condition and Income), the quarterly averages for the reporting institution should include only the dollar amounts for each day (or each Wednesday) from the acquisition date to the end of the quarter in the numerator and the number of days (or Wednesdays) from the acquisition date through the end of the quarter in the denominator.

If the reporting institution was involved in a transaction between entities under common control that became effective during the calendar quarter and has been accounted for in a manner similar to a pooling of interests, the quarterly averages for the reporting institution should include dollar amounts for both the reporting institution and the institution or business that was combined in the transaction for each day (or each Wednesday) from the beginning to the end of the quarter in the numerator and the number of days (or Wednesdays) in the entire quarter in the denominator.

For further information on business combinations, pushdown accounting, and transactions between entities under common control, see the Glossary entry for "business combinations."

If the reporting institution began operating during the calendar quarter, the quarterly averages for the institution should include only the dollar amounts for the days (or Wednesdays) since the institution began operating in the numerator and the number of days (or Wednesdays) since the institution began operating in the denominator.

For all institutions, the loan categories specified in item 6 of this schedule correspond to the loan category definitions for Schedule RC-C, Part I, Loans and Leases.

Institutions should not deduct allowances for credit losses, if any, from the related amortized cost amounts when calculating quarterly averages for interest-bearing balances due from depository institutions, debt securities, federal funds sold and securities purchased under agreements to resell, loans, and lease financing receivables for Schedule RC-K, items 1 through 8 and Memorandum item 1. However, institutions should deduct allowances for credit losses from the related amortized cost amounts when calculating the quarterly average for total assets for Schedule RC-K, item 9.

**Item Instructions**

| Item No. | Caption and Instructions |
|---|---|

**ASSETS**

**1** **Interest-bearing balances due from depository institutions.** Report the quarterly average for interest-bearing balances due from depository institutions (as defined for Schedule RC, item 1.b, "Interest-bearing balances").

**2** **U.S. Treasury securities and U.S. Government agency obligations (excluding mortgage-backed securities).** Report the quarterly average of the amortized cost of the bank's held-to-maturity and available-for-sale U.S. Treasury and U.S. Government agency and sponsored agency obligations (as defined for Schedule RC-B, items 1 and 2, columns A and C).

**3** **Mortgage-backed securities.** Report the quarterly average of the amortized cost of the bank's held-to-maturity and available-for-sale mortgage-backed securities (as defined for Schedule RC-B, item 4, columns A and C).

**4** **All other debt securities and equity securities with readily determinable fair values not held for trading.** Report the quarterly average of the amortized cost of the institution's held-to-maturity and available-for-sale debt securities issued by states and political subdivisions in the U.S., asset-backed securities and structured financial products, and other debt securities (as defined for Schedule RC-B, items 3, 5, and 6, columns A and C) plus the quarterly average of the fair value of the institution's investments in mutual funds and other equity securities with readily determinable fair values not held for trading (as defined for Schedule RC, item 2.c).

**5** **Federal funds sold and securities purchased under agreements to resell.** Report the quarterly average for federal funds sold and securities purchased under agreements to resell (as defined for Schedule RC, item 3).

**6** **Loans:**

**6.a** **Total loans.** Report the quarterly average for total loans held for investment and held for sale (as defined for Schedule RC-C, Part I, sum of items 1 through 9, less item 11).

**6.b** **Loans secured by real estate:**

**6.b.(1)** **Loans secured by 1-4 family residential properties.** Report the quarterly average for loans secured by 1-4 family residential properties (as defined for Schedule RC-C, Part I, item 1.c).

Exclude "1-4 family residential construction loans" (as defined for Schedule RC-C, Part I, item 1.a.(1)).

**6.b.(2)** **All other loans secured by real estate.** Report the quarterly average for all construction, land development, and other land loans; loans secured by farmland; loans secured by multifamily (5 or more) residential properties; and loans secured by nonfarm nonresidential properties (as defined for Schedule RC-C, Part I, items 1.a.(1), 1.a.(2), 1.b, 1.d, 1.e.(1), and 1.e.(2)).

Exclude loans "Secured by 1-4 family residential properties" (as defined for Schedule RC-C, Part I, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b)).

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

**6.c** **Commercial and industrial loans.** Report the quarterly average for commercial and industrial loans (as defined for Schedule RC-C, Part I, item 4).

**6.d** **Loans to individuals for household, family, and other personal expenditures:**

**6.d.(1)** **Credit cards.** Report the quarterly average for credit cards (as defined for Schedule RC-C, Part I, item 6.a).

**6.d.(2)** **Other.** Report the quarterly average for loans to individuals for household, family, and other personal expenditures other than credit cards (as defined for Schedule RC-C, Part I, items 6.b, 6.c, and 6.d).

**7** Not applicable.

**8** **Lease financing receivables (net of unearned income).** Report the quarterly average for lease financing receivables, net of unearned income (as defined for Schedule RC-C, Part I, item 10).

**9** **Total assets.** Report the quarterly average for the bank's total assets, as defined for "Total assets," on Schedule RC, item 12, except that this quarterly average should reflect:

- All debt securities not held for trading at amortized cost;
- Equity securities with readily determinable fair values not held for trading at fair value; and
- Equity securities and other equity investments without readily determinable fair values not held for trading at their balance sheet carrying values (i.e., fair value or, if elected, cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer).

This exception for equity securities and other equity investments does not apply to those accounted for under the equity method or that result in consolidation.

In addition, to the extent that net deferred tax assets included in the bank's total assets, if any, include the deferred tax effects of any unrealized holding gains and losses on available-for-sale debt securities, these deferred tax effects may be excluded from the determination of the quarterly average for total assets. If these deferred tax effects are excluded, this treatment must be followed consistently over time.

Institutions should deduct allowances for credit losses from the related amortized cost amounts when calculating quarterly average total assets for this item 9.

This item 9 is not the sum of Schedule RC-K, items 1 through 8 above.

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

**LIABILITIES**

**10** **Interest-bearing transaction accounts.** Report the quarterly average for interest-bearing transaction accounts: interest-bearing demand deposits, NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts (as defined for Schedule RC-E, column A, "Total transaction accounts").

Exclude noninterest-bearing demand deposits.

See the Glossary entry for "deposits" for the definitions of “demand deposits,” "NOW accounts," "ATS accounts," and "telephone or preauthorized transfer accounts."

**11** **Nontransaction accounts:**

**11.a** **Savings deposits.** Report the quarterly average for savings deposits (as defined for Schedule RC-E, Memorandum items 2.a.(1) and 2.a.(2)). Savings deposits include money market deposit accounts (MMDAs) and other savings deposits.

**11.b** **Time deposits of $250,000 or less.** Report the quarterly average for time deposits of $250,000 or less (as defined for Schedule RC-E, Memorandum items 2.b and 2.c).

**11.c** **Time deposits of more than $250,000.** Report the quarterly average for time deposits of more than $250,000 (as defined for Schedule RC-E, Memorandum item 2.d).

**12** **Federal funds purchased and securities sold under agreements to repurchase.** Report the quarterly average for federal funds purchased and securities sold under agreements to repurchase (as defined for Schedule RC, item 14).

NOTE: Item 13 is to be completed by banks that have $100 million or more in total assets.

**13** **Other borrowed money.** Report the quarterly average for other borrowed money (as defined for Schedule RC, item 16).

## Memorandum

| Item No. | Caption and Instructions |
|---|---|

**1 Loans to finance agricultural production and other loans to farmers.**

Memorandum 1 is to be completed by:

- banks with $300 million or more in total assets, and
- banks with less than $300 million in total assets and with loans to finance agricultural production and other loans to farmers (as reported in Schedule RC-C, Part I, item 3) exceeding five percent of total loans and leases held for investment and held for sale (Schedule RC-C, Part I, item 12).

Report in this item the quarterly average for loans to finance agricultural production and other loans to farmers (as defined for Schedule RC-C, Part I, item 3).

# SCHEDULE RC-L – OFF-BALANCE SHEET ITEMS

## General Instructions

Schedule RC-L should be completed on a fully consolidated basis. Schedule RC-L includes the following selected commitments, contingencies, and other off-balance sheet items that are not reportable as part of the balance sheet of the Consolidated Report of Condition (Schedule RC). Among the items not to be reported in Schedule RC-L are contingencies arising in connection with litigation. Exclude derivative contracts, the notional amounts of which are to be reported in Schedule SU, item 1. For information on the reporting treatment for credit enhancements and liquidity facilities provided to asset-backed commercial paper programs in Schedule RC-L, refer to the General Instructions for Schedule RC-L in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

## Item Instructions

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

**1** **Unused commitments.** Report in the appropriate subitem the unused portions of commitments. Unused commitments are to be reported gross, i.e., include in the appropriate subitem the unused amount of commitments acquired from and conveyed or participated to others. However, exclude commitments conveyed or participated to others that the bank is not legally obligated to fund even if the party to whom the commitment has been conveyed or participated fails to perform in accordance with the terms of the commitment.

For purposes of this item, commitments include:

(1) Commitments to make or purchase extensions of credit in the form of loans or participations in loans, lease financing receivables, or similar transactions.

(2) Commitments for which the bank has charged a commitment fee or other consideration.

(3) Commitments that are legally binding.

(4) Loan proceeds that the bank is obligated to advance, such as:

(a) Loan draws;
(b) Construction progress payments; and
(c) Seasonal or living advances to farmers under prearranged lines of credit.

(5) Rotating, revolving, and open-end credit arrangements, including, but not limited to, retail credit card lines and home equity lines of credit.

(6) Commitments to issue a commitment at some point in the future, where the bank has extended terms, the borrower has accepted the offered terms, and the extension and acceptance of the terms:

(a) Are in writing, regardless of whether they are legally binding on the bank and the borrower, or

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

**1** (cont.)

(b) If not in writing, are legally binding on the bank and the borrower,[1]

even though the related loan agreement has not yet been signed and even if the commitment to issue a commitment is revocable, provided any revocation has not yet taken effect as of the report date.

(7) Overdraft protection on depositors' accounts offered under a program where the bank advises account holders of the available amount of overdraft protection, for example, when accounts are opened or on depositors' account statements or ATM receipts.

(8) The bank's own takedown in securities underwriting transactions.

(9) Revolving underwriting facilities (RUFs), note issuance facilities (NIFs), and other similar arrangements, which are facilities under which a borrower can issue on a revolving basis short-term paper in its own name, but for which the underwriting banks have a legally binding commitment either to purchase any notes the borrower is unable to sell by the rollover date or to advance funds to the borrower.

Exclude forward contracts and other commitments that meet the definition of a derivative and must be accounted for in accordance with ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended), which should be reported in Schedule SU, item 1. Include the amount (not the fair value) of the unused portions of loan commitments that do not meet the definition of a derivative that the bank has elected to report at fair value under a fair value option. Also include forward contracts that do not meet the definition of a derivative.

The unused portions of commitments are to be reported in the appropriate subitem regardless of whether they contain "material adverse change" clauses or other provisions that are intended to relieve the issuer of its funding obligations under certain conditions and regardless of whether they are unconditionally cancelable at any time.

In the case of commitments for syndicated loans, report only the bank's proportional share of the commitment.

For information on reporting the unused portions of revolving asset-based lending commitments, refer to the instructions for Schedule RC-L, item 1, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**1.a** **Revolving, open-end lines secured by 1-4 family residential properties.** Report the unused portions of commitments to extend credit under revolving, open-end lines of credit secured by 1-4 family residential properties. These lines, commonly known as home equity lines, are typically secured by a junior lien and are usually accessible by check or credit card.

**1.b** **Credit card lines.** Report the unused portions of all commitments to extend credit both to individuals for household, family, and other personal expenditures and to other customers, including commercial or industrial enterprises, through credit cards. Exclude home equity lines accessible through credit cards. Banks may report unused credit card lines as of the end of their customers' last monthly billing cycle prior to the report date or as of the report date.

[1] For example, either the extension or the acceptance of the terms or both are verbal, but they are nonetheless legally binding on both parties under applicable law.

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

**1.c.(1)** **Commitments to fund commercial real estate, construction, and land development loans secured by real estate.** Report in the appropriate subitem the unused portions of commitments to extend credit for the specific purpose of financing commercial and multifamily residential properties (e.g., business and industrial properties, hotels, motels, churches, hospitals, and apartment buildings), provided that such commitments, when funded, would be reportable as either loans secured by multifamily residential properties in Schedule RC-C, Part I, item 1.d, or loans secured by nonfarm nonresidential properties in Schedule RC-C, Part I, item 1.e.

Also include the unused portions of commitments to extend credit for the specific purpose of financing (a) land development (i.e., the process of improving land – laying sewers, water pipes, etc.) preparatory to erecting new structures or (b) the on-site construction of industrial, commercial, residential, or farm buildings, provided that such commitments, when funded, would be reportable as loans secured by real estate in Schedule RC-C, Part I, item 1.a, "Construction, land development, and other land loans." For purposes of this item, "construction" includes not only construction of new structures, but also additions or alterations to existing structures and the demolition of existing structures to make way for new structures. Also include in this item loan proceeds the bank is obligated to advance as construction progress payments.

Do not include general lines of credit that a borrower, at its option, may draw down to finance construction and land development (report in Schedule RC-L, item 1.c.(2) or item 1.e.(1), below, as appropriate).

**1.c.(1)(a)** **1-4 family residential construction loan commitments.** Report the unused portions of commitments to extend credit for the specific purpose of constructing 1-4 family residential properties, provided that such commitments, when funded, would be reportable as loans secured by real estate in Schedule RC-C, Part I, item 1.a.(1), “1-4 family residential construction loans."

**1.c.(1)(b)** **Commercial real estate, other construction loan, and land development loan commitments.** Report the unused portions of all other commitments to fund commercial real estate, construction, and land development loans secured by real estate (as defined for Schedule RC-L, item 1.c.(1)) other than commitments to fund 1-4 family residential construction (as defined for Schedule RC-L, item 1.c.(1)(a)).

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

**1.c.(2)** **Commitments to fund commercial real estate, construction, and land development loans not secured by real estate.** Report the unused portions of all commitments to extend credit for the specific purpose of financing commercial and residential real estate activities, e.g., acquiring, developing, and renovating commercial and residential real estate, provided that such commitments, when funded, would be reportable as "Commercial and industrial loans" in Schedule RC-C, Part I, item 4, or as "Other loans" in Schedule RC-C, Part I, item 9.b. Include in this item loan proceeds the bank is obligated to advance as construction progresses.

Such commitments generally may include:

(1) commitments to extend credit for the express purpose of financing real estate ventures as evidenced by loan documentation or other circumstances connected with the loan; or

(2) commitments made to organizations or individuals 80 percent of whose revenue or assets are derived from or consist of real estate ventures or holdings.

Exclude from this item all commitments that, when funded, would be reportable as "Loans secured by real estate" in Schedule RC-C, Part I, item 1. Also exclude commitments made to commercial and industrial firms where the sole purpose for the financing is to construct a factory or office building to house the company's operations or employees.

**1.d** Not applicable.

**1.e** **Other unused commitments.** Report in the appropriate subitem the unused portion of all commercial and industrial loan commitments, commitments for loans to financial institutions, and all other commitments not reportable in Schedule RC-L, items 1.a through 1.c.(2), above. Include commitments to extend credit through overdraft facilities or commercial lines of credit, retail check credit and related plans, and those overdraft protection programs in which the bank advises account holders of the available amount of protection.

**1.e.(1)** **Commercial and industrial loans.** Report the unused portions of commitments to extend credit for commercial and industrial purposes, i.e., commitments that, when funded, would be reportable as commercial and industrial loans in Schedule RC-C, Part I, item 4, “Commercial and industrial loans." Exclude unused credit card lines to commercial and industrial enterprises (report in Schedule RC-L, item 1.b, above).

**1.e.(2)** **Loans to depository financial institutions.** Report the unused portions of commitments to extend credit to financial institutions, i.e., commitments that, when funded, would be reportable as loans in Schedule RC-C, Part I, item 2, “Loans to depository institutions and acceptances of other banks."

**1.e.(3)** **Loans to nondepository financial institutions.** Report the unused portions of commitments to extend credit to nondepository financial institutions, i.e., commitments that, when funded, would be reportable as loans in Schedule RC-C, Part I, item 9.a, “Loans to nondepository financial institutions.”

**1.e.(4)** **All other unused commitments.** Report the unused portions of commitments not reportable in Schedule RC-L, items 1.a through 1.e.(3), above.

Include commitments to extend credit secured by 1-4 family residential properties, except (a) revolving, open-end lines of credit secured by 1-4 family residential properties (e.g., home equity lines), which should be reported in Schedule RC-L, item 1.a, above, (b) commitments for 1-4 family residential construction and land development loans (that are secured by such properties), which should be reported in Schedule RC-L, item 1.c.(1), above, and

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

**1.e.(4)** (cont.) (c) commitments that meet the definition of a derivative and must be accounted for in accordance with ASC Topic 815, Derivatives and Hedging, which should be reported in Schedule SU, item 1.

Also include note issuance facilities (NIFs), revolving underwriting facilities (RUFs), and the unsold portion of the reporting bank's own takedown in securities underwriting transactions.

**2 and 3** **General Instructions for Standby Letters of Credit** – Originating banks must report in items 2 and 3 the full amount outstanding and unused of financial and performance standby letters of credit, respectively. Include those standby letters of credit that are collateralized by cash on deposit, that have been acquired from others, and in which participations have been conveyed to others where (a) the originating and issuing bank is obligated to pay the full amount of any draft drawn under the terms of the standby letter of credit and (b) the participating banks have an obligation to partially or wholly reimburse the originating bank, either directly in cash or through a participation in a loan to the account party.

For syndicated standby letters of credit where each bank has a direct obligation to the beneficiary, each bank must report only its share in the syndication. Similarly, if several banks participate in the issuance of a standby letter of credit under a bona fide binding agreement which provides that (a) regardless of any event, each participant shall be liable only up to a certain percentage or to a certain amount and (b) the beneficiary is advised and has agreed that each participating bank is only liable for a certain portion of the entire amount, each bank shall report only its proportional share of the total standby letter of credit.

For a financial or performance standby letter of credit that is in turn backed by a financial standby letter of credit issued by another bank, each bank must report the entire amount of the standby letter of credit it has issued in either item 2 or item 3 below, as appropriate.

**2** **Financial standby letters of credit.** Report the amount outstanding and unused as of the report date of all financial standby letters of credit (and all legally binding commitments to issue financial standby letters of credit) issued by any office of the bank. A financial standby letter of credit irrevocably obligates the bank to pay a third-party beneficiary when a customer (account party) fails to repay an outstanding loan or debt instrument. (See the Glossary entry for "letter of credit" for further information.)

Exclude from financial standby letters of credit:

(1) Financial standby letters of credit where the beneficiary is a consolidated subsidiary of the reporting bank.

(2) Financial standby letters of credit issued by another depository institution (such as a correspondent bank), a Federal Home Loan Bank, or any other entity on behalf of the reporting bank, which is the account party on the letters of credit and therefore is obligated to reimburse the issuing entity for all payments made under the standby letters of credit (report such standby letters of credit in Schedule RC-L, item 9).

(3) Performance standby letters of credit (report such standby letters of credit in Schedule RC-L, item 3).

(4) Signature or endorsement guarantees of the type associated with the clearing of negotiable instruments or securities in the normal course of business.

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

**3** **Performance standby letters of credit.** Report the amount outstanding and unused as of the report date of all performance standby letters of credit (and all legally binding commitments to issue performance standby letters of credit) issued by any office of the bank. A performance standby letter of credit irrevocably obligates the bank to pay a third-party beneficiary when a customer (account party) fails to perform some contractual non-financial obligation. (See the Glossary entry for "letter of credit" for further information.)

Exclude from performance standby letters of credit:

(1) Performance standby letters of credit where the beneficiary is a consolidated subsidiary of the reporting bank.

(2) Financial standby letters of credit.

(3) Signature or endorsement guarantees of the type associated with the clearing of negotiable instruments or securities in the normal course of business.

**4** **Commercial and similar letters of credit.** Report the amount outstanding and unused as of the report date of issued or confirmed commercial letters of credit, travelers' letters of credit not issued for money or its equivalent, and all similar letters of credit, but excluding standby letters of credit (which are to be reported in Schedule RC-L, items 2 and 3, above). (See the Glossary entry for "letter of credit.") Legally binding commitments to issue commercial letters of credit are to be reported in this item.

Travelers' letters of credit and other letters of credit issued for money or its equivalent by the reporting bank or its agents should be reported as demand deposit liabilities in Schedule RC-E.

**5** Not applicable.

**6** **Securities lent and borrowed:**

**6.a** **Securities lent.** Report the appropriate amount of all securities lent against collateral or on an uncollateralized basis. Report the fair value as of the report date of bank-owned trading and available-for-sale securities and the amortized cost as of the report date of bank-owned held-to-maturity securities that have been lent. In addition, for customers who have been indemnified against any losses by the reporting bank or its consolidated subsidiaries, report the fair value as of the report date of such customers' securities, including customers' securities held in the reporting bank's trust department, that have been lent. If the reporting bank or its consolidated subsidiaries have indemnified their customers against any losses on their securities that have been lent by the bank or its subsidiaries, the commitment to indemnify – either through a standby letter of credit or other means – should not be reported in any other item on Schedule RC-L.

**6.b** **Securities borrowed.** Report the appropriate amount of all securities borrowed by the bank against collateral or on an uncollateralized basis. For borrowed securities that are fully collateralized by similar securities of equivalent value, report the fair value of the borrowed securities at the time they were borrowed. For other borrowed securities, report their fair value as of the report date.

**7 - 8** Not applicable.

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

**9** **All other off-balance sheet liabilities.** Report all significant types of off-balance sheet liabilities not covered in other items of this schedule. Exclude all items which are required to be reported as liabilities on the balance sheet of the Consolidated Report of Condition (Schedule RC), contingent liabilities arising in connection with litigation in which the reporting bank is involved, commitments to purchase property being acquired for lease to others (report in Schedule RC-L, item 1.e, above), and signature and endorsement guarantees of the type associated with the regular clearing of negotiable instruments or securities in the normal course of business.

Report only the aggregate amount of those types of "other off-balance sheet liabilities" that individually exceed 10 percent of the bank's total equity capital reported in Schedule RC, item 27.a. If the bank has no types of "other off-balance sheet liabilities" that individually exceed 10 percent of total equity capital, report a zero.

NOTE: Items 9.c through 9.f are to be reported semiannually in the June and December reports only.

Disclose in items 9.c through 9.f each type of "other off-balance sheet liabilities" reportable in this item, and the dollar amount of the off-balance sheet liability, that individually exceeds 25 percent of the bank's total equity capital reported in Schedule RC, item 27.a. For each type of off-balance sheet liability that exceeds this disclosure threshold for which a preprinted caption has not been provided, describe the liability with a clear but concise caption in items 9.d through 9.f. These descriptions should not exceed 50 characters in length (including spacing between words).

Include as other off-balance sheet liabilities:

(1) Contracts for the purchase of when-issued securities that are excluded from the requirements of ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended) (and therefore not reported as forward contracts in Schedule SU, item 1), and accounted for on a settlement-date basis.

(2) Standby letters of credit issued by another depository institution (such as a correspondent bank), a Federal Home Loan Bank, or any other entity on behalf of the reporting bank, which is the account party on the letters of credit and therefore is obligated to reimburse the issuing entity for all payments made under the standby letters of credit. (Report the amount of these standby letters of credit in Schedule RC-L, item 9.c, if this amount exceeds 25 percent of the bank’s total equity capital reported in Schedule RC, item 27.a.)

(3) Financial guarantee insurance which insures the timely payment of principal and interest on bond issues.

(4) Letters of indemnity other than those issued in connection with the replacement of lost or stolen or official checks.

(5) Shipside or dockside guarantees or similar guarantees relating to missing bills of lading or title documents and other document guarantees that facilitate the replacement of lost or stolen official checks.

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

**9** (cont.) (6) The gross amount (stated in U.S. dollars) of all spot foreign exchange contracts committing the reporting bank to purchase foreign (non-U.S.) currencies and U.S. dollar exchange that are outstanding as of the report date. A spot contract is an agreement for the immediate delivery, usually within two business days or less (depending on market convention), of a foreign currency at the prevailing cash market rate. For information on the reporting of spot foreign exchange contracts, refer to the instructions for Schedule RC-L, item 8, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**10** **All other off-balance sheet assets.** Report to the extent feasible and practicable all significant types of off-balance sheet assets not covered in other items of this schedule. Exclude all items which are required to be reported as assets on the balance sheet of the Consolidated Report of Condition (Schedule RC), contingent assets arising in connection with litigation in which the reporting bank is involved, and assets held in or administered by the reporting bank's trust department.

Report only the aggregate amount of those types of "other off-balance sheet assets" that individually exceed 10 percent of the bank's total equity capital reported in Schedule RC, item 27.a. If the bank has no types of "other off-balance sheet assets" that individually exceed 10 percent of total equity capital for which the reporting is feasible and practicable, report a zero.

NOTE: items 10.b through 10.e are to be reported semiannually in the June and December reports only.
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Disclose in items 10.b through 10.e each type of "other off-balance sheet assets" reportable in this item, and dollar amount of the off-balance sheet asset, that individually exceeds 25 percent of the bank's total equity capital reported in Schedule RC, item 27.a. For each type of off-balance sheet asset that exceeds this disclosure threshold, describe the asset with a clear and concise caption in items 10.b through 10.e. These descriptions should not exceed 50 characters in length (including space between words).

Include as "other off-balance sheet assets" such items as:

(1) Contracts for the sale of when-issued securities that are excluded from the requirements of ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended), (and therefore not reported as forward contracts in Schedule SU, item 1), and accounted for on a settlement-date basis.

(2) Internally developed intangible assets.

NOTE: Items 11.a and 11.b are to be reported semiannually in the June and December reports only.

**11** **Year-to-date merchant credit card sales volume.** Merchant processing is the settlement of credit card transactions for merchants. It is a separate and distinct business line from credit card issuing. Merchant processing activity involves obtaining authorization for credit card sales transactions, gathering sales information from the merchant, collecting funds from the card-issuing bank or business, and crediting the merchants' accounts for their sales.

An acquiring bank is a bank that initiates and maintains contractual agreements with merchants, agent banks, and third parties (e.g., independent sales organizations and member service providers) for the purpose of accepting and processing credit card transactions. An acquiring bank has liability for chargebacks for the merchants' sales activity.

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

**11** (cont.) An agent bank with risk is a bank that, by agreement, participates in another bank's merchant credit card acceptance program. An agent bank with risk assumes liability for chargebacks for all or a portion of the loss for the merchants' sales activity.

For purposes of items 11.a and 11.b, banks should include credit card sales transactions involving bank credit cards, e.g., MasterCard and Visa.

**11.a** **Sales for which the reporting bank is the acquiring bank.** Report the year-to-date volume of sales generated through the bank's merchant processing activities where the reporting bank is the acquiring bank. This will include amounts processed for merchants contracted directly by the acquiring bank, amounts processed for agent banks with risk, and amounts processed for third parties (e.g., independent sales organizations and member service providers). Banks that are required to report sales data to the credit card associations of which they are members (e.g., MasterCard and Visa) should measure sales volume in the same manner for purposes of this item.

**11.b** **Sales for which the reporting bank is the agent bank with risk.** Report the year-to-date volume of sales generated through the bank's merchant processing activities where the reporting bank is acting as an agent bank with risk. Include all sales transactions for which the acquiring bank with whom the reporting bank contracted may hold the bank responsible.

# SCHEDULE RC-M – MEMORANDA

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

**1** **Extensions of credit by the reporting bank to its executive officers, directors, principal shareholders, and their related interests as of the report date.** For purposes of this item, the terms "extension of credit," "executive officer," "director," "principal shareholder," and "related interest" are as defined in Federal Reserve Board Regulation O and 12 U.S.C. 375b(9)(D).

An "extension of credit" is a making or renewal of any loan, a granting of a line of credit, or an extending of credit in any manner whatsoever. Extensions of credit include, among others, loans, overdrafts, cash items, standby letters of credit, and securities purchased under agreements to resell. For lines of credit, the amount to be reported as an extension of credit is normally the total amount of the line of credit extended to the insider, not just the current balance of the funds that have been advanced to the insider under the line of credit. An extension of credit also includes having a credit exposure arising from a derivative transaction, repurchase agreement, reverse repurchase agreement, securities lending transaction, or securities borrowing transaction. *See* Section 215.3 of Regulation O and 12 U.S.C. 375b(9)(D)(i) for further details.

Loans that are guaranteed under the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) are excepted from the requirements of section 22(h) of the Federal Reserve Act and the corresponding provisions of Regulation O if they are not prohibited by SBA lending restrictions. Accordingly, such PPP loans should not be reported in Schedule RC-M, items 1.a and 1.b, below. See Section 215.3(b)(8) of Regulation O for further details.

An "executive officer" of the reporting bank generally means a person who participates or has authority to participate (other than in the capacity of a director) in major policymaking functions of the reporting bank, an executive officer of a bank holding company of which the bank is a subsidiary, and (unless properly excluded by the bank's board of directors or bylaws) an executive officer of any other subsidiary of that bank holding company. *See* Section 215.2(e) of Regulation O for further details.

A "director" of the reporting bank generally means a person who is a director of a bank, whether or not receiving compensation, a director of a bank holding company of which the bank is a subsidiary, and (unless properly excluded by the bank's board of directors or bylaws) a director of any other subsidiary of that bank holding company. *See* Section 215.2(d) of Regulation O for further details.

A "principal shareholder" of the reporting bank generally means an individual or a company (other than an insured bank or foreign bank) that directly or indirectly owns, controls, or has the power to vote more than ten percent of any class of voting securities of the reporting bank. *See* Section 215.2(m) of Regulation O for further details.

A "related interest" means (1) a company (other than an insured bank or a foreign bank) that is controlled by an executive officer, director, or principal shareholder or (2) a political or campaign committee that is controlled by or the funds or services of which will benefit an executive officer, director, or principal shareholder. *See* Section 215.2(n) of Regulation O.

**1.a** **Aggregate amount of all extensions of credit to all executive officers, directors, principal shareholders, and their related interests.** Report the aggregate amount outstanding as of the report date of all extensions of credit by the reporting bank to all of its executive officers, directors, and principal shareholders, and to all of the related interests of its executive officers, directors, and principal shareholders.

Include each extension of credit by the reporting bank in the aggregate amount only *one* time, regardless of the number of executive officers, directors, principal shareholders, and related interests thereof to whom the extension of credit has been made.

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

**1.b** **Number of executive officers, directors, and principal shareholders to whom the amount of all extensions of credit by the reporting bank (including extensions of credit to related interests) equals or exceeds the lesser of $500,000 or 5 percent of total capital as defined for this purpose in agency regulations.** Report the number of executive officers, directors, and principal shareholders of the reporting bank to whom the amount of all extensions of credit by the reporting bank outstanding as of the report date equals or exceeds the lesser of $500,000 or five percent of total capital as defined for this purpose in regulations issued by the bank's primary federal bank supervisory authority.

For purposes of this item, the amount of all extensions of credit by the reporting bank to an executive officer, director, or principal shareholder includes all extensions of credit by the reporting bank to the related interests of the executive officer, director, or principal shareholder. Furthermore, an extension of credit made by the reporting bank to *more than one* of its executive officers, directors, principal shareholders, or related interests thereof must be included in full in the amount of all extensions of credit for *each* such executive officer, director, or principal shareholder.

**2** **Intangible assets.** Report in the appropriate subitem the carrying amount of intangible assets. Intangible assets primarily result from business combinations accounted for under the acquisition method in accordance with ASC Topic 805, Business Combinations, from acquisitions of portions or segments of another institution's business such as mortgage servicing portfolios and credit card portfolios, and from the sale or securitization of financial assets with servicing retained.

An identifiable intangible asset with a finite life (other than a servicing asset) should be amortized over its estimated useful life and should be reviewed at least quarterly to determine whether events or changes in circumstances indicate that its carrying amount may not be recoverable. If this review indicates that the carrying amount may not be recoverable, the identifiable intangible asset should be tested for recoverability (impairment) in accordance with ASC Topic 360, Property, Plant, and Equipment. An impairment loss shall be recognized if the carrying amount of the identifiable intangible asset is not recoverable and this amount exceeds the asset's fair value. The carrying amount is not recoverable if it exceeds the sum of the undiscounted expected future cash flows from the identifiable intangible asset. An impairment loss is recognized by writing the identifiable intangible asset down to its fair value (which becomes the new accounting basis of the intangible asset), with a corresponding charge to expense (which should be reported in Schedule RI, item 7.c.(2)). Subsequent reversal of a previously recognized impairment loss is prohibited.

An identifiable intangible asset with an indefinite useful life should not be amortized, but should be tested for impairment at least annually in accordance with ASC Topic 350, Intangibles-Goodwill and Other.

**2.a** **Mortgage servicing assets.** Report the carrying amount of mortgage servicing assets, i.e., contracts to service loans secured by real estate (as defined for Schedule RC-C, Part I, item 1, in the Glossary entry for "Loans secured by real estate") under which the estimated future revenues from contractually specified servicing fees, late charges, and other ancillary revenues are expected to more than adequately compensate the servicer for performing the servicing. A mortgage servicing contract is either (a) undertaken in conjunction with selling or securitizing the mortgages being serviced or (b) purchased or assumed separately. For mortgage servicing assets accounted for under the amortization method, the carrying amount is the unamortized cost of acquiring the mortgage servicing contracts, net of any

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

**2.a** (cont.) related valuation allowances. For mortgage servicing assets accounted for under the fair value method, the carrying amount is the fair value of the mortgage servicing contracts. Exclude servicing assets resulting from contracts to service financial assets other than loans secured by real estate (report nonmortgage servicing assets in Schedule RC-M, item 2.c). For further information, see the Glossary entry for "servicing assets and liabilities."

**2.a.(1)** **Estimated fair value of mortgage servicing assets.** Report the estimated fair value of the capitalized mortgage servicing assets reported in Schedule RC-M, item 2.a.

According to ASC Topic 820, Fair Value Measurement (formerly FASB Statement No. 157, "Fair Value Measurements"), fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants in the asset's principal (or most advantageous) market at the measurement date. For purposes of this item, the reporting bank should determine the fair value of mortgage servicing assets in the same manner that it determines the fair value of these assets for other financial reporting purposes, consistent with the guidance in ASC Topic 820.

**2.b** **Goodwill.** Report the carrying amount of goodwill as adjusted for any impairment losses and, if the private company goodwill accounting alternative has been elected, the amortization of goodwill. Except when this accounting alternative has been elected, goodwill should not be amortized. However, regardless of whether goodwill is amortized, it must be tested for impairment as described in the Glossary entry for "goodwill." See "acquisition method" in the Glossary entry for "business combinations" for guidance on the recognition and initial measurement of goodwill acquired in a business combination.

**2.c** **All other intangible assets.** Report the carrying amount of all other specifically identifiable intangible assets such as core deposit intangibles, favorable leasehold rights, purchased credit card relationships, and nonmortgage servicing assets.

*Purchased credit card relationships* represent the right to conduct ongoing credit card business dealings with the cardholders. In general, purchased credit card relationships are an amount paid in excess of the value of the purchased credit card receivables. Such relationships arise when the reporting bank purchases existing credit card receivables and also has the right to provide credit card services to those customers. Purchased credit card relationships may also be acquired when the reporting bank purchases an entire depository institution.

Purchased credit card relationships shall be carried at amortized cost. Management of the institution shall review the carrying amount at least quarterly, adequately document this review, and adjust the carrying amount as necessary. This review should determine whether unanticipated acceleration or deceleration of cardholder payments, account attrition, changes in fees or finance charges, or other events or changes in circumstances indicate that the carrying amount of the purchased credit card relationships may not be recoverable. If this review indicates that the carrying amount may not be recoverable, the intangible asset should be tested for recoverability, and any impairment loss should be recognized, as described in the instruction for Schedule RC-M, item 2.

*Nonmortgage servicing assets* are contracts to service financial assets, other than loans secured by real estate (as defined for Schedule RC-C, Part I, item 1) under which the estimated future revenues from contractually specified servicing fees, late charges, and other ancillary revenues are expected to more than adequately compensate the servicer for performing the servicing. A nonmortgage servicing contract is either (a) undertaken in conjunction with selling or securitizing the nonmortgage financial assets being serviced or (b) purchased or assumed separately. For nonmortgage servicing assets accounted for under the amortization method, the carrying amount is the unamortized cost of acquiring the

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

**2.c** (cont.) nonmortgage servicing contracts, net of any related valuation allowances. For nonmortgage servicing assets accounted for under the fair value method, the carrying amount is the fair value of the nonmortgage servicing contracts. For further information, see the Glossary entry for "servicing assets and liabilities."

**2.d** **Total.** Report the sum of items 2.a, 2.b, and 2.c. This amount must equal Schedule RC, item 10, "Intangible assets."

**3** **Other real estate owned.** Report in the appropriate subitem the net book value of all real estate other than (1) bank premises owned or controlled by the bank and its consolidated subsidiaries (which should be reported in Schedule RC, item 6) and (2) direct and indirect investments in real estate ventures (which should be reported in Schedule RC, item 9).

Also exclude real estate property collateralizing a fully or partially government-guaranteed mortgage loan for which the institution has received physical possession and the conditions specified in ASC Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs, were met upon foreclosure. In such a situation, rather than recognizing other real estate owned upon foreclosure, the institution must recognize a separate "other receivable," which should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. Report such a receivable in Schedule RC-F, item 6, "All other assets." For further information, see the Glossary entry for "Foreclosed assets."

Do not deduct mortgages or other liens on other real estate owned (report mortgages or other liens in Schedule RC, item 16, "Other borrowed money"). Amounts reported for other real estate owned should be reported net of any applicable valuation allowances.

Include as other real estate owned:

(1) Foreclosed real estate, i.e.,

(a) Real estate acquired in any manner for debts previously contracted (including, but not limited to, real estate acquired through foreclosure and real estate acquired by deed in lieu of foreclosure), even if the bank has not yet received title to the property.

(b) Real estate collateral underlying a loan when the bank has obtained physical possession of the collateral. (For further information, see the Glossary entries for "foreclosed assets" and "troubled debt restructurings.")

Foreclosed real estate received in full or partial satisfaction of a loan should be recorded at the fair value less cost to sell of the property at the time of foreclosure. This amount becomes the "cost" of the foreclosed real estate. When foreclosed real estate is received in full satisfaction of a loan, the amount, if any, by which the recorded amount of the loan exceeds the fair value less cost to sell of the property is a loss which must be charged to the allowance for credit losses on loans and leases at the time of foreclosure. The amount of any senior debt (principal and accrued interest) to which foreclosed real estate is subject at the time of foreclosure must be reported as a liability in Schedule RC, item 16, "Other borrowed money."

After foreclosure, each foreclosed real estate asset must be carried at the lower of (1) the fair value of the asset minus the estimated costs to sell the asset or (2) the cost of the asset (as defined in the preceding paragraph). This determination must be made on an

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

**3** (cont.) asset-by-asset basis. If the fair value of a foreclosed real estate asset minus the estimated costs to sell the asset is less than the asset's cost, the deficiency must be recognized as a valuation allowance against the asset which is created through a charge to expense. The valuation allowance should thereafter be increased or decreased (but not below zero) through charges or credits to expense for changes in the asset's fair value or estimated selling costs. (For further information, see the Glossary entries for "foreclosed assets" and "troubled debt restructurings.")

(2) Foreclosed real estate collateralizing mortgage loans insured or guaranteed by the Federal Housing Administration (FHA), the Department of Agriculture under the Rural Development (RD) program (formerly the Farmers Home Administration (FmHA)), or the Department of Veterans Affairs (VA) or guaranteed by the Secretary of Housing and Urban Development and administered by the Office of Public and Indian Housing (PIH) that back Government National Mortgage Association (GNMA) securities, i.e., "GNMA loans," if the mortgage loans did not meet the conditions specified in ASC Subtopic 310-40 requiring recognition of a separate “other receivable.”

(3) Property originally acquired for future expansion but no longer intended to be used for that purpose.

(4) Foreclosed real estate sold under contract when sale accounting treatment in accordance with ASC Subtopic 610-20 and ASC Topic 606 is not met. For further information, see the Glossary entry for "foreclosed assets."

Property formerly but no longer used for banking may be reported either in this item as "All other real estate owned" or in Schedule RC, item 6, as "Premises and fixed assets."

**3.a** **Construction, land development, and other land.** Report the net book value of all other real estate owned in the form of, or for which the underlying real estate consists of, vacant land (but not farmland), land under development, or structures or facilities under construction, whether or not development or construction is continuing or has ceased prior to completion. When construction is substantially completed and the structure or facility is available for occupancy or use, report the net book value in the subitem below appropriate to the completed structure or facility.

For further information on the meaning of the term "construction, land development, and other land" see the instruction to Schedule RC-C, Part I, item 1.a. However, the amount to be reported in this item should include all other real estate owned in the form of, or for which the underlying real estate consists of, vacant land, land under development, or structures or facilities under construction, not just real estate acquired through foreclosure on loans that were originally reported as "construction, land development, and other land loans" in Schedule RC-C, Part I, item 1.a.

| Item No. | Caption and Instructions |
|---|---|

**3.b** **Farmland.** Report the net book value of all other real estate owned in the form of, or for which the underlying real estate consists of, farmland.

For further information on the meaning of the term "farmland," see the instruction to Schedule RC-C, Part I, item 1.b. However, the amount to be reported in this item should include all other real estate owned in the form of, or for which the underlying real estate consists of, farmland, not just real estate acquired through foreclosure on loans that were originally reported as "loans secured by farmland" in Schedule RC-C, Part I, item 1.b.

**3.c** **1-4 family residential properties.** Report the net book value of all other real estate owned in the form of, or for which the underlying real estate consists of, 1-to-4 family residential properties.

Include in this item 1-to-4 family residential properties resulting from foreclosures on real estate collateralizing government-guaranteed 1-to-4 family residential mortgage loans, if the conditions specified in ASC Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs, requiring recognition of a separate “other receivable” were not met upon foreclosure. (If the specified conditions were met upon foreclosure, report the separate “other receivable” in Schedule RC-F, item 6, “All other assets.”) For further information, see the Glossary entry for “foreclosed assets.”

For further information on the meaning of the term "1-4 family residential properties," see the instruction to Schedule RC-C, Part I, item 1.c. However, the amount to be reported in this item should include all other real estate owned in the form of, or for which the underlying real estate consists of, 1-to-4 family residential properties, not just real estate acquired through foreclosure on loans that were originally reported as "loans secured by 1-4 family residential properties" in Schedule RC-C, Part I, item 1.c.

**3.d** **Multifamily (5 or more) residential properties.** Report the net book value of all other real estate owned in the form of, or for which the underlying real estate consists of, multifamily residential properties.

For further information on the meaning of the term "multifamily residential properties," see Schedule RC-C, Part I, item 1.d. However, the amount to be reported in this item should include all other real estate owned in the form of, or for which the underlying real estate consists of, multifamily residential properties, not just real estate acquired through foreclosure on loans that were originally reported as "loans secured by multifamily residential properties" in Schedule RC-C, Part I, item 1.d.

**3.e** **Nonfarm nonresidential properties.** Report the net book value of all other real estate owned in the form of, or for which the underlying real estate consists of, nonfarm nonresidential properties.

For further information on the meaning of the term "nonfarm nonresidential properties," see the instruction to Schedule RC-C, Part I, item 1.e. However, the amount to be reported in this item should include all other real estate owned in the form of, or for which the underlying real estate consists of, nonfarm nonresidential properties, not just real estate acquired through foreclosure on loans that were originally reported as "loans secured by nonfarm nonresidential properties" in Schedule RC-C, Part I, item 1.e.

**3.f** **Total.** Report the sum of items 3.a through 3.e. This amount must equal Schedule RC, item 7, "Other real estate owned."

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

NOTE: Schedule RC-M, item 4, is to be completed only by insured state banks that have received FDIC approval in accordance with Section 362.3(a) of the FDIC's regulations to hold certain equity investments ("grandfathered equity securities"). Other institutions should leave Schedule RC-M, item 4, blank.

**4** **Cost of equity securities with readily determinable fair values not held for trading.** Report the cost basis of all equity securities with readily determinable fair values not held for trading that are reported in Schedule RC, item 2.c, not just the cost basis of those equity securities that are treated as "grandfathered" for purposes of Section 362.3(a) of the FDIC's regulations. The cost basis should reflect the effect of any write-downs of equity securities reported in Schedule RC, item 2.c, resulting from other-than-temporary impairments recognized by the institution before its adoption of FASB Accounting Standards Update No. 2016-01.

**5** **Other borrowed money.** Report in the appropriate subitem the specified information about Federal Home Loan Bank advances to and other borrowings by the consolidated bank.

A fixed interest rate is a rate that is specified at the origination of the advance or other borrowing, is fixed and invariable during the term of the advance or other borrowing, and is known to both the bank and the creditor. Also treated as a fixed interest rate is a predetermined interest rate, which is a rate that changes on a predetermined basis during the term of the advance or other borrowing, with the exact rate of interest over the life of the advance or other borrowing known with certainty to both the bank and the creditor when the advance or other borrowing is originated.

A floating rate is a rate that varies, or can vary, in relation to an index, to some other interest rate such as the rate on certain U.S. Government securities, or to some other variable criterion the exact value of which cannot be known in advance. Therefore, the exact interest rate the advance or other borrowing carries at any subsequent time cannot be known at the time the advance or other borrowing is originated by the bank or subsequently renewed.

When the rate on an advance or other borrowing with a floating rate has reached a contractual floor or ceiling level, the advance or other borrowing is to be treated as "fixed rate" rather than as "floating rate" until the rate is again free to float.

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

Next repricing date is (a) the date the interest rate on an advance or other borrowing with a floating rate can next change in accordance with the terms of the contract or (b) the contractual maturity date of the advance or other borrowing, whichever is earlier.

Advances and other borrowings with a fixed rate that are callable at the option of the Federal Home Loan Bank or other creditor should be reported according to their remaining maturity without regard to their next call date unless the advance or other borrowing has actually been called. When an advance or other borrowing with a fixed rate has been called, it should be reported based on the time remaining until the call date. Advances and other borrowings with a floating rate that are callable should be reported on the basis of their next repricing date without regard to their next call date unless the advance or other borrowing has actually been called. Advances and other borrowings with a floating rate that have been called should be reported on the basis of their next repricing date or their actual call date, whichever is earlier.

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

**5** (cont.) Advances and other borrowings with a fixed rate that are puttable at the option of the bank should be reported according to their remaining maturity without regard to put dates if the bank has not exercised the put. If a put on an advance or other borrowing with a fixed rate has been exercised but the advance or other borrowing has not yet been repaid, the advance or other borrowing should be reported based on the amount of time remaining until the actual put date. Advances and other borrowings with a floating rate that are puttable should be reported on the basis of their next repricing date without regard to their next put date unless the put has actually been exercised. If a put on an advance or other borrowing with a floating rate has been exercised but the advance or other borrowing has not yet been repaid, the advance or other borrowing should be reported on the basis of its next repricing date or its actual put date, whichever is earlier.

Convertible advances should be reported based on the amount of time until the Federal Home Loan Bank can next opt to convert the rate on the borrowing to a floating rate or the contractual maturity date, whichever is earlier.

Other borrowings that are noninterest-bearing should be treated as fixed rate and reported according to the amount of time remaining until the final contractual maturity.

**5.a** **Federal Home Loan Bank advances.** Report in the appropriate subitem the specified information about outstanding advances obtained from a Federal Home Loan Bank. As defined in 12 CFR Section 900.2, an "advance" is "a loan from a [Federal Home Loan] Bank that is:

(1) Provided pursuant to a written agreement;
(2) Supported by a note or other written evidence of the borrower's obligation; and
(3) Fully secured by collateral in accordance with the [Federal Home Loan Bank] Act and part 950 of this chapter."

Exclude from advances borrowings from a Federal Home Loan Bank in the form of securities repurchase agreements (report in Schedule RC, item 14.b, "Securities sold under agreements to repurchase") and federal funds purchased (report in Schedule RC, item 14.a).

**5.a.(1)** **Advances with a remaining maturity or next repricing date of.** Report the amount of the bank's fixed rate advances from a Federal Home Loan Bank in the appropriate subitems according to the amount of time remaining until their final contractual maturities. Report the amount of the bank's floating rate advances from a Federal Home Loan Bank in the appropriate subitems according to their next repricing dates.

**5.a.(1)(a)** **One year or less.** Report the amount of:

- fixed rate Federal Home Loan Bank advances with a remaining maturity of one year or less, and
- floating rate Federal Home Loan Bank advances with a next repricing date occurring in one year or less.

Include all overnight advances in this item.

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**5.a.(1)(b)** **Over one year through three years.** Report the amount of:

- fixed rate Federal Home Loan Bank advances with a remaining maturity of over one year through three years, and
- floating rate Federal Home Loan Bank advances with a next repricing date occurring in over one year through three years.

**5.a.(1)(c)** **Over three years through five years.** Report the amount of:

- fixed rate Federal Home Loan Bank advances with a remaining maturity of over three years through five years, and
- floating rate Federal Home Loan Bank advances with a next repricing date occurring in over three years through five years.

**5.a.(1)(d)** **Over five years.** Report the amount of:

- fixed rate Federal Home Loan Bank advances with a remaining maturity of over five years, and
- floating rate Federal Home Loan Bank advances with a next repricing date occurring in over five years.

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

**5.a.(2)** **Advances with a remaining maturity of one year or less.** Report all Federal Home Loan Bank advances with a remaining maturity of one year or less. Include both fixed rate and floating rate advances with a remaining maturity of one year or less.

The fixed rate advances that should be included in this item will also have been reported by remaining maturity in Schedule RC-M, item 5.a.(1)(a), above. The floating rate advances that should be included in this item will also have been reported by next repricing date in Schedule RC-M, item 5.a.(1)(a), above. However, exclude those floating rate advances included in Schedule RC-M, item 5.a.(1)(a), with a next repricing date of one year or less that have a remaining maturity of over one year.

**5.a.(3)** **Structured advances.** Report the amount of structured Federal Home Loan Bank advances outstanding. Structured advances are advances containing options. Structured advances include (1) callable advances, i.e., fixed rate advances that the Federal Home Loan Bank has the option to call after a specified amount of time, (2) convertible advances, i.e., fixed rate advances that the Federal Home Loan Bank has the option to convert to floating rate after a specified amount of time, and (3) puttable advances, i.e., fixed rate advances that the bank has the option to prepay without penalty on a specified date or dates. Any other advances that have caps, floors, or other embedded derivatives should also be reported as structured advances.

**5.b** **Other borrowings.** Report in the appropriate subitem the specified information about amounts borrowed by the consolidated bank:

(1) on its promissory notes;

(2) on notes and bills rediscounted (including commodity drafts rediscounted):

(3) on financial assets (other than securities) sold under repurchase agreements that have an original maturity of more than one business day and sales of participations in pools of loans that have an original maturity of more than one business day;

(4) by transferring financial assets in exchange for cash or other consideration (other than beneficial interests in the transferred assets) in transactions that do not satisfy the criteria for sale treatment under ASC Topic 860, Transfers and Servicing (see the Glossary entry for "transfers of financial assets" for further information);

(5) by the creation of due bills representing the bank's receipt of payment and similar instruments, whether collateralized or uncollateralized (see the Glossary entry for "due bills");

(6) from Federal Reserve Banks;

(7) by overdrawing "due from" balances with depository institutions, except overdrafts arising in connection with checks or drafts drawn by the reporting bank and drawn on, or payable at or through, another depository institution either on a zero-balance account or on an account that is not routinely maintained with sufficient balances to cover checks or drafts drawn in the normal course of business during the period until the amount of the checks or drafts is remitted to the other depository institution (in which case, report the funds received or held in connection with such checks or drafts as deposits in Schedule RC-E until the funds are remitted);

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]

**5.b** (cont.)

(8) on purchases of so-called "term federal funds" (as defined in the Glossary entry for "federal funds transactions");

(9) on notes and debentures issued by consolidated subsidiaries of the reporting bank;

(10) through mortgages, liens, or other encumbrances on bank premises and other real estate owned;

(11) through lease liabilities for finance leases; and

(12) on any other obligation for the purpose of borrowing money not reported elsewhere on Schedule RC, Balance Sheet, or in Schedule RC-M, item 5.a, "Federal Home Loan Bank advances."

Also include any borrowings by an Employee Stock Ownership Plan (ESOP) that the reporting bank must report as a borrowing on its own balance sheet in accordance with generally accepted accounting principles. For further information, see ASC Subtopic 718-40, Compensation-Stock Compensation – Employee Stock Ownership Plans.

Exclude from other borrowings:

(1) federal funds purchased and securities sold under agreements to repurchase (report in Schedule RC, items 14.a and 14.b, respectively);

(2) liability for short positions (report in Schedule RC, item 15);

(3) subordinated notes and debentures (report in Schedule RC, item 19); and

(4) lease liabilities for operating leases (report in Schedule RC-G, item 4, "All other liabilities").

**5.b.(1)** **Other borrowings with a remaining maturity or next repricing date of.** Report the amount of the bank's fixed rate other borrowings in the appropriate subitems according to the amount of time remaining until their final contractual maturities. Report the amount of the bank's floating rate other borrowings in the appropriate subitems according to their next repricing dates.

**5.b.(1)(a)** **One year or less.** Report the amount of:

- fixed rate "Other borrowings" with a remaining maturity of one year or less, and
- floating rate "Other borrowings" with a next repricing date occurring in one year or less.

Include in this item those overdrawn "due from" balances with depository institutions that are reportable as "Other borrowed money," as described in the instructions to Schedule RC-M, item 5.b, above.

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**5.b.(1)(b)** **Over one year through three years.** Report the amount of:

- fixed rate "Other borrowings" with a remaining maturity of over one year through three years, and
- floating rate "Other borrowings" with a next repricing date occurring in over one year through three years.

**5.b.(1)(c)** **Over three years through five years.** Report the amount of:

- fixed rate "Other borrowings" with a remaining maturity of over three years through five years, and
- floating rate "Other borrowings" with a next repricing date occurring in over three years through five years.

**5.b.(1)(d)** **Over five years.** Report the amount of:

- fixed rate "Other borrowings" with a remaining maturity of over five years, and
- floating rate "Other borrowings" with a next repricing date occurring in over five years.

**5.b.(2)** **Other borrowings with a remaining maturity of one year or less.** Report all "Other borrowings" with a remaining maturity of one year or less. Include both fixed rate and floating rate borrowings with a remaining maturity of one year or less.

The fixed rate borrowings that should be included in this item will also have been reported by remaining maturity in Schedule RC-M, item 5.b.(1)(a), above. The floating rate borrowings that should be included in this item will also have been reported by next repricing date in Schedule RC-M, item 5.b.(1)(a), above. However, exclude those floating rate borrowings included in Schedule RC-M, item 5.b.(1)(a), with a next repricing date of one year or less that have a remaining maturity of over one year.

**5.c** **Total.** Report the sum of items 5.a.(1)(a) through (d) and items 5.b.(1)(a) through (d). This sum must equal Schedule RC, item 16, "Other borrowed money."

NOTE: Schedule RC-M, items 6 and 7, are to be completed annually in the December report only.

**6** **Does the reporting bank sell private label or third party mutual funds and annuities?** Indicate whether the reporting bank currently sells private label or third party mutual funds and annuities. Place an "X" in the box marked "YES" if the bank, a bank subsidiary or other bank affiliate, or an unaffiliated entity sells private label or third party mutual funds and annuities:

(1) on bank premises;

(2) from which the bank receives income at the time of the sale or over the duration of the account (e.g., annual fees, Rule 12b-1 fees or "trailer fees," and redemption fees); or

(3) through the reporting bank's trust department in transactions that are not executed in a fiduciary capacity (e.g., trustee, executor, administrator, and conservator).

Otherwise, place an "X" in the box marked "NO".

Mutual fund is the common name for an open-end investment company whose shares are sold to the investing public. An annuity is an investment product, typically underwritten by an

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

**6** (cont.) insurance company, that pays either a fixed or variable payment stream over a specified period of time. Both proprietary and private label mutual funds and annuities are established in order to be marketed primarily to a bank's or banking organization's customers. A proprietary product is a product for which the reporting bank or a subsidiary or other affiliate of the reporting bank acts as investment adviser and may perform additional support services. In a private label product, an unaffiliated entity acts as the investment adviser. The identity of the investment adviser is normally disclosed in the prospectus for a mutual fund or annuity. Mutual funds and annuities that are not proprietary or private label products are considered third party products. For example, third party mutual funds and annuities include products that are widely marketed by numerous parties to the investing public and have investment advisers that are not affiliated with the reporting bank.

**7** **Assets under the reporting bank's management in proprietary mutual funds and annuities.** Report the amount of assets (stated in U.S. dollars) held by mutual funds and annuities as of the report date for which the reporting bank or a subsidiary of the bank acts as investment adviser.

A general description of a proprietary product is included in the instruction to Schedule RC-M, item 6, above. Proprietary mutual funds and annuities are typically created by large banking organizations and offered to customers of the banking organization's subsidiary banks. Therefore, small, independent banks do not normally act as investment advisers for mutual funds and annuities.

If neither the bank nor any subsidiary of the bank acts as investment adviser for a mutual fund or annuity, the bank should report a zero in this item.

**8** **Internet website addresses and physical office trade names.** Because the Uniform Resource Locators (URLs) of Internet websites and the physical office trade names reported in items 8.a, 8.b, and 8.c are publicly available, each institution should ensure that it accurately reports its URLs and physical office trade names, if any. This information will assist the FDIC in responding to public inquiries as to whether a particular Internet website or institution operating under a trade name that accepts or solicits deposits from the public is in fact operated by an FDIC-insured depository institution. URLs of Internet websites and physical office trade names should not exceed 75 characters in length.

Examples of URLs are www.bank.com, www.isp.com/bank/, and bank.isp.com. When entering the URL of an Internet website in items 8.a and 8.b, the URL should not be prefaced with http:// because this is already included on the form. Do not provide e-mail addresses in the spaces for URLs of Internet websites.

**8.a** **Uniform Resource Locator (URL) of the reporting institution's primary Internet website (home page), if any.** The URL of an institution's primary Internet website is the URL of the public-facing website that the institution's customers or potential customers enter into Internet browser software in order to find the first page of the institution's principal website.

If the reporting institution has a primary Internet website or home page, report in this item the URL of this website or home page (e.g., www.examplebank.com). If the reporting institution does not have its own website or home page, but information on or functions of the institution can be accessed through the URL of an affiliate's website, the URL of that affiliate's primary website should be reported in this item.

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**8.a** (cont.) An institution that maintains more than one website that prominently displays the institution's legal title should report the URL of the institution's primary Internet website in this item and determine whether it should report the URLs of these other websites operated by the FDIC-insured depository institution in Schedule RC-M, item 8.b, below.

If an institution has no website or home page of its own, this item should be left blank. Do not enter such phrases as "Not applicable," "N/A," "None," and "Null."

**8.b** **URLs of all other public-facing Internet websites that the reporting institution uses to accept or solicit deposits from the public, if any.** If the reporting institution:

(1) Uses one or more trade names (other than its legal title) to accept or solicit deposits from the public, and directly or indirectly operates one or more public-facing Internet websites – other than its primary Internet website (home page) reported in Schedule RC-M, item 8.a, above – to present such trade names to the public, or

(2) Uses any other public-facing Internet websites operated by the FDIC-insured depository institution which prominently displaying the institution's legal title – other than its primary Internet website (home page) – to accept or solicit deposits from the public,

the institution should report the URLs of each of its other public-facing websites that it uses to accept or solicit deposits from the public in the text fields for items 8.b.(1) through 8.b.(10) and, if necessary, in Schedule RI-E, item 7, "Other explanations." If an institution has no additional public-facing Internet websites to report, the text fields for these items should be left blank. Do not enter such phrases as "Not applicable," "N/A," "None," and "Null."

When reporting the URLs for public-facing websites used to accept or solicit deposits, report only bank operated websites using the highest level URLs. For example, an institution with a legal title of XYZ Bank reports in item 8.a that the URL of its primary Internet website is www.xyzbank.com. The institution also solicits deposits using the website address www.safeandsoundbank.com and provides more specific deposit information at "www.safeandsoundbank.com/checking" and "www.safeandsoundbank.com/CDs." Only the first of these three URLs (i.e., "www.safeandsoundbank.com") should be reported in this item.

When an institution uses multiple top level domains (e.g., .com, .net, and .biz), it should separately report the URLs that are otherwise the same except for the top level domain name. For example, if XYZ Bank also uses the website address "www.xyzbank.biz" in the solicitation of deposits, it should report this URL in this item.

However, if an institution uses one or more URLs that automatically redirect the public to the institution's primary website or to another website used to accept or solicit deposits that is being reported in this item, the institution should not report these additional URLs. For example, if XYZ Bank uses the URLs "www.xyzbank.net" and "www.safeandsoundbank.net" to automatically redirect the public to "www.xyzbank.com" (reported in item 8.a as its primary website) and "www.safeandsoundbank.com" (reported in this item as the URL of another website the institution uses), respectively, it should not report the two redirecting URLs in this item.

For example, do not report the URLs of:

(1) Public-facing Internet websites operated by the reporting institution that do not accept or solicit deposits from the public. For example, if XYZ Bank uses the website address "www.xyzautoloans.com" but does not accept or solicit deposits through this site, its URL should not be reported in this item;

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

**8.b** (cont.)

(2) Internet websites of any non-bank affiliates or subsidiaries;
(3) Affiliated, separately chartered insured depository institutions;
(4) Foreign affiliates;
(5) Third-party deposit listing services and deposit brokers;
(6) Internet websites of any non-bank entity, including any third parties that accepts or solicits deposits from the public on behalf of the FDIC-insured depository institution; and
(7) Any person or entity other than the institution that is acting as fiduciary in the placement of deposit funds into an FDIC-insured depository institution as described under 12 C.F.R. §330.5 and 12 C.F.R. §330.7. The FDIC commonly refers to this process as "pass-through deposit insurance coverage."

**8.c** **Trade names other than the reporting institution's legal title used to identify one or more of the institution's physical offices at which deposits are accepted or solicited from the public, if any.** An institution may use a trade name other than its legal title as reflected in its charter to identify certain of its physical offices, for example, due to a merger and an interest in maintaining the presence of the acquired institution's well recognized name in the community or communities it served.

If the reporting institution operates one or more physical offices to conduct banking activities and uses one or more trade names other than its legal title to identify these physical offices (for example, via signage displayed on the facilities), the institution should report each trade name used by one or more of its physical offices at which it accepts or solicits deposits from the public in the text fields for items 8.c.(1) through 8.c.(6) and, if necessary, in Schedule RI-E, item 7, "Other explanations." Do not report the trade names used by any physical offices of the reporting institution at which the institution does not accept or solicit deposits from the public. In addition, do not report the physical office trade names of any non-bank affiliates or subsidiaries. Do not report the physical office trade names of affiliated, separately chartered insured depository institutions. If an institution does not use any trade names other than its legal title, the text fields for items 8.c.(1) through 8.c.(6) should be left blank. Do not enter such phrases as "Not applicable," "N/A," "None," and "Null."

For example, an institution with a legal title of XYZ Bank operates one or more branch offices under the trade name of "Community Bank of ABC" (as identified by the signage displayed on each facility) where it accepts and solicits deposits from the public. XYZ Bank should report this trade name (and any other trade names it uses at other physical office locations where it accepts or solicits deposits) in this item 8.c. XYZ Bank also has a loan production office that operates under the trade name of "XYZ Consumer Loans" and a mortgage lending subsidiary that operates physical offices using the trade name of "XYZ Mortgage Company"; deposits are not accepted nor solicited on behalf of XYZ Bank at these physical offices. Thus, neither of these two trade names should be reported in this item 8.c.

NOTE: Schedule RC-M, item 9, is to be completed annually in the December report only.

**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?**
Indicate whether any of the reporting bank's Internet websites have transactional capability. Place an "X" in the box marked "Yes" if the bank or a bank affiliate has any Internet websites that allow the bank's customers to execute transactions on their accounts through the website. Otherwise, place an "X" in the box marked "No."

The Internet Web address of the website (or sites) with transactional capability does not have to be the address of the bank's primary Internet website that is reported in Schedule RC-M, item 8.a, above.

**10** **Secured liabilities.** Report in the appropriate subitem the carrying amount of federal funds purchased and "Other borrowings" that are secured, i.e., the carrying amount of these types of liabilities for which the bank (or a consolidated subsidiary) has pledged securities, loans, or other assets as collateral.

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**10.a** **Amount of "Federal funds purchased" that are secured.** Report the carrying amount of federal funds purchased (as defined for Schedule RC, item 14.a) that are secured.

**10.b** **Amount of "Other borrowings" that are secured.** Report the carrying amount of "Other borrowings" (as defined for Schedule RC-M, item 5.b) that are secured. Secured "Other borrowings" include, but are not limited to, transfers of financial assets accounted for as financing transactions because they do not satisfy the criteria for sale accounting 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), mortgages payable on bank premises and other real estate owned, and obligations under capitalized leases.

NOTE: Schedule RC-M, items 11 and 12, are to be completed annually in the December report only.

**11** **Does the bank act as trustee or custodian for Individual Retirement Accounts, Health Savings Accounts, and other similar accounts?** Indicate whether the institution acts as trustee or custodian for Individual Retirement Accounts (IRAs), Health Savings Accounts (HSAs), or other similar accounts. Other similar accounts include Roth IRAs, Coverdell Education Savings Accounts, and Archer Medical Savings Accounts. State-chartered institutions are allowed, under certain circumstances, to act as trustee or custodian for these types of accounts without obtaining trust powers. In addition, national banks can serve as custodian to IRAs, HSAs, and other similar accounts without obtaining trust powers. Place an "X" in the box marked "Yes" if the reporting institution acts as trustee or custodian for these types of accounts, regardless of whether it has trust powers. Otherwise, place an "X" in the box marked "No."

**12** **Does the bank provide custody, safekeeping, or other services involving the acceptance of orders for the sale or purchase of securities?** Indicate whether the institution takes orders from customers for the sale or purchase of securities, regardless of whether this activity occurs in a custody or safekeeping account or elsewhere in the institution as an accommodation to the customer. Place an "X" in the box marked "Yes" if the reporting institution takes securities sale or purchase orders from customers. Otherwise, place an "X" in the box marked "No."

For example, if the only persons accepting customers' orders for securities are licensed dual employees (i.e., individuals who are both employees of the bank and licensed representatives of a registered broker-dealer) who take orders under a third-party networking arrangement with a registered broker, the employees would be accepting the orders in their capacity as registered representatives of the broker and not in their capacity as bank employees. In this situation, the bank should place an "X" in the box marked "No."

**13** Not applicable.

NOTE: Schedule RC-M, items 14.a and 14.b, are to be completed annually in the December report only.

**14** **Captive insurance and reinsurance subsidiaries:**

**14.a** **Total assets of captive insurance subsidiaries.** Report the carrying amount of all assets held by consolidated captive insurance subsidiaries of the reporting bank. A captive insurance company is a limited purpose insurer licensed as a direct writer of insurance. Some common lines of business include credit life, accident, and health insurance; disability

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

**14.a** (cont.) insurance; and employee benefits coverage. Report total assets before eliminating intercompany transactions between the consolidated insurance subsidiary and other offices or subsidiaries of the consolidated bank.

**14.b** **Total assets of captive reinsurance subsidiaries.** Report the carrying amount of all assets held by consolidated captive reinsurance subsidiaries of the reporting bank. Reinsurance is the transfer, with indemnification, of all or part of the underwriting risk from one insurer to another for a portion of the premium or other consideration.

Some common lines of business include credit life, accident, and health reinsurance; disability reinsurance; reinsurance of employee benefits coverage; private mortgage guaranty reinsurance; and terrorism risk reinsurance. Report total assets before eliminating intercompany transactions between the consolidated reinsurance subsidiary and other offices or subsidiaries of the consolidated bank.

**15** **Qualified Thrift Lender (QTL) test.** Items 15.a and 15.b are to be completed by all savings associations and by those state savings banks and cooperative banks that have applied and have been permitted, under Section 10(*l*) of the Home Owners' Loan Act (HOLA) (12 U.S.C. 1467a(*l*)), to be deemed a savings association for purposes of holding company regulation.

The QTL test has been in place since it was enacted as part of the Competitive Equality Banking Act of 1987. To be a QTL, a savings association (or a state savings or cooperative bank that has elected to be treated as a QTL) must either meet the HOLA QTL test (12 U.S.C. 1467a(m)) or the Internal Revenue Service (IRS) Domestic Building and Loan Association (DBLA) test (26 CFR 301.7701-13A). Under the HOLA QTL test, an institution must hold "Qualified Thrift Investments" equal to at least 65 percent of its portfolio assets. To be a QTL under the IRS DBLA test, an institution must meet a "business operations test" and a "60 percent of assets test." An institution may use either test to qualify and may switch from one test to the other. However, the institution must meet the time requirements of the respective test, which is:

- Nine out of the last 12 months for the HOLA QTL test, and
- The taxable year (which may be either a calendar or fiscal year) for the IRS DBLA test.

A savings association (or a state savings or cooperative bank that has elected to be treated as a QTL) that fails to meet the QTL requirements is subject to certain restrictions, including limits on activities, branching, and dividends.

**15.a** **Does the institution use the Home Owners' Loan Act (HOLA) QTL test or the Internal Revenue Service Domestic Building and Loan Association (IRS DBLA) test to determine its QTL compliance?** Indicate the test that the reporting institution uses to determine its compliance with the QTL requirements. For the HOLA QTL test, enter the number "1"; for the IRS DBLA test, enter the number "2."

**15.b** **Has the institution been in compliance with the HOLA QTL test as of each month end during the quarter or the IRS DBLA test for its most recent taxable year, as applicable?** Indicate whether the reporting institution has been in compliance with the HOLA QTL test as of each month end during the quarter ending with the report date or the IRS DBLA test for its most recent taxable year, as applicable. Place an "X" in the box marked "Yes" if the institution has been in compliance with the applicable test for the specified period. Otherwise, place an "X" in the box marked "No."

**Item No. Caption and Instructions**

NOTE: Item 16.a and, if appropriate, items 16.b.(1) through 16.b.(3) are to be completed by all institutions annually in the December report only.

**16** **International remittance transfers offered to consumers.** Report in Schedule RC-M, item 16.a and, if appropriate, items 16.b.(1) through 16.b.(3), information about international electronic transfers of funds offered to consumers in the United States that:

(1) Are "remittance transfers" as defined by Subpart B of Regulation E (12 CFR § 1005.30(e)), or
(2) Would qualify as "remittance transfers" under Subpart B of Regulation E (12 CFR § 1005.30(e)), but are excluded from that definition only because the provider is not providing those transfers in the normal course of its business. See 12 CFR § 1005.30(f).

For purposes of items 16.a and 16.b.(1) through 16.b.(3), such transfers are referred to as international remittance transfers.

Under Subpart B of Regulation E, which took effect on October 28, 2013, and was most recently amended effective July 21, 2020, a ''remittance transfer'' is an electronic transfer of funds requested by a sender to a designated recipient that is sent by a remittance transfer provider. The term applies regardless of whether the sender holds an account with the remittance transfer provider, and regardless of whether the transaction is also an "electronic fund transfer," as defined in Regulation E. See 12 CFR § 1005.30(e).

A "sender" is a consumer in a State who primarily for personal, family, or household purposes requests a remittance transfer provider to send a remittance transfer to a designated recipient. See 12 CFR § 1005.30(g).

A "designated recipient" is any person specified by the sender as the authorized recipient of a remittance transfer to be received at a location in a foreign country. See 12 CFR § 1005.30(c).

A "remittance transfer provider" is any person that provides remittance transfers for a consumer in the normal course of its business, regardless of whether the consumer holds an account with such person. See 12 CFR § 1005.30(f).

Examples of "remittance transfers" include the following (see Regulation E, Subpart B, comment 30(e)-3.i):

(1) Transfers where the sender provides cash or another method of payment to a money transmitter or financial institution and requests that funds be sent to a specified location or account in a foreign country.
(2) Consumer wire transfers, where a financial institution executes a payment order upon a sender's request to wire money from the sender's account to a designated recipient.
(3) An addition of funds to a prepaid card by a participant in a prepaid card program, such as a prepaid card issuer or its agent, that is directly engaged with the sender to add these funds, where the prepaid card is sent or was previously sent by a participant in the prepaid card program to a person in a foreign country, even if a person located in a State (including a sender) retains the ability to withdraw such funds.
(4) International automated clearing house (ACH) transactions sent by the sender's financial institution at the sender's request.
(5) Online bill payments and other electronic transfers that a sender schedules in advance, including preauthorized remittance transfers, made by the sender's financial institution at the sender's request to a designated recipient.

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

**16** (cont.) Under Subpart B of Regulation E, the term "remittance transfer" does not include, for 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.

| Item No. | Caption and Instructions |
|---|---|

**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.”

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

**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.

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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.

# SCHEDULE RC-N – PAST DUE AND NONACCRUAL LOANS, LEASES, AND OTHER ASSETS

## General Instructions

Report on a fully consolidated basis all loans, leases, debt securities, and other assets that are past due or are in nonaccrual status, regardless of whether such credits are secured or unsecured and regardless of whether such credits are guaranteed or insured by the U.S. Government or by others.

For assets that are past due or in nonaccrual status, institutions should report the balance sheet amount of the asset in Schedule RC-N without deducting any applicable allowance for credit losses, not simply the asset's delinquent payments. For example, the amount to be reported in Schedule RC-N for a past due or nonaccrual loan held for investment should equal the amount at which the loan is reported in Schedule RC, Balance Sheet, item 4.b, "Loans and leases held for investment." The amount to be reported in Schedule RC-N, item 10, for a past due or nonaccrual held-to-maturity debt security should equal the amortized cost at which the debt security is reported in Schedule RC-B, Securities, column A.

Loan amounts should be reported net of unearned income to the extent that they are reported net of unearned income in Schedule RC-C. All lease, debt security, and other asset amounts must be reported net of unearned income.

For purposes of these reports, "GNMA loans" are residential mortgage loans insured or guaranteed by the Federal Housing Administration (FHA), the Department of Agriculture Rural Development (RD) program (formerly the Farmers Home Administration (FmHA)), or the Department of Veterans Affairs (VA) or guaranteed by the Secretary of Housing and Urban Development and administered by the Office of Public and Indian Housing (PIH) that back Government National Mortgage Association (GNMA) securities. When an institution services GNMA loans after it has securitized the loans in a transfer accounted for as a sale, 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) requires the institution to bring individual delinquent GNMA loans that it previously accounted for as sold back onto its books as loan assets when, under the GNMA Mortgage-Backed Securities Guide, the loan meets GNMA's specified delinquency criteria and is eligible for repurchase. This rebooking of GNMA loans is required regardless of whether the institution, as seller-servicer, intends to exercise the repurchase (buy-back) option. A seller-servicer must report all delinquent rebooked GNMA loans that have been repurchased or are eligible for repurchase as past due in Schedule RC-N in accordance with their contractual repayment terms. In addition, if an institution services GNMA loans, but was not the transferor of the loans that were securitized, and purchases individual delinquent loans out of the GNMA securitization, the institution must report the purchased loans as past due in Schedule RC-N in accordance with their contractual repayment terms even though the institution was not required to record the delinquent GNMA loans as assets prior to purchasing the loans. Such delinquent GNMA loans should be reported in items 1.c, 11, and 11.b of Schedule RC-N.

## Definitions

Past Due – The past due status of a loan or other asset should be determined in accordance with its contractual repayment terms. For purposes of this schedule, grace periods allowed by the bank after a loan or other asset technically has become past due but before the imposition of late charges are not to be taken into account in determining past due status. Furthermore, loans, leases, debt securities, and other assets are to be reported as past due when either interest or principal is unpaid in the following circumstances:

(1) Closed-end installment loans, amortizing loans secured by real estate, and any other loans and lease financing receivables with payments scheduled monthly are to be reported as past due when the borrower is in arrears two or more monthly payments. (At a bank's option, loans and leases with payments scheduled monthly may be reported as past due when one scheduled payment is due and unpaid for 30 days or more.) Other multipayment obligations with payments scheduled other than monthly are to be reported as past due when one scheduled payment is due and unpaid for 30 days or more.

(2) Open-end credit such as credit cards, check credit, and other revolving credit plans are to be reported as past due when the customer has not made the minimum payment for two or more billing cycles.

(3) Single payment and demand notes, debt securities, and other assets providing for the payment of interest at stated intervals are to be reported as past due after one interest payment is due and unpaid for 30 days or more.

(4) Single payment notes, debt securities, and other assets providing for the payment of interest at maturity are to be reported as past due after maturity if interest or principal remains unpaid for 30 days or more.

(5) Unplanned overdrafts are to be reported as past due if the account remains continuously overdrawn for 30 days or more.

For purposes of this schedule, banks should use one of two methods to recognize partial payments on "retail credit," i.e., open-end and closed-end credit extended to individuals for household, family, and other personal expenditures, including consumer loans and credit cards, and loans to individuals secured by their personal residence, including home equity and home improvement loans. A payment equivalent to 90 percent or more of the contractual payment may be considered a full payment in computing delinquency. Alternatively, a bank may aggregate payments and give credit for any partial payment received. For example, if a regular monthly installment is $300 and the borrower makes payments of only $150 per month for a six-month period, the loan would be $900 ($150 shortage times six payments), or three monthly payments past due. A bank may use either or both methods for its retail credit, but may not use both methods simultaneously with a single loan.

Purchased credit-impaired (PCI) loans and debt securities held as of the adoption date of ASC Topic 326, Financial Instruments–Credit Losses (ASC Topic 326) should prospectively be accounted for as purchased credit-deteriorated (PCD) assets. As of the adoption date of the standard, the remaining noncredit discount or premium on a PCD asset, after the adjustment for the allowance for credit losses should be accreted to interest income at the new effective interest rate on the asset, if the asset is not required to be placed on nonaccrual.

**Definitions (cont.)**

For a PCD loan, debt security, or other financial asset within the scope of ASC Topic 326 that is not reported in nonaccrual status, the delinquency status of the PCD asset should be determined in accordance with its contractual repayment terms for purposes of reporting the amortized cost basis of the asset (fair value for a PCD available-for-sale debt security) as past due in Schedule RC-N, column A or B, as appropriate. If the PCD asset that is not reported in nonaccrual status consists of a pool of loans that was previously PCI, but is being maintained as a unit of account after the adoption of ASC Topic 326, delinquency status should be determined individually for each loan in the pool in accordance with the individual loan's contractual repayment terms. For further information, see the Glossary entry for "Purchased Credit-Deteriorated Assets."

Nonaccrual – For purposes of this schedule, an asset is to be reported as being in nonaccrual status if:

(1) It is maintained on a cash basis because of deterioration in the financial condition of the borrower,

(2) Payment in full of principal or interest is not expected, or

(3) Principal or interest has been in default for a period of 90 days or more unless the asset is both well secured and in the process of collection.

An asset is "well secured" if it is secured (1) by collateral in the form of liens on or pledges of real or personal property, including securities, that have a realizable value sufficient to discharge the debt (including accrued interest) in full, or (2) by the guarantee of a financially responsible party. An asset is "in the process of collection" if collection of the asset is proceeding in due course either (1) through legal action, including judgment enforcement procedures, or, (2) in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status in the near future.

For purposes of applying the third test for nonaccrual status listed above, the date on which an asset reaches nonaccrual status is determined by its contractual terms. If the principal or interest on an asset becomes due and unpaid for 90 days or more on a date that falls between report dates, the asset should be placed in nonaccrual status as of the date it becomes 90 days past due and it should remain in nonaccrual status until it meets the criteria for restoration to accrual status described below.

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

(1) The asset upon which principal or interest is due and unpaid for 90 days or more is a consumer loan (as defined for Schedule RC-C, Part I, item 6, "Loans to individuals for household, family, and other personal expenditures") or a loan secured by a 1-to-4 family residential property (as defined for Schedule RC-C, Part I, item 1.c, Loans "Secured by 1-4 family residential properties"). Nevertheless, such loans should be subject to other alternative methods of evaluation to assure that the bank's net income is not materially overstated. To the extent that the bank has elected to carry such a loan in nonaccrual status on its books, the loan must be reported as nonaccrual in this schedule.

(2) The following criteria are met for a PCD asset, including a PCD asset that was previously a PCI asset or part of a pool of PCI assets, that would otherwise be required to be placed in nonaccrual status (see the Glossary entry for "Nonaccrual Status"):

   (a) The institution reasonably estimates the timing and amounts of cash flows expected to be collected, and
   (b) The institution did not acquire the asset primarily for the rewards of ownership of the underlying collateral, such as use of collateral in operations of the institution or improving the collateral for resale.

   When a PCD asset that meets the criteria above is not placed in nonaccrual status, the asset should be subject to other alternative methods of evaluation to ensure that the institution's net income is not

**Definitions (cont.)**

materially overstated. Further, regardless of whether a PCD asset is in nonaccrual or accrual status, an institution is not permitted to accrete the credit-related discount embedded in the purchase price of such an asset that is attributable to the acquirer's assessment of expected credit losses as of the date of acquisition (i.e., the contractual cash flows the acquirer did not expect to collect at acquisition). Interest income should no longer be recognized on a PCD asset to the extent that the net investment in the asset would increase to an amount greater than the payoff amount. If an institution is required or has elected to carry a PCD asset in nonaccrual status, the asset must be reported as a nonaccrual asset at its amortized cost basis (fair value for a PCD available-for-sale debt security) in Schedule RC-N, column C. (For PCD assets for which the institution has made a policy election to maintain previously existing pools of PCI loans upon adoption of ASC Topic 326, the determination of nonaccrual or accrual status should be made at the pool level, not the individual asset level.) For further information, see the Glossary entry for "Purchased Credit-Deteriorated Assets."

As a general rule, a nonaccrual asset may be restored to accrual status when:

(1) None of its principal and interest is due and unpaid, and the bank expects repayment of the remaining contractual principal and interest; or

(2) When it otherwise becomes well secured and in the process of collection.

For purposes of meeting the first test for restoration to accrual status, the bank must have received repayment of the past due principal and interest unless, as discussed in the Glossary entry for "Nonaccrual Status":

(1) The asset has been modified to borrowers experiencing financial difficulty and qualifies for accrual status;

(2) The asset is a purchased credit-impaired loan, pool of loans, or debt security accounted for in accordance with ASC Subtopic 310-30 and it meets the criteria for accrual of income under the interest method specified in that Subtopic; or

(3) The borrower has resumed paying the full amount of the scheduled contractual interest and principal payments on a loan that is past due and in nonaccrual status, even though the loan has not been brought fully current, and certain repayment criteria are met.

For further information, see the Glossary entry for "Nonaccrual Status."

Loan Modifications to Borrowers Experiencing Financial Difficulty – Institutions are required for financial reporting purposes to disclose modifications to borrowers experiencing financial difficulty if such modifications include principal forgiveness, an interest rate reduction, an other-than-insignificant payment delay, or a term extension (or a combination thereof). The amounts reported should include modifications that were accounted for as new loans in addition to modifications that were accounted for as a continuation of existing loans. Include only loans modified after the beginning of the fiscal year in which ASU No. 2022-02, "Financial Instruments–Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures," was adopted.

For further information, see the Glossary entry for "Loan Modifications to Borrowers Experiencing Financial Difficulty."

## Column Instructions

The columns of Schedule RC-N are mutually exclusive. Any given loan, lease, debt security, or other asset should be reported in only one of columns A, B, and C. Information reported for any given derivative contract should be reported in only column A or column B.

Institutions should report asset amounts in columns A, B, and C without any deduction for applicable allowances for credit losses.

Report in columns A and B of Schedule RC-N the balance sheet amounts of (not just the delinquent payments on) loans, leases, debt securities, and other assets that are past due and upon which the bank continues to accrue interest, as follows:

(1) In column A, report closed-end monthly installment loans, amortizing loans secured by real estate, lease financing receivables, and open-end credit in arrears two or three monthly payments; other multipayment obligations with payments scheduled other than monthly when one scheduled payment is due and unpaid for 30 through 89 days; single payment and demand notes, debt securities, and other assets providing for payment of interest at stated intervals after one interest payment is due and unpaid for 30 through 89 days; single payment notes, debt securities, and other assets providing for payment of interest at maturity, on which interest or principal remains unpaid for 30 through 89 days after maturity; unplanned overdrafts, whether or not the bank is accruing interest on them, if the account remains continuously overdrawn for 30 through 89 days.

(2) In column B, report the loans, lease financing receivables, debt securities, and other assets as specified above on which payment is due and unpaid for 90 days or more.

Include in columns A and B, as appropriate, all loans, leases, debt securities, and other assets which, subsequent to their restructuring by means of a modification of terms, have become 30 days or more past due and upon which the bank continues to accrue interest. Exclude from columns A and B all loans, leases, debt securities, and other assets that are in nonaccrual status.

**Column Instructions (cont.)**

Report in column C the balance sheet amounts of loans, leases, debt securities, and other assets that are in nonaccrual status. Include all restructured loans, leases, debt securities, and other assets that are in nonaccrual status. However, restructured loans, leases, debt securities, and other assets with a zero percent effective interest rate are not to be reported in this column as nonaccrual assets.

**Item Instructions**

The loan and lease category definitions used in Schedule RC-N correspond with the loan and lease category definitions found in Schedule RC-C, Part I. Consistent with Schedule RC-C, Part I, the category-by-category breakdown of loans and leases in Schedule RC-N includes (1) loans and leases held for sale and (2) loans and leases held for investment, i.e., loans and leases that the bank has the intent and ability to hold for the foreseeable future or until maturity or payoff.

| Item No. | Caption and Instructions |
|---|---|
| 1 | **Loans secured by real estate**. Report in the appropriate subitem and column all loans secured by real estate included in Schedule RC-C, Part I, item 1, that are past due 30 days or more or are in nonaccrual status as of the report date. |
| 1.a | **Construction, land development, and other land loans.** Report in the appropriate subitem and column the amount of all construction, land development, and other land loans included in Schedule RC-C, Part I, item 1.a, that are past due 30 days or more or are in nonaccrual status as of the report date. |
| 1.a.(1) | **1-4 family residential construction loans.** Report in the appropriate column the amount of all 1-4 family residential construction loans included in Schedule RC-C, Part I, item 1.a.(1), that are past due 30 days or more or are in nonaccrual status as of the report date. |
| 1.a.(2) | **Other construction loans and all land development and other land loans.** Report in the appropriate column the amount of all other construction loans and all land development and other land loans included in Schedule RC-C, Part I, item 1.a.(2), that are past due 30 days or more or are in nonaccrual status as of the report date. |
| 1.b | **Secured by farmland.** Report in the appropriate column the amount of all loans secured by farmland included in Schedule RC-C, Part I, item 1.b, that are past due 30 days or more or are in nonaccrual status as of the report date. |
| 1.c | **Secured by 1-4 family residential properties.** Report in the appropriate subitem and column the amount of all loans secured by 1-4 family residential properties included in Schedule RC-C, Part I, item 1.c, that are past due 30 days or more or are in nonaccrual status as of the report date. |
| 1.c.(1) | **Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit.** Report in the appropriate column the amount outstanding under all revolving, open-end loans secured by 1-to-4 family residential properties and extended under lines of credit included in Schedule RC-C, Part I, item 1.c.(1), that are past due 30 days or more or are in nonaccrual status as of the report date. |

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

**1.c.(2)** **Closed-end loans secured by 1-4 family residential properties.** Report in the appropriate subitem and column the amount of all closed-end loans secured by 1-to-4 family residential properties included in Schedule RC-C, Part I, item 1.c.(2), that are past due 30 days or more or are in nonaccrual status as of the report date.

**1.c.(2)(a)** **Secured by first liens.** Report in the appropriate column the amount of all closed-end loans secured by first liens on 1-to-4 family residential properties included in Schedule RC-C, Part I, item 1.c.(2)(a), that are past due 30 days or more or are in nonaccrual status as of the report date.

**1.c.(2)(b)** **Secured by junior liens.** Report in the appropriate column the amount of all closed-end loans secured by junior liens on 1-to-4 family residential properties included in Schedule RC-C, Part I, item 1.c.(2)(b), that are past due 30 days or more or are in nonaccrual status as of the report date. Include loans secured by junior liens in this item even if the bank also holds a loan secured by a first lien on the same 1-to-4 family residential property and there are no intervening junior liens.

**1.d** **Secured by multifamily (5 or more) residential properties.** Report in the appropriate column the amount of all loans secured by multifamily (5 or more) residential properties included in Schedule RC-C, Part I, item 1.d, that are past due 30 days or more or are in nonaccrual status as of the report date.

**1.e** **Secured by nonfarm nonresidential properties.** Report in the appropriate subitem and column the amount of all loans secured by nonfarm residential properties included in Schedule RC-C, Part I, item 1.e, that are past due 30 days or more or are in nonaccrual status as of the report date.

**1.e.(1)** **Loans secured by owner-occupied nonfarm nonresidential properties.** Report in the appropriate column the amount of loans secured by owner-occupied nonfarm nonresidential properties included in Schedule RC-C, Part I, item 1.e.(1), that are past due 30 days or more or are in nonaccrual status as of the report date.

**1.e.(2)** **Loans secured by other nonfarm nonresidential properties.** Report in the appropriate column the amount of loans secured by other nonfarm nonresidential properties included in Schedule RC-C, Part I, item 1.e.(2), that are past due 30 days or more or are in nonaccrual status as of the report date.

**2** **Loans to depository institutions and acceptances of other banks.** Report in the appropriate column the amount of all loans to depository institutions and acceptances of other banks included in Schedule RC-C, Part I, item 2, that are past due 30 days or more or are in nonaccrual status as of the report date.

**3** Not applicable.

**4** **Commercial and industrial loans.** Report in the appropriate column the amount of all commercial and industrial loans included in Schedule RC-C, Part I, item 4, that are past due 30 days or more or are in nonaccrual status as of the report date.

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

**5** **Loans to individuals for household, family, and other personal expenditures.** Report in the appropriate subitem and column the amount of all loans to individuals for household, family, and other personal expenditures (i.e., consumer loans) included in Schedule RC-C, Part I, item 6, that are past due 30 days or more or are in nonaccrual status as of the report date.

**5.a** **Credit cards.** Report in the appropriate column the amount of all extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards included in Schedule RC-C, Part I, item 6.a, that are past due 30 days or more or are in nonaccrual status as of the report date.

**5.b** **Automobile loans.** Report in the appropriate column the amount of loans arising from retail sales of passenger cars and other vehicles such as minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use included in Schedule RC-C, Part I, item 6.c, that are past due 30 days or more or are in nonaccrual status as of the report date.

**5.c** **Other.** Report in the appropriate column the amount of all other loans to individuals for household, family, and other personal expenditures included in Schedule RC-C, Part I, items 6.b and 6.d, that are past due 30 days or more or are in nonaccrual status as of the report date.

**6** Not applicable.

**7** **All other loans.** Report in the appropriate column the amount of all other loans that cannot properly be reported in Schedule RC-N, items 1.a through 5.c, above, that are past due 30 days or more or are in nonaccrual status as of the report date. This includes:

- loans to finance agricultural production and other loans to farmers included in Schedule RC-C, Part I, item 3;
- obligations (other than securities and leases) of states and political subdivisions in the U.S. included in Schedule RC-C, Part I, item 8;
- loans to nondepository financial institutions included in Schedule RC-C, Part I, item 9.a; and
- other loans included in Schedule RC-C, Part I, item 9.b.

**8** **Lease financing receivables (net of unearned income).** Report in the appropriate column the amount of all lease financing receivables (net of unearned income) included in Schedule RC-C, Part I, item 10, that are past due 30 days or more or are in nonaccrual status as of the report date.

**9** **Total loans and leases.** For columns A through C, report the sum of items 1 through 8.

**10** **Debt securities and other assets.** Report in the appropriate column all assets other than loans and leases reportable in Schedule RC-C that are past due 30 days or more or are in nonaccrual status as of the report date. Include such assets as debt securities and interest-bearing balances due from depository institutions. Also include operating lease payments receivable that have been recorded as assets in Schedule RC, item 11, when the operating lease is past due 30 days or more or in nonaccrual status.

Exclude other real estate owned reportable in Schedule RC, item 7, and other repossessed assets reportable in Schedule RC, item 11, such as automobiles, boats, equipment, appliances, and similar personal property.

**11** **Loans and leases reported in items 1 through 8 above that are wholly or partially guaranteed by the U.S. Government, excluding loans and leases covered by loss-**

**sharing agreements with the FDIC.** Report in the appropriate column the aggregate

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

**11** (cont.) amount of all loans and leases reported in Schedule RC-N, items 1 through 8, above for which repayment of principal is wholly or partially guaranteed or insured by the U.S. Government, including its agencies and its government-sponsored agencies, but excluding loans and leases covered by loss-sharing agreements with the FDIC, which are reported in Schedule SU, item 9. Examples include loans guaranteed by the Small Business Administration and the Federal Housing Administration. Amounts need not be reported in this item and in items 11.a and 11.b below if they are considered immaterial.

Exclude from this item loans and leases guaranteed or insured by state or local governments, state or local government agencies, foreign (non-U.S.) governments, and private agencies or organizations. Also exclude loans and leases collateralized by securities issued by the U.S. Government, including its agencies and its government-sponsored agencies.

**11.a** **Guaranteed portion of loans and leases included in item 11 above, excluding rebooked "GNMA loans."** Report in the appropriate column the maximum amount recoverable from the U.S. Government, including its agencies and its government-sponsored agencies, under the guarantee or insurance provisions applicable to the loans and leases included in Schedule RC-N, item 11, above.

Seller-servicers of GNMA loans should exclude all delinquent rebooked GNMA loans that have been repurchased or are eligible for repurchase from this item (report such rebooked GNMA loans in item 11.b below). Servicers of GNMA loans should exclude individual delinquent loans (for which they were not the transferor) that they have purchased out of GNMA securitizations from this item (report such purchased GNMA loans in item 11.b below).

**11.b** **Rebooked "GNMA loans" that have been repurchased or are eligible for repurchase included in item 11 above.** Report in the appropriate column the amount included in Schedule RC-N, item 11, of:

(1) Delinquent rebooked GNMA loans that have been repurchased or are eligible for repurchase by seller-servicers of GNMA loans; and

(2) Delinquent loans that have been purchased out of GNMA securitizations by servicers of GNMA loans that were not the transferors of the loans.

**12** **Portion of covered loans and leases included in item 9 above that is protected by FDIC loss-sharing agreements.** Report in column B "(Past due 90 days or more and still accruing") and column C "(Nonaccrual"), as appropriate, the maximum amount recoverable from the FDIC under loss-sharing agreements covering the past due and nonaccrual loans and leases reported in Schedule RC-N, item 9, above beyond the amount that has already been reflected in the measurement of the reporting bank's indemnification asset, which represents the right to receive payments from the FDIC under the loss-sharing agreement. Amounts need not be reported in this item if they are considered immaterial.

In general, the maximum amount recoverable from the FDIC on covered past due and nonaccrual loans and leases is the recorded amount of these loans and leases, as reported in Schedule RC-N, item 9, multiplied by the currently applicable loss coverage rate (e.g., 80 percent or 95 percent). This product will normally be the maximum amount recoverable because reimbursements from the FDIC for covered losses related to the amount by which the "book value" of a covered asset on the failed institution's books (which is the amount upon which payments under an FDIC loss-sharing agreement are based) exceeds the amount at which the reporting bank reports the covered asset on Schedule RC, Balance Sheet, should already have been taken into account in measuring the carrying amount of the reporting bank's loss-sharing indemnification asset, which is reported in Schedule RC-F, item 6, "All other assets."

## Memoranda

**Item No. Caption and Instructions**

NOTE: Schedule RC-N, Memorandum items 1.a.(1) through 1.f.(5), are to be completed semiannually in the June and December reports only. Memorandum item 1.g is to be completed quarterly.

**1** **Loan modifications to borrowers experiencing financial difficulty included in Schedule RC-N, items 1 through 7, above.** Report in the appropriate subitem and column loans that have been modified to borrowers experiencing financial difficulty (as described in "Definitions" above) and are past due, under their modified repayment terms, 30 days or more or are in nonaccrual status as of the report date. Such loans will have been included in one or more of the loan categories in items 1 through 7 of this schedule. Exclude loans modified to borrowers experiencing financial difficulty that are in compliance with their modified terms (report in Schedule RC-C, Part I, Memorandum item 1),

For further information, see the Glossary entry for "Loan Modifications to Borrowers Experiencing Financial Difficulty."

**1.a** **Construction, land development, and other land loans:**

**1.a.(1)** **1-4 family construction loans.** Report in the appropriate column all loans secured by real estate for the purpose of constructing 1-4 family residential properties included in item 1.a.(1) of this schedule that have been modified to borrowers experiencing financial difficulty.

**1.a.(2)** **Other construction loans and all land development and other land loans.** Report in the appropriate column all construction loans for purposes other than constructing 1-4 family residential properties, all land development loans, and all other land loans included in item 1.a.(2) of this schedule that have been modified to borrowers experiencing financial difficulty.

**1.b** **Loans secured by 1-4 family residential properties.** Report in the appropriate column all loans secured by 1-4 family residential properties included in item 1.c of this schedule that have been modified to borrowers experiencing financial difficulty.

**1.c** **Loans secured by multifamily (5 or more) residential properties.** Report in the appropriate column all loans secured by multifamily (5 or more) residential properties included in item 1.d of this schedule that have been modified to borrowers experiencing financial difficulty.

**1.d** **Secured by nonfarm nonresidential properties:**

**1.d.(1)** **Loans secured by owner-occupied nonfarm nonresidential properties.** Report in the appropriate column all loans secured by owner-occupied nonfarm nonresidential properties included in item 1.e.(1) of this schedule that have been modified to borrowers experiencing financial difficulty.

**1.d.(2)** **Loans secured by other nonfarm nonresidential properties.** Report in the appropriate column all nonfarm nonresidential real estate loans not secured by owner-occupied nonfarm nonresidential properties included in item 1.e.(2) of this schedule that have been modified to borrowers experiencing financial difficulty.

**Memoranda**

| Item No. | Caption and Instructions |
|---|---|

**1.e** **Commercial and industrial loans.** Report all commercial and industrial loans included in item 4 of this schedule that have been modified to borrowers experiencing financial difficulty.

**1.f** **All other loans.** Report in the appropriate column all other loans that cannot properly be reported in Schedule RC-N, Memorandum items 1.a through 1.e, above that have been modified to borrowers experiencing financial difficulty. Include in the appropriate column of this item all loans in the following categories that have been modified to borrowers experiencing financial difficulty:

(1) Loans secured by farmland included in Schedule RC-N, item 1.b;

(2) Loans to depository institutions and acceptances of other banks included in Schedule RC-N, item 2;

(3) Consumer credit cards included in Schedule RC-N, item 5.a;

(4) Consumer automobile loans included in Schedule RC-N, item 5.b;

(5) Other consumer loans included in Schedule RC-N, items 5.c; and

(6) All other loans included in Schedule RC-N, item 7, including:
   (a) loans to finance agricultural production and other loans to farmers included in Schedule RC-C, Part I, item 3;
   (b) obligations (other than securities and leases) of states and political subdivisions in the U.S. included in Schedule RC-C, Part I, item 8;
   (c) loans to nondepository financial institutions included in Schedule RC-C, Part I, item 9.a; and
   (d) other loans included in Schedule RC-C, Part I, item 9.b.

For loans in the following loan categories within “All other loans” that have been modified to borrowers experiencing financial difficulty, report the amount of such modified loans in the appropriate subitem of Schedule RC-N, Memorandum item 1.f, if the dollar amount of such restructured loans in that loan category exceeds 10 percent of total loan modifications to borrowers experiencing financial difficulty that are not in compliance with their modified terms (i.e., 10 percent of the sum of Schedule RC-N, Memorandum items 1.a through 1.f):

- Memorandum item 1.f.(1), “Loans secured by farmland”;
- Memorandum item 1.f.(4)(a), Consumer “Credit cards”;
- Memorandum item 1.f.(4)(b), Consumer “Automobile loans”;
- Memorandum item 1.f.(4)(c), “Other” consumer loans; and
  Memorandum item 1.f.(5), “Loans to finance agricultural production and other loans to farmers,” for banks with $300 million or more in total assets and banks with less than $300 million in total assets that have loans to finance agricultural production and other loans to farmers (Schedule RC-C, Part I, item 3) exceeding five percent of total loans and leases held for investment and held for sale (Schedule RC-C, Part I, item 12).

**Memoranda**

| Item No. | Caption and Instructions |
|---|---|

**1.g** **Total loan modifications to borrowers experiencing financial difficulty included in Schedule RC-N, items 1 through 7, above.** In the reports for March and September, report in columns A, B, and C the total amount of loans modified to borrowers experiencing financial difficulty that are included in Schedule RC-N, items 1 through 7, columns A, B, and C, above, respectively. In the reports for June and December, for columns A through C, report the sum of Memorandum items 1.a.(1) through 1.f. Exclude amounts reported in Memorandum items 1.f.(1) through 1.f.(5) when calculating the total in this Memorandum item 1.g.

**2** **Loans to finance commercial real estate, construction, and land development activities included in Schedule RC-N, items 4 and 7, above.** Report in the appropriate column the amount of loans to finance commercial real estate, construction, and land development activities ***not secured by real estate*** included in Schedule RC-C, part I, Memorandum item 3, that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans will have been included in items 4 and 7 of Schedule RC-N above. Exclude from this item all loans secured by real estate included in item 1 of Schedule RC-N above.

**3** Not applicable.

NOTE: Memorandum item 4 is to be completed by:

- banks with $300 million or more in total assets, and
- banks with less than $300 million in total assets that have loans to finance agricultural production and other loans to farmers, as defined for Schedule RC-C, Part I, item 3, exceeding five percent of total loans and leases held for investment and held for sale (Schedule RC-C, Part I, item 12).

**4** **Loans to finance agricultural production and other loans to farmers.** Report in the appropriate column the amount of all loans to finance agricultural production and other loans to farmers included in Schedule RC-C, Part I, item 3, that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans will have been included in Schedule RC-N, item 7, above.

NOTE: Memorandum item 5 is to be completed semiannually in the June and December reports only.

**5** **Loans and leases held for sale.** Report in the appropriate column the carrying amount of all loans and leases classified as held for sale included in Schedule RC, item 4.a, whether measured at the lower of cost or fair value or at fair value under a fair value option, that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans and leases will have been included in one or more of the loan and lease categories in items 1 through 8 of Schedule RC-N above and would, therefore, exclude any loans classified as trading assets and included in Schedule RC, item 5.

**6** Not applicable.

NOTE: Memorandum items 7 and 8 are to be reported semiannually in the June and December reports only.

**7** **Additions to nonaccrual assets during the previous six months.** Report the aggregate amount of all loans, leases, debt securities, and other assets (net of unearned income) that have been placed in nonaccrual status during the six months ending on the semiannual (i.e., June 30 or December 31) report date for this item. Include those assets placed in nonaccrual status during this six month period that are included as of the current report date in Schedule RC-N, column C, items 1 through 8 and 10. Also include those assets placed in

## Memoranda

| Item No. | Caption and Instructions |
|---|---|
| 7 (cont.) | nonaccrual status during this six month period that, before the current semiannual report date for this item, have been sold, paid off, charged-off, settled through foreclosure or concession of collateral (or any other disposition of the nonaccrual asset) or have been returned to accrual status. In other words, the aggregate amount of assets placed in nonaccrual status since the prior semiannual report date that should be reported in this item should not be reduced, for example, by any charge-offs or sales of such nonaccrual assets. If a given asset status more than once during the six month period ending on the current semiannual report date, report the amount of the asset only once. |
| 8 | **Nonaccrual assets sold during the previous six months.** Report the total of the outstanding balances of all loans, leases, debt securities, and other assets held in nonaccrual status (i.e., reportable in Schedule RC-N, column C, items 1 through 8 and 10) that were sold during the six months ending on the semiannual (i.e., June 30 or December 31) report date for this item. The amount to be included in this item is the outstanding balance (net of unearned income) of each nonaccrual asset at the time of its sale. Do not report the sales price of the nonaccrual assets and do not include any gains or losses from the sale. For purposes of this item, only include those transfers of nonaccrual assets that meet the criteria for a sale as set forth in ASC Topic 860, Transfers and Servicing. For further information, see the Glossary entry for "Transfers of Financial Assets." |
| 9 | **Loans to nondepository financial institutions included in Schedule RC-N, item 7.** Report in the appropriate column the amount of all loans to nondepository financial institutions included in Schedule RC-C, Part I, item 9.a, that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans will have been included in Schedule RC-N, item 7. |

# SCHEDULE RC-O – OTHER DATA FOR DEPOSIT INSURANCE ASSESSMENTS

## General Instructions

Each FDIC-insured depository institution that files the FFIEC 051 must complete Schedule RC-O each quarter on an "unconsolidated single FDIC certificate number basis," unless otherwise indicated below.

Each separately chartered depository institution that is insured by the FDIC has a unique FDIC certificate number. When one FDIC-insured institution that files the FFIEC 051 owns another FDIC-insured institution as a subsidiary, the parent institution should complete items 1 through 11 (except item 9.a) and Memorandum items 1, 2 (if applicable), and 3 of Schedule RC-O by accounting for the insured institution subsidiary under the equity method of accounting instead of consolidating it, i.e., on an "unconsolidated single FDIC certificate number basis." Thus, each FDIC-insured institution should report only its own amounts in items 1 through 11 (except item 9.a) and Memorandum items 1, 2 (if applicable), and 3 of Schedule RC-O under its own FDIC certificate number without eliminating the parent and subsidiary institutions' intercompany balances. (However, an FDIC-insured institution that owns another FDIC-insured institution should complete item 9.a by consolidating its subsidiary institution.) In contrast, when an FDIC-insured institution has entities other than FDIC-insured institutions that must be consolidated for purposes of Schedule RC, Balance Sheet, the parent institution should complete items 1 through 11 and Memorandum items 1, 2 (if applicable), and 3 of Schedule RC-O on a consolidated basis with respect to these other entities.

An institution that has a community bank leverage ratio (CBLR) framework election in effect as of the quarter-end report date, as reported in Schedule RC-R, Part I, item 31.a (and further described in the General Instructions for Schedule RC-R, Part I), shall be classified as a small institution for deposit insurance assessments, even if that institution otherwise would be classified as a large institution.

## Item Instructions

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

**1** **Total deposit liabilities before exclusions (gross) as defined in Section 3(l) of the Federal Deposit Insurance Act and FDIC regulations.** Report on an unconsolidated single FDIC certificate number basis the gross total deposit liabilities as of the calendar quarter-end report date that meet the statutory definition of deposits in Section 3(l) of the Federal Deposit Insurance Act before deducting allowable exclusions from total deposits. An institution's gross total deposit liabilities are the combination of:

- All deposits reported in Schedule RC, item 13.a;
- Interest accrued and unpaid on deposits reported in Schedule RC-G, item 1.a;
- Uninvested trust funds held in the institution's own trust department;
- Deposits of consolidated subsidiaries (except any consolidated subsidiary that is an FDIC-insured institution) and the interest accrued and unpaid on such deposits;
- The amount by which demand deposits reported in Schedule RC, item 13.a, have been reduced from the netting of the reporting institution's reciprocal demand balances with foreign banks and foreign offices of other U.S. banks (other than insured branches in Puerto Rico and U.S. territories and possessions); and
- The amount by which any other deposit liabilities reported in Schedule RC, item 13.a, have been reduced by assets netted against these liabilities in accordance with generally accepted accounting principles;
- Less the amount of unamortized premiums included in the amount of deposit liabilities reported in Schedule RC, item 13.a;
- Plus the amount of unamortized discounts reflected in the amount of deposit liabilities reported in Schedule RC, item 13.a;

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

**1** (cont.)

- Plus other obligations meeting the Section 3(l) statutory definition of a deposit that may be housed in systems of record not normally thought of as deposit systems, such as loan, payroll, and escrow systems and manual records that contain information needed to answer depositors' questions on their deposits.

See the Glossary entry for "deposits" for the statutory definition of deposits.

If unposted debits and unposted credits are included in the gross total deposit liabilities reported in this item, they may be excluded in Schedule RC-O, item 2 below.

**2** **Total allowable exclusions, including interest accrued and unpaid on allowable exclusions.** Report on an unconsolidated single FDIC certificate number basis the total amount of allowable exclusions from deposits as of the calendar quarter-end report date if the institution maintains such records as will readily permit verification of the correctness of its reporting of exclusions.

Any accrued and unpaid interest on the allowable exclusions listed below should also be reported in this item as an allowable exclusion.

For an institution that files the FFIEC 051, the allowable exclusions include:

(1) *Reciprocal balances*: Any demand deposit due from or cash item in the process of collection due from any depository institution up to the total amount of deposit balances due to and cash items in the process of collection due such depository institution.

(2) *Drafts drawn on other depository institutions*: Any outstanding drafts (including advices and authorization to charge the depository institution's balance in another bank) drawn in the regular course of business by the reporting depository institution.

(3) *Pass-through reserve balances*: Reserve balances passed through to the Federal Reserve by the reporting institution that are also reflected as deposit liabilities of the reporting institution. This exclusion is not applicable to an institution that does not act as a correspondent bank in any pass-through reserve balance relationship. A state nonmember bank generally cannot act as a pass-through correspondent unless it maintains an account for its own reserve balances directly with the Federal Reserve.

(4) *Depository institution investment contracts*: Liabilities arising from depository institution investment contracts that are not treated as insured deposits under section 11(a)(5) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(5)). A Depository Institution Investment Contract is a separately negotiated depository agreement between an employee benefit plan and an insured depository institution that guarantees a specified rate for all deposits made over a prescribed period and expressly permits benefit-responsive withdrawals or transfers.

(5) *Accumulated deposits:* Deposits accumulated for the payment of personal loans that are assigned or pledged to assure payment of the loans at maturity. Deposits that simply serve as collateral for loans are not an allowable exclusion.

**3** Not applicable.

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

**4** **Average consolidated total assets for the calendar quarter.** Report average consolidated total assets for the calendar quarter on a single FDIC certificate number basis in accordance with the guidance on "Averaging method" and "Measuring average consolidated total assets" below. For purposes of this item, average consolidated total assets is not a quarterly average of total assets measured in accordance with the instructions for Schedule RC, item 12, "Total assets."

Averaging methods – An institution that reported $1 billion or more in quarter-end consolidated total assets in its Consolidated Reports of Condition and Income (Schedule RC, item 12, "Total assets") or Thrift Financial Report (Schedule SC, line item SC60, "Total assets") for March 31, 2011, and any institution that becomes FDIC-insured after March 31, 2011, must report average consolidated total assets in this item on a daily average basis. An institution that reported less than $1 billion in quarter-end consolidated total assets in its Consolidated Reports of Condition and Income (Schedule RC, item 12, "Total assets") or Thrift Financial Report (Schedule SC, line item SC60, "Total assets") for March 31, 2011, may report average consolidated total assets in this item on a weekly average basis, or it may at any time opt permanently to report average consolidated total assets on a daily average basis. Once an institution that reports average consolidated total assets using a weekly average reports average consolidated total assets of $1 billion or more in this item for two consecutive quarters, it must permanently report average consolidated total assets using daily averaging beginning the next quarter.

Daily average consolidated total assets should be calculated by adding the institution's consolidated total assets as of the close of business for each day of the calendar quarter and dividing by the number of days in the calendar quarter (the number of days in a quarter ranges from 90 days to 92 days). For days that an institution is closed (e.g., Saturdays, Sundays, or holidays), the amount from the previous business day would be used. An institution is considered closed if there are no transactions posted to the general ledger as of that date.

Weekly average consolidated total assets should be calculated by adding the institution's consolidated total assets as of the close of business on each Wednesday during the calendar quarter and dividing by the number of Wednesdays in the quarter.

An institution that becomes newly insured and begins operating during the calendar quarter should report average consolidated total assets on a daily average basis. Daily average consolidated total assets for such an institution should be calculated by adding the institution's consolidated total assets as of the close of business for each day during the quarter since it became insured and operational, and dividing by the number of calendar days since it became insured and operational.

Measuring average consolidated total assets – Average consolidated total assets should be measured in accordance with the instructions for Schedule RC-K, item 9, average "Total assets" (i.e., including the adjustment for available-for-sale debt securities), except as follows:

(1) If the reporting institution has an FDIC-insured depository institution subsidiary, the subsidiary should not be consolidated. Instead, the reporting institution's investment in this subsidiary should be included in average consolidated total assets using the equity method of accounting.

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

**4** (cont.)

(2) If the reporting institution is the surviving or resulting institution in a merger or consolidation that occurred during the calendar quarter, the reporting institution should calculate its average consolidated total assets by including the consolidated total assets of all FDIC-insured depository institutions that were merged or consolidated into the reporting institution as if the merger or consolidation occurred on the first day of the calendar quarter. Acceptable methods for including a merged or consolidated FDIC-insured depository institution's consolidated total assets in this calculation for the days during the calendar quarter preceding the merger or consolidation date include using either (a) the acquisition date fair value of the merged or consolidated institution's consolidated total assets for all days (or all Wednesdays) during the calendar quarter preceding the acquisition date or (b) the merged or consolidated institution's consolidated total assets, as defined for Schedule RC-K, item 9, average "Total assets," for each day (or each Wednesday) during the calendar quarter preceding the acquisition date.[1]

(3) If the reporting institution was acquired in a transaction that became effective during the calendar quarter and push down accounting was used to account for the acquisition, the reporting institution should calculate its average consolidated total assets as if the acquisition occurred on the first day of the calendar quarter. Acceptable methods for including the institution's consolidated total assets in this calculation for the days during the calendar quarter preceding the acquisition date include using either (a) the acquisition date fair value of the reporting institution's consolidated total assets for all days (or all Wednesdays) during the calendar quarter preceding the acquisition date or (b) the reporting institution's consolidated total assets, as defined for Schedule RC-K, item 9, average "Total assets," for each day (or each Wednesday) during the calendar quarter preceding the acquisition date.

**4.a** **Averaging method used.** Indicate the averaging method that the reporting institution used to report its average consolidated total assets in Schedule RC-O, item 4, above. For daily averaging, enter the number "1"; for weekly averaging, enter the number "2."

**5** **Average tangible equity for the calendar quarter.** Report average tangible equity for the calendar quarter on an unconsolidated single FDIC certificate number basis in accordance with the guidance on "Averaging methods" and "Measuring tangible equity" below. For purposes of this item, tangible equity is defined as Tier 1 capital as set forth in the banking agencies' regulatory capital standards and reported in Schedule RC-R, Part I, item 26, except as described below under "Measuring tangible equity."

NOTE: In accordance with Section 327.5(a)(2) of the FDIC's regulations, daily averaging of tangible equity for purposes of reporting in this item is not permitted. As described below under "Averaging methods," the amount to be reported in this item should only be either: (1) quarter-end tangible equity as of the last day of the quarter; or (2) the average of the three month-end Tier 1 capital balances for the quarter.

[1] This approach to calculating average consolidated total assets for purposes of Schedule RC-O, item 4, does not apply if the reporting institution is the surviving or resulting institution in a merger or consolidation during the calendar quarter involving an entity, such as a credit union, that is not an FDIC-insured depository institution. In such a merger or consolidation, the reporting institution should apply the guidance on business combinations in the General Instructions for Schedule RC-K when measuring average consolidated total assets for purposes of Schedule RC-O, item 4.

| Item No. | Caption and Instructions |
|---|---|
| 5 (cont.) | Averaging methods – An institution that reported $1 billion or more in quarter-end consolidated total assets in its Consolidated Reports of Condition and Income (Schedule RC, item 12, "Total assets") or Thrift Financial Report (Schedule SC, line item SC60, "Total assets") for March 31, 2011, and any institution that becomes FDIC-insured after March 31, 2011, must report average tangible equity on a monthly average basis. Monthly averaging means the average of the three month-end balances within the quarter. An institution that reported less than $1 billion in quarter-end consolidated total assets in its Consolidated Reports of Condition and Income (Schedule RC, item 12, "Total assets") or Thrift Financial |

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

**5** (cont.) Report (Schedule SC, line item SC60, "Total assets") for March 31, 2011, may report its quarter-end tangible equity rather than an average amount, or it may at any time opt permanently to report average tangible equity on a monthly average basis. Once an institution that reports average consolidated total assets using a daily or weekly average reports average consolidated total assets of $1 billion or more in Schedule RC-O, item 4, for two consecutive quarters, it must permanently report average tangible equity using monthly averaging beginning the next quarter.

Monthly average tangible equity should be calculated by adding Tier 1 capital as of each month-end date during the calendar quarter (measured as described below under "Measuring tangible equity") and dividing by three. For example, monthly average tangible equity for June 30, 2017, would be the sum of Tier 1 capital as of April 30, May 31, and June 30, 2017, divided by three. However, institutions required or electing to report average tangible equity on a monthly average basis normally are not required to perform monthly provisions for credit losses or deferred tax calculations in accordance with generally accepted accounting principles for the first two months of a quarter. Accordingly, such institutions may use one third of the amount of the provisions for credit losses and deferred tax expense (benefit) reported for the calendar quarter for purposes of estimating the retained earnings component of Tier 1 capital in each of the first two months of the quarter.

An institution that becomes newly insured and begins operating during the calendar quarter should report average tangible equity on a monthly average basis. Monthly average tangible equity for such an institution should be calculated by adding the institution's Tier 1 capital as of each month-end date during the quarter since it became insured and operational, and dividing by the number of month-end dates since it became insured and operational.

Measuring tangible equity – Institutions should measure tangible equity in accordance with the instructions for Schedule RC-R, Part I, item 26, "Tier 1 capital," except as follows:

(1) If the reporting institution has an FDIC-insured depository institution subsidiary, the subsidiary should not be consolidated. Instead, the reporting institution should measure its equity capital and its Tier 1 capital by accounting for this subsidiary using the equity method of accounting.

(2) If the reporting institution is the surviving or resulting institution in a merger or consolidation that occurred after the end of the first month of the calendar quarter and it reports its average tangible equity on a monthly average basis, the reporting institution should calculate its average tangible equity as if the merger or consolidation occurred on the first day of the calendar quarter. An acceptable method for measuring tangible equity for month-end dates during the calendar quarter preceding the merger or consolidation date would be to use the amount of Tier 1 capital for the month-end date immediately following the merger or consolidation date as the amount of Tier 1 capital for the month-end date or dates preceding the merger or consolidation date.

(3) If the reporting institution was acquired in a transaction that became effective after the end of the first month of the calendar quarter, push down accounting was used to account for the acquisition, and the institution reports its average tangible equity on a monthly average basis, the reporting institution should calculate its average tangible equity as if the acquisition occurred on the first day of the calendar quarter. An acceptable method for measuring tangible equity for month-end dates during the calendar quarter preceding the acquisition date would be to use the amount of Tier 1 capital for the month-end date immediately following the acquisition date as the amount of Tier 1 capital for the month-end date or dates preceding the acquisition date.

| Item No. | Caption and Instructions |
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**6** **Holdings of long-term unsecured debt issued by other FDIC-insured depository institutions.** Report on an unconsolidated single FDIC certificate number basis the balance sheet amount of the reporting institution's holdings of long-term unsecured debt issued by other FDIC-insured depository institutions. Long-term unsecured debt includes senior unsecured debt, subordinated debt, and limited-life preferred stock with a remaining maturity of at least one year that has been issued by another depository institution. Any debt for which the reporting institution has the option to redeem the debt within the next 12 months is not considered long-term and may be excluded from this item.

Depending on the form of the debt and the intent for which it is held, holdings of long-term unsecured debt issued by other insured depository institutions are included in Schedule RC-B, item 6.a, "Other domestic debt securities"; Schedule RC-C, Part I, item 2, "Loans to depository institutions and acceptances of other banks"; and Schedule RC, item 5, "Trading assets."

Exclude holdings of long-term unsecured debt issued by bank and thrift holding companies.

**7** **Unsecured "Other borrowings" with a remaining maturity of.** Report on an unconsolidated single FDIC certificate number basis the amount of the bank's unsecured "Other borrowings" (as defined for Schedule RC-M, item 5.b) in the appropriate subitems according to the amount of time remaining until their final contractual maturities. Include both fixed rate and floating rate "Other borrowings" that are unsecured. In general, "Other borrowings" are unsecured if the bank (or a consolidated subsidiary) has not pledged securities, loans, or other assets as collateral for the borrowing.

The sum of Schedule RC-O, items 7.a through 7.d, must be less than or equal to Schedule RC-M, items 5.b.(1)(a) through (d) minus item 10.b.

Exclude from items 7.a through 7.d all borrowings reported in Schedule RC-M, item 10.b, "Amount of 'Other borrowings' that are secured," including all lease liabilities for finance leases accounted for under ASC Topic 842, Leases. Also exclude from items 7.a through 7.d all lease liabilities for operating leases accounted for under ASC Topic 842, which are reported in Schedule RC-G, item 4, "All other liabilities."

**7.a** **One year or less.** Report on an unconsolidated single FDIC certificate number basis all unsecured "Other borrowings" with a remaining maturity of one year or less. Include unsecured "Other borrowings" with a remaining maturity of over one year for which the holder has the option to redeem the debt instrument within one year of the report date. Except for such optionally redeemable borrowings, the unsecured "Other borrowings" that should be included in this item will also have been reported in Schedule RC-M, item 5.b.(2), "Other borrowings with a remaining maturity of one year or less."

**7.b** **Over one year through three years.** Report on an unconsolidated single FDIC certificate number basis all unsecured "Other borrowings" with a remaining maturity of over one year through three years.

**7.c** **Over three years through five years.** Report on an unconsolidated single FDIC certificate number basis all unsecured "Other borrowings" with a remaining maturity of over three years through five years.

**7.d** **Over five years.** Report on an unconsolidated single FDIC certificate number basis all unsecured "Other borrowings" with a remaining maturity of over five years.

| Item No. | Caption and Instructions |
|---|---|
| 8 | **Subordinated notes and debentures with a remaining maturity of.** Report on an unconsolidated single FDIC certificate number basis the amount of the bank's subordinated notes and debentures (as defined for Schedule RC, item 19, and in the Glossary entry for "subordinated notes and debentures") in the appropriate subitems according to the amount of time remaining until their final contractual maturities. Include both fixed rate and floating rate subordinated notes and debentures.<br><br>The sum of Schedule RC-O, items 8.a through 8.d, must be less than or equal to Schedule RC, item 19, "Subordinated notes and debentures." |
| 8.a | **One year or less.** Report on an unconsolidated single FDIC certificate number basis all subordinated notes and debentures with a remaining maturity of one year or less. Include subordinated notes and debentures with a remaining maturity of over one year for which the holder has the option to redeem the subordinated debt within one year of the report date. |
| 8.b | **Over one year through three years.** Report on an unconsolidated single FDIC certificate number basis all subordinated notes and debentures with a remaining maturity of over one year through three years. |
| 8.c | **Over three years through five years.** Report on an unconsolidated single FDIC certificate number basis all subordinated notes and debentures with a remaining maturity of over three years through five years. |
| 8.d | **Over five years.** Report on an unconsolidated single FDIC certificate number basis all subordinated notes and debentures with a remaining maturity of over five years. |
| 9 | **Brokered reciprocal deposits.** Report on an unconsolidated single FDIC certificate number basis the amount of brokered reciprocal deposits included in the amount of brokered deposits reported in Schedule RC-E, Memorandum item 1.b, "Total brokered deposits." Exclude reciprocal deposits that are not brokered reciprocal deposits. The amount reported in this item for brokered reciprocal deposits should be less than or equal to Schedule RC-E, Memorandum item 1.g, "Total reciprocal deposits."<br><br>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 the institution's brokered deposits pursuant to Section 337.6(e)" of the FDIC's regulations.<br><br>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." All reciprocal deposits, whether they are brokered reciprocal deposits or not, should be reported in Schedule RC-E, Memorandum item 1.g. The definitions of the terms "covered deposit," "deposit placement network," and "network member bank" are included in the instructions for Schedule RC-E, Memorandum item 1.g.<br><br>Limited Exception for Reciprocal Deposits<br><br>An "agent institution," as defined in Section 337.6(b)(2)(ii)(e)(1) of FDIC regulations, can except reciprocal deposits from being classified (and reported in Schedule RC-E, Memorandum item 1.b) as brokered deposits up to its applicable statutory caps, described below. |

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

**9** (cont.)

Under the *general cap*, an agent institution may except reciprocal deposits from treatment as brokered deposits up to the lesser of $5 billion or an amount equal to 20 percent of the agent institution's total liabilities. Reciprocal deposits in excess of the *general cap,* as well as those reciprocal deposits that do not meet the definition of "covered deposit" under Section 337.6(b)(2)(ii)(e)(2)(ii) of the FDIC's regulations, are brokered deposits and must be reported in Schedule RC-E, Memorandum item 1.b.

Definition of Special Cap – A *special cap* applies if the institution is either not well rated or not well capitalized.[1] The special cap is defined as:

> "the average amount of reciprocal deposits held by the agent institution on the last day of each of the 4 calendar quarters preceding the calendar quarter in which the agent institution was found not to have a composite condition of outstanding or good or was determined to be not well capitalized."

In no event, however, can an institution's non-brokered reciprocal deposits exceed the *general cap.*

Agent Institution – An institution that is not well rated or not well capitalized may qualify as an "agent institution" if:

(1) The amount of reciprocal deposits that the institution holds as of the first reporting period of being subject to the special cap is below or equal to the special cap and, in any reporting period that it remains subject to the special cap, it does not subsequently receive reciprocal deposits that cause the total amount of reciprocal deposits to exceed the special cap; OR

(2) The amount of reciprocal deposits that it holds as of the first quarter of being subject to the special cap is above the special cap, if such deposits were received before the institution became subject to the special cap and, in any reporting period that it remains subject to the special cap, it does not subsequently receive reciprocal deposits that cause the total amount of reciprocal deposits to exceed the special cap and the institution satisfies all other qualifications necessary to be an agent institution.

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" and all of its reciprocal deposits should be reported as brokered deposits in Schedule RC-E, Memorandum item 1.b, and as brokered reciprocal deposits in this item 9, and, if applicable, in item 9.a, below.

An institution shall consider the effective date of a CAMELS composite rating to be the date of written notification to the institution by its primary federal regulator, or state authority, of its supervisory rating.

An institution that is not well capitalized or that has a composite supervisory rating of other than outstanding (CAMELS "1") or good (CAMELS "2") as of the quarter-end date of the Call Report for which the institution is filing shall calculate the special cap by:

[1] See generally, 12 CFR Part 324, Subpart H (FDIC); 12 CFR Part 208, Subpart D (Federal Reserve Board); 12 CFR Part 6 (OCC). 12 U.S.C. 1831o. "Well capitalized" is defined in 12 CFR 337.6(a)(3)(i).

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

**9** (cont.)

(1) Determining the most recent calendar quarter in which the institution was both well capitalized and had a composite CAMELS rating of "1" or "2" at quarter-end.
(2) Calculating the average of the total amount of reciprocal deposits held by the institution on the last day of the calendar quarter determined above (in the preceding step) and on each of the three preceding calendar quarters.

To illustrate how an institution should calculate the special cap, consider the examples after the instructions to Schedule RC-E, Memorandum item 5.

NOTE: Item 9.a is to be completed on a fully consolidated basis by institutions that own another insured depository institution.

**9.a** **Fully consolidated brokered reciprocal deposits.** Report on a fully consolidated basis the amount of brokered reciprocal deposits (as defined in Schedule RC-O, item 9, above) included in the amount of brokered deposits reported in Schedule RC-E, Memorandum item 1.b, "Total brokered deposits."

**10** **Banker's bank certification: Does the reporting institution meet both the statutory definition of a banker's bank and the business conduct test set forth in FDIC regulations?** If the reporting institution meets both of these criteria on an unconsolidated single FDIC certificate number basis, it is a qualifying banker's bank and should answer "Yes" to item 10 and complete items 10.a and 10.b. If the reporting institution does not meet both of these criteria, it should answer "No" to item 10 and it should not complete items 10.a and 10.b.

The definition of "banker's bank" is set forth in 12 U.S.C. 24, which states that a banker's bank is an FDIC-insured bank where the stock of the bank or its parent holding company "is owned exclusively (except to the extent directors' qualifying shares are required by law) by depository institutions or depository institution holding companies (as defined in section 1813 of this title)" and the bank or its parent holding "company and all subsidiaries thereof are engaged exclusively in providing services to or for other depository institutions, their holding companies, and the officers, directors, and employees of such institutions and companies, and in providing correspondent banking services at the request of other depository institutions or their holding companies."

A bank that would otherwise meet the definition of a banker's bank, but has received funds from federal capital infusion programs (such as the Troubled Assets Relief Program and the Small Business Lending Fund), has stock owned by the FDIC as a result of bank failures, or has non-bank-owned stock resulting from equity compensation programs, is not excluded from the definition of a banker's bank for purposes of Schedule RC-O, item 10, provided the bank also meets the business conduct test.

To meet the business conduct test, which is set forth in Section 327.5(b)(3) of the FDIC's regulations, a bank must conduct 50 percent or more of its business with entities other than its parent holding company or entities other than those controlled either directly or indirectly by its parent holding company. Control has the same meaning as in Section 3(w)(5) of the Federal Deposit Insurance Act (12 U.S.C. 1813(w)(5)).

**10.a** **Banker's bank deduction.** A qualifying banker's bank is eligible to have the FDIC deduct certain assets from its assessment base, subject to a limit. Report in this item on an unconsolidated single FDIC certificate number basis the banker's bank deduction, which equals the sum of a qualifying banker's bank's average balances due from Federal Reserve Banks plus its average federal funds sold. These averages should be calculated on a daily

| Item No. | Caption and Instructions |
|---|---|
| **10.a** (cont.) | or weekly basis consistent with the qualifying banker's bank's calculation of its average consolidated total assets in Schedule RC-O, item 4 (and as reported in Schedule RC-O, item 4.a).<br><br>Balances due from Federal Reserve Banks include the total balances due from Federal Reserve Banks, including the qualifying banker's bank's own reserves and other balances as well as reserve balances actually passed through to a Federal Reserve Bank by the banker's bank on behalf of its respondent depository institutions (as described in the instructions for Schedule RC-A, item 4, "Balances due from Federal Reserve Banks," in the instructions for the FFIEC 031 and FFIEC 041 Call Reports). For a qualifying banker's bank that is a respondent in a pass-through reserve relationship with a correspondent bank, balances due from Federal Reserve Banks include the reserve balances the correspondent bank has passed through to a Federal Reserve Bank for the respondent banker's bank. Balances due from Federal Reserve Banks also include the qualifying banker's bank's excess balance accounts, which are limited-purpose accounts at Federal |

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

**10.a (cont.)** Reserve Banks for maintaining an institution's excess balances that are eligible to earn interest on their Federal Reserve balances. See the Glossary entry for "pass-through reserve balances."

Federal funds sold are defined in the instructions for Schedule RC, item 3.a, "Federal funds sold." See also the Glossary entry for "federal funds transactions."

**10.b** **Banker's bank deduction limit.** A qualifying banker's bank is eligible to have the FDIC deduct certain assets from its assessment base, subject to a limit. Report in this item on an unconsolidated single FDIC certificate number basis the banker's bank deduction limit, which equals the sum of a qualifying banker's bank's average deposits of commercial banks and other depository institutions in the U.S. plus its average federal funds purchased. These averages should be calculated on a daily or weekly basis consistent with the qualifying banker's bank's calculation of its average consolidated total assets in Schedule RC-O, item 4 (and as reported in Schedule RC-O, item 4.a).

Deposits of commercial banks and other depository institutions in the U.S. are defined in the instructions for Schedule RC-E, item 4.

Federal funds purchased are defined in the instructions for Schedule RC, item 14.a, "Federal funds purchased." See also the Glossary entry for "federal funds transactions."

**11** **Custodial bank certification: Does the reporting institution meet the definition of a custodial bank set forth in FDIC regulations?** If the reporting institution meets the custodial bank definition on an unconsolidated single FDIC certificate number basis, it should answer "Yes" to item 11 and complete Schedule RC-O, items 11.a and 11.b. However, if a custodial bank's deduction limit as reported in item 11.b is zero, the custodial bank may leave item 11.a blank.

If the reporting institution does not meet the custodial bank definition, it should answer "No" to item 11 and it should not complete Schedule RC-O, items 11.a and 11.b.

A custodial bank, as defined in Section 327.5(c)(1) of the FDIC's regulations, is an insured depository institution that had:

(1) "Fiduciary and custody and safekeeping assets" (the sum of item 10, columns A and B, plus item 11, column B, in Schedule RC-T – Fiduciary and Related Services) of $50 billion or more as of the end of the previous calendar year, or

(2) Income from fiduciary activities (Schedule RI, item 5.a) that was more than 50 percent of its total revenue (interest income plus noninterest income, which is the sum of items 1.h and 5.m of Schedule RI) during the previous calendar year.

**11.a** **Custodial bank deduction.** An institution that meets the definition of a custodial bank is eligible to have the FDIC deduct certain assets from its assessment base, subject to the limit reported in Schedule RC-O, item 11.b. If a custodial bank's deduction limit as reported in Schedule RC O, item 11.b, is zero, the custodial bank may leave this item 11.a blank.

Report in this item on an unconsolidated single FDIC certificate number basis the custodial bank deduction, which equals average qualifying low-risk liquid assets.[1] Qualifying low-risk

[1] An institution that has a community bank leverage ratio framework election in effect as of the quarter-end report date, as reported in Schedule RC-R, Part I, item 31.a (and further described in the General Instructions for Schedule RC-R, Part I) that meets the definition of a custodial bank is not required to separately report its risk-weighted assets in Schedule RC-R, Part II, in order to use the deduction.

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

**11.a** (cont.) liquid assets are determined without regard to the maturity of the assets. Average qualifying low-risk liquid assets equals the sum of the following amounts, all on an unconsolidated single FDIC certificate number basis:

(1) The average amount of cash and balances due from depository institutions with a standardized approach risk weight for risk-based capital purposes of zero percent (as defined for Schedule RC-R, Part II, item 1, column C) plus 50 percent of the average amount of cash and balances due from depository institutions with a standardized approach risk weight of 20 percent (as defined for Schedule RC-R, Part II, item 1, column G);

(2) The average amount of held-to-maturity securities with a standardized approach risk weight for risk-based capital purposes of zero percent (as defined for Schedule RC-R, Part II, item 2.a, column C) plus 50 percent of the average amount of held-to-maturity securities with a standardized approach risk weight of 20 percent (as defined for Schedule RC-R, Part II, item 2.a, column G);

(3) The average amount of available-for-sale securities with a standardized approach risk weight for risk-based capital purposes of zero percent (as defined for Schedule RC-R, Part II, item 2.b, column C) plus 50 percent of the average amount of available-for-sale securities with a standardized approach risk weight of 20 percent (as defined for Schedule RC-R, Part II, item 2.b, column G);

(4) The average amount of federal funds sold with a standardized approach risk weight for risk-based capital purposes of zero percent (as defined for Schedule RC-R, Part II, item 3.a, column C) plus 50 percent of the average amount of federal funds sold with a standardized approach risk weight of 20 percent (as defined for Schedule RC-R, Part II, item 3.a, column G);

(5) The average amount of securities purchased under agreements to resell (as defined for Schedule RC, item 3.b) that would qualify for a standardized approach risk weight for risk-based capital purposes of zero percent plus 50 percent of the average amount of securities purchased under agreements to resell (as defined for Schedule RC, item 3.b) that would qualify for a standardized approach risk weight of 2 percent, 4 percent, or 20 percent; and

(6) Fifty percent of the average amount of balances due from depository institutions, held-to-maturity securities, available-for-sale securities, federal funds sold, and securities purchased under agreements to resell (as defined for Schedule RC, items 1, 2.a, 2.b, 3.a, and 3.b, respectively) that qualify as on-balance sheet securitization exposures (as defined for Schedule RC-R, Part II, item 9, column A) and have a standardized approach risk weight for risk-based capital purposes of exactly 20 percent.

These averages should be calculated on a daily or weekly basis consistent with the custodial bank's calculation of its average consolidated total assets in Schedule RC-O, item 4 (and as reported in Schedule RC-O, item 4.a).

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

**11.b** **Custodial bank deduction limit.** An institution that meets the definition of a custodial bank is eligible to have the FDIC deduct certain assets from its assessment base, subject to a limit. Report in this item on an unconsolidated single FDIC certificate number basis the custodial bank deduction limit, which equals the average amount of the institution's transaction account deposit liabilities identified by the institution as being directly linked to a fiduciary, custodial, or safekeeping account reported in Schedule RC-T – Fiduciary and Related Services. The titling of a transaction account or specific references in the deposit account documents should clearly demonstrate the link between the transaction account and a fiduciary, custodial, or safekeeping account.

The term "transaction account" is defined in Federal Reserve Regulation D and in the Glossary entry for "deposits" and such deposits are reported in Schedule RC-E, item 7, column A. In general, a transaction account is a deposit or account from which the depositor or account holder is permitted to make transfers or withdrawals by negotiable or transferable instruments, payment orders of withdrawal, telephone transfers, or other similar devices for the purpose of making payments or transfers to third persons or others or from which the depositor may make third party payments at an automated teller machine, a remote service unit, or another electronic device, including by debit card.

Exclude from this item escrow accounts, Interest on Lawyers Trust Accounts, and other trust and custody-related deposit accounts related to commercial bank services, or otherwise offered outside a custodial bank's fiduciary business unit or another distinct business unit devoted to institutional custodial services. Also exclude all nontransaction account deposit liabilities (i.e., savings and time deposits).

This average should be calculated on a daily or weekly basis consistent with the custodial bank's calculation of its average consolidated total assets in Schedule RC-O, item 4 (and as reported in Schedule RC-O, item 4.a).

## Memoranda

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**1** **Total deposit liabilities of the bank, including related interest accrued and unpaid, less allowable exclusions, including related interest accrued and unpaid.** Memorandum items 1.a.(1) through 1.d.(2) are to be completed each quarter. These Memorandum items should be reported on an unconsolidated single FDIC certificate number basis.

The sum of Memorandum items 1.a.(1), 1.b.(1), 1.c.(1), and 1.d.(1) must equal Schedule RC-O, item 1, "Total deposit liabilities before exclusions (gross) as defined in Section 3(l) of the Federal Deposit Insurance Act and FDIC regulations," less item 2, "Total allowable exclusions, including interest accrued and unpaid on allowable exclusions." Accordingly, all amounts included in the bank's total deposit liabilities less allowable exclusions, not just those included in its "Deposits in domestic offices" (reported in Schedule RC, item 13.a), should be reported in the appropriate subitem of Memorandum item 1. For example, the interest accrued and unpaid on a deposit account (that is not an allowable exclusion) should be reported together with the deposit account in Memorandum item 1.a.(1), 1.b.(1), 1.c.(1), or 1.d.(1), as appropriate.

The dollar amounts used as the basis for reporting the number and amount of deposit accounts in Memorandum items 1.a.(1) through 1.d.(2) reflect the deposit insurance limits of $250,000 for "retirement deposit accounts" and $250,000 for other deposit accounts.

"Retirement deposit accounts" that are eligible for $250,000 in deposit insurance coverage are deposits made in connection with the following types of retirement plans:

- Individual Retirement Accounts (IRAs), including traditional and Roth IRAs;
- Simplified Employee Pension (SEP) plans;
- "Section 457" deferred compensation plans;
- Self-directed Keogh (HR 10) plans; and
- Self-directed defined contribution plans, which are primarily 401(k) plan accounts.

The term ''self-directed'' means that the plan participants have the right to direct how their funds are invested, including the ability to direct that the funds be deposited at an FDIC-insured institution.

Retirement deposit accounts exclude Coverdell Education Savings Accounts, formerly known as Education IRAs.

In some cases, brokered certificates of deposit are 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. For these so-called "retail brokered deposits," multiple purchases by individual depositors from an individual bank normally do not exceed the applicable deposit insurance limit ($250,000), but under current deposit insurance rules the deposit broker is not required to provide information routinely on these purchasers and their account ownership capacity to the bank issuing the deposits. If this information is not readily available to the issuing bank, these brokered certificates of deposit in $1,000 amounts may be rebuttably presumed to be fully insured and should be reported as "deposit accounts of $250,000 or less" in Schedule RC-O, Memorandum items 1.a and 1.c, below. When determining the number of deposit accounts of $250,000 or less to be reported in Schedule RC-O, Memorandum items 1.a.(2) and 1.c.(2), the issuing institution should count each such master certificate of deposit as one account, not as multiple accounts.

**Memoranda**

| Item No. | Caption and Instruction |
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| 1 (cont.) | Some brokered deposits are transaction accounts or money market deposit accounts (MMDAs) that are 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. An individual depositor's deposits within the brokered transaction account or MMDA normally do not exceed the applicable deposit insurance limit. As with retail brokered deposits, if information on these depositors and their account ownership capacity is not readily available to the bank establishing the transaction account or MMDA, the amounts in the transaction account or MMDA may be rebuttably presumed to be fully insured and should be reported as "deposit accounts of $250,000 or less" in Schedule RC-O, Memorandum items 1.a and 1.c, below. When determining the number of deposit accounts of $250,000 or less to be reported in Schedule RC-O, Memorandum items 1.a.(2) and 1.c.(2), the issuing institution should count each such brokered transaction account or MMDA as one account, not as multiple accounts.<br><br>Time deposits issued to deposit brokers in the form of large ($250,000 or more) certificates of deposit that have been participated out by the broker in shares of less than $250,000 should also be reported as "deposit accounts of $250,000 or less" in Schedule RC-O, Memorandum items 1.a and 1.c, below. When determining the number of deposit accounts of $250,000 or less to be reported in Schedule RC-O, Memorandum items 1.a.(2) and 1.c.(2), the issuing institution should count each such brokered certificate of deposit as one account, not as multiple accounts.<br><br>When determining the number and size of deposit accounts, each individual certificate, passbook, account, and other evidence of deposit is to be treated as a separate account. For purposes of completing this Memorandum item, multiple accounts of the same depositor should not be aggregated. In situations where a bank assigns a single account number to each depositor so that one account number may represent multiple deposit contracts between the bank and the depositor (e.g., one demand deposit account, one money market deposit account, and three certificates of deposit), each deposit contract is a separate account. |
| 1.a | **Deposit accounts (excluding retirement accounts) of $250,000 or less.** Report in the appropriate subitem on an unconsolidated single FDIC certificate number basis the amount outstanding and the number of deposit accounts, excluding retirement deposit accounts (as defined in Schedule RC-O, Memorandum item 1), with a balance of $250,000 or less as of the report date. |
| 1.a.(1) | **Amount of deposit accounts (excluding retirement accounts) of $250,000 or less.** Report on an unconsolidated single FDIC certificate number basis the aggregate balance of all deposit accounts, certificates, or other evidences of deposit (demand, savings, and time), excluding retirement deposit accounts, with a balance on the report date of $250,000 or less. This amount should represent the total of the balances of the deposit accounts enumerated in Schedule RC-O, Memorandum item 1.a.(2) below. |
| 1.a.(2) | **Number of deposit accounts (excluding retirement accounts) of $250,000 or less.** Report on an unconsolidated single FDIC certificate number basis the total number of deposit accounts (demand, savings, and time), excluding retirement deposit accounts, with a balance on the report date of $250,000 or less. Count each certificate, passbook, account, and other evidence of deposit that has a balance of $250,000 or less. |

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| 1.b | **Deposit accounts (excluding retirement accounts) of more than $250,000.** Report in the appropriate subitem on an unconsolidated single FDIC certificate number basis the amount outstanding and the number of deposit accounts, excluding retirement deposit accounts (as defined in Schedule RC-O, Memorandum item 1), with a balance of more than $250,000 as of the report date. |
| 1.b.(1) | **Amount of deposit accounts (excluding retirement accounts) of more than $250,000.** Report on an unconsolidated single FDIC certificate number basis the aggregate balance of all deposit accounts, certificates, or other evidences of deposit (demand, savings, and time), excluding retirement deposit accounts, with a balance on the report date of more than $250,000. This amount should represent the total of the balances of the deposit accounts enumerated in Schedule RC-O, Memorandum item 1.b.(2) below. |
| 1.b.(2) | **Number of deposit accounts (excluding retirement accounts) of more than $250,000.** Report on an unconsolidated single FDIC certificate number basis the total number of deposit accounts (demand, savings, and time), excluding retirement deposit accounts, with a balance on the report date of more than $250,000. Count each certificate, passbook, account, and other evidence of deposit that has a balance of more than $250,000. |
| 1.c | **Retirement deposit accounts of $250,000 or less.** Report in the appropriate subitem on an unconsolidated single FDIC certificate number basis the amount outstanding and the number of retirement deposit accounts (as defined in Schedule RC-O, Memorandum item 1) with a balance of $250,000 or less as of the report date. |
| 1.c.(1) | **Amount of retirement deposit accounts of $250,000 or less.** Report on an unconsolidated single FDIC certificate number basis the aggregate balance of all retirement deposit accounts, certificates, or other evidences of deposit (demand, savings, and time) with a balance on the report date of $250,000 or less. This amount should represent the total of the balances of the retirement deposit accounts enumerated in Schedule RC-O, Memorandum item 1.c.(2) below. |
| 1.c.(2) | **Number of retirement deposit accounts of $250,000 or less.** Report on an unconsolidated single FDIC certificate number basis the total number of retirement deposit accounts (demand, savings, and time) with a balance on the report date of $250,000 or less. Count each certificate, passbook, account, and other evidence of deposit which has a balance of $250,000 or less. |
| 1.d | **Retirement deposit accounts of more than $250,000.** Report in the appropriate subitem on an unconsolidated single FDIC certificate number basis the amount outstanding and the number of retirement deposit accounts (as defined in Schedule RC-O, Memorandum item 1) with a balance of more than $250,000 as of the report date. |
| 1.d.(1) | **Amount of retirement deposit accounts of more than $250,000.** Report on an unconsolidated single FDIC certificate number basis the aggregate balance of all retirement deposit accounts, certificates, or other evidences of deposit (demand, savings, and time) with a balance on the report date of more than $250,000. This amount should represent the total of the balances of the retirement deposit accounts enumerated in Schedule RC-O. Memorandum item 1.d.(2) below. |

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**1.d.(2)** **Number of retirement deposit accounts of more than $250,000.** Report on an unconsolidated single FDIC certificate number basis the total number of retirement deposit accounts (demand, savings, and time) with a balance on the report date of more than $250,000. Count each certificate, passbook, account, and other evidence of deposit which has a balance of more than $250,000.

NOTE: Schedule RC-O, Memorandum item 2, is to be completed on an unconsolidated single FDIC certificate number basis by banks with $1 billion or more in total assets.[1]

**2** **Estimated amount of uninsured deposits, including related interest accrued and unpaid.** Report on an unconsolidated single FDIC certificate number basis the estimated amount of the bank's deposits that is not covered by federal deposit insurance. This estimate should reflect the deposit insurance limits of $250,000 for "retirement deposit accounts" (as defined in Schedule RC-O, Memorandum item 1) and $250,000 for other deposit accounts. The reporting of this uninsured deposit information is mandated by Section 7(a)(9) of the Federal Deposit Insurance Act.

The estimated amount of uninsured deposits reported in this item should be based on the bank's deposits included in Schedule RC-O, item 1, "Total deposit liabilities before exclusions (gross) as defined in Section 3(l) of the Federal Deposit Insurance Act and FDIC regulations," less item 2, "Total allowable exclusions, including interest accrued and unpaid on allowable exclusions." In addition to the uninsured portion of deposits reported in Schedule RC, item 13.a, the estimate of uninsured deposits should take into account all other items included in Schedule RC-O, item 1 less item 2, including, but not limited to:

- Interest accrued and unpaid on deposits;
- Deposits of consolidated subsidiaries (including interest accrued and unpaid on these deposits); and
- Deposit liabilities that have been reduced by assets netted against these liabilities in accordance with generally accepted accounting principles.

The bank's estimate of its uninsured deposits should be reported in accordance with the following criteria. In this regard, it is recognized that a bank may have multiple automated information systems for different types of deposits and that the capabilities of a bank's information systems to provide an estimate of its uninsured deposits will differ from bank to bank at any point in time and, within an individual institution, may improve over time.

(1) If the bank has brokered deposits, which must be reported in Schedule RC-E, Memorandum item 1.b, "Total brokered deposits," it must use the information it has developed for completing Schedule RC-E, Memorandum item 1.c, "Brokered deposits of $250,000 or less (fully insured brokered deposits)," to determine its best estimate of the uninsured portion of its brokered deposits.

(2) If the bank has deposit accounts whose ownership is based on a fiduciary relationship, Part 330 of the FDIC's regulations generally states that the titling of the deposit account (together with the underlying records) must indicate the existence of the fiduciary relationship in order for insurance coverage to be available on a "pass-through" basis. Fiduciary relationships include, but are not limited to, relationships involving a trustee, agent, nominee, guardian, executor, or custodian.

[1] In general, the determination as to whether an institution has $1 billion or more in total assets is measured as of June 30 of the previous calendar year. See pages 7 and 8 of the General Instructions for guidance on shifts in reporting status.

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| 2 (cont.) | A bank with fiduciary deposit accounts with balances of more than $250,000 must diligently use the available data on these deposit accounts, including data indicating the existence of different principal and income beneficiaries and data indicating that some or all of the funds on deposit represent retirement deposit accounts eligible for $250,000 in deposit insurance coverage, to determine its best estimate of the uninsured portion of these accounts. |

(3) If the bank has deposit accounts of employee benefit plans, Part 330 of the FDIC's regulations states that these accounts are insured on a "pass-through" basis for the non-contingent interest of each plan participant provided that certain prescribed recordkeeping requirements are met. A bank with employee benefit plan deposit accounts with balances of more than $250,000 must diligently use the available data on these deposit accounts to determine its best estimate of the uninsured portion of these accounts.

(4) If the bank's deposit accounts include benefit-responsive "Depository Institution Investment Contracts," which must be included in Schedule RC-O, item 2, these deposit liabilities are not eligible for federal deposit insurance pursuant to Section 11(a)(8) of the Federal Deposit Insurance Act. A bank with benefit-responsive "Depository Institution Investment Contracts" must include the entire amount of these contracts in the estimated amount of uninsured deposits it reports in this Memorandum item 2.

(5) If the bank has deposit accounts with balances in excess of the federal deposit insurance limit that it has collateralized by pledging assets, such as deposits of the U.S. Government and of states and political subdivisions in the U.S. (which must be reported in Schedule RC-E, items 2 and 3), the bank should make a reasonable estimate of the portion of these deposits that is uninsured using the data available from its information systems.

(6) If the bank has deposit accounts with balances in excess of the federal deposit insurance limit for which it has acquired private deposit insurance to cover this excess amount, the bank should make a reasonable estimate of the portion of these deposits that is not insured by the FDIC using the data available from its information systems.

(7) For all other deposit accounts, the bank should make a reasonable estimate of the portion of these deposits that is uninsured using the data available from its information systems. In developing this estimate, if the bank has automated information systems in place that enable it to identify jointly owned accounts and estimate the deposit insurance coverage of these deposits, the higher level of insurance afforded these joint accounts should be taken into consideration. Similarly, if the bank has automated information systems in place that enable it to classify accounts by deposit owner and/or ownership capacity, the bank should incorporate this information into its estimate of the amount of uninsured deposits by aggregating accounts held by the same deposit owner in the same ownership capacity before applying the $250,000 insurance limit. Ownership capacities include, but are not limited to, single ownership, joint ownership, business (excluding sole proprietorships), revocable trusts, irrevocable trusts, and retirement accounts.

In the absence of automated information systems, a bank may use nonautomated information such as paper files or less formal knowledge of its depositors if such information provides reasonable estimates of appropriate portions of its uninsured deposits. A bank's use of such nonautomated sources of information is considered appropriate unless errors associated with the use of such sources would contribute significantly to an overall error in the FDIC's estimate of the amount of insured and uninsured deposits in the banking system.

**Memoranda**

| Item No. | Caption and Instruction |
|---|---|
| 3 | **Has the reporting institution been consolidated with a parent bank or savings association in that parent bank's or parent savings association's Call Report?** If the reporting institution is owned by another bank or savings association and that parent bank or parent savings association is consolidating the reporting institution as part of the parent institution's Call Report for this report date, report the legal title and FDIC Certificate Number of the parent institution in this item. |

# SCHEDULE RC-R – REGULATORY CAPITAL

## General Instructions for Schedule RC-R

The instructions for Schedule RC-R should be read in conjunction with the regulatory capital rules issued by the primary federal supervisory authority of the reporting bank or saving association (collectively, banks): for national banks and federal savings associations, 12 CFR Part 3; for state member banks, 12 CFR Part 217; and for state nonmember banks and state savings associations, 12 CFR Part 324.

## Part I. Regulatory Capital Components and Ratios

### Contents – Part I. Regulatory Capital Components and Ratios


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## General Instructions for Schedule RC-R, Part I.

### *Community Bank Leverage Ratio Framework*

Opting into the Community Bank Leverage Ratio (CBLR) Framework – A qualifying institution may opt into the CBLR framework. A qualifying institution opts into and out of the framework through its reporting in Call Report Schedule RC-R. A qualifying institution that opts into the CBLR framework (CBLR electing institution) must complete Schedule RC-R, Part I, items 1 through 37 and, if applicable, items 38.a

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

through 38.c, and makes that election in Schedule RC-R, Part I, item 31.a. A qualifying institution can opt out of the CBLR framework by completing Schedule RC-R, Parts I and II, excluding Schedule RC-R, Part I, items 32 through 38.c. However, an otherwise qualifying institution's primary federal supervisory authority may disallow the institution's use of the CBLR framework based on the supervisory authority's evaluation of the risk profile of the institution.

On April 23, 2020, the federal banking agencies published two interim final rules to provide temporary relief to community banking organizations with respect to the CBLR framework, and the final rule became effective November 9, 2020 with no changes to the interim final rules. The final rule provides community banking organizations with a clear and gradual transition, by January 1, 2022, back to the greater than 9 percent leverage ratio qualifying criterion previously established by the agencies. The other qualifying criteria in the CBLR framework have not been modified by the final rule.

A qualifying institution with a leverage ratio that exceeds the applicable leverage ratio requirement and opts into the CBLR framework shall be considered to have met: (i) the generally applicable risk-based and leverage capital requirements in the agencies' capital rules; (ii) the capital ratio requirements to be considered well capitalized under the agencies' prompt corrective action (PCA) framework (in the case of insured depository institutions); and (iii) any other applicable capital or leverage requirements.[1]

Transition Provisions – Under the provisions of the transition interim final rule, an institution may qualify for the CBLR framework if its leverage ratio is greater than 8.5 percent in calendar year 2021, and greater than 9 percent in calendar year 2022 and thereafter, and it meets the qualifying criteria: it has less than $10 billion in total consolidated assets (Schedule RC-R, Part I, item 32); is not part of an advanced approaches banking organization; has total trading assets and trading liabilities of 5 percent or less of total consolidated assets (Schedule RC-R, Part I, item 33); and has total off-balance sheet exposures (excluding derivatives other than sold credit derivatives and unconditionally cancellable commitments) of 25 percent or less of total consolidated assets (Schedule RC-R, Part I, item 34). Also, the two-quarter grace period for a qualifying institution will take into account the graduated increase in the community bank leverage ratio requirement qualifying criterion. In order to maintain eligibility for the CBLR framework during the transition period, an institution's leverage ratio cannot fall more than one percentage point below the community bank leverage ratio requirement qualifying criterion.

**Table 1 – Schedule of Community Bank Leverage Ratio Requirements**

| Calendar Year | Community Bank Leverage Ratio (percent) | Minimum Leverage Ratio under the applicable grace period (percent) |
|---|---|---|
| 2021 | > 8.5 | > 7.5 |
| 2022 | > 9.0 | > 8.0 |

[1] See 12 CFR 3 (OCC); 12 CFR 217 (Board); 12 CFR 324 (FDIC).

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

Community Bank Leverage Ratio (CBLR) Framework in Calendar Year 2022 and Thereafter – In general, an institution may qualify for the CBLR framework if it has a leverage ratio greater than 9 percent (as reported in Schedule RC-R, Part I, item 31); has less than $10 billion in total consolidated assets (Schedule RC-R, Part I, item 32); is not an advanced approaches institution;[1] has total trading assets and trading liabilities of 5 percent or less of total consolidated assets (Schedule RC-R, Part I, item 33); and has total off-balance sheet exposures (excluding derivatives other than sold credit derivatives and unconditionally cancelable commitments) of 25 percent or less of total consolidated assets (Schedule RC-R, Part I, item 34).

Ceasing to Meet the Leverage Ratio Requirement under the CBLR Framework or Failing to Meet Any of the Other CBLR Qualifying Criteria – A qualifying institution that temporarily fails to meet any of the qualifying criteria, including the applicable leverage ratio requirement, generally would still be deemed well-capitalized so long as the institution maintains a leverage ratio that does not fall more than one percentage point below the leverage ratio requirement during the two-quarter grace period. At the end of the grace period (see below for an example), the institution must meet all qualifying criteria to remain in the CBLR framework or otherwise must apply and report under the generally applicable capital rule. Similarly, an institution with a leverage ratio that is not within one percentage point of the leverage ratio requirement qualifying criterion under the CBLR framework is not eligible for the grace period and must comply with the generally applicable capital rule by completing all of Schedule RC-R, Parts I and II, as applicable, excluding Schedule RC-R, Part I, items 32 through 38.c.

Under the CBLR framework, the grace period will begin as of the end of the calendar quarter in which the CBLR electing institution ceases to satisfy any of the qualifying criteria and has a maximum period of two consecutive calendar quarters. For example, if the CBLR electing institution had met all of the qualifying criteria as of March 31, 2020, but no longer meets one of the qualifying criteria as of May 15, 2020, and still does not meet the criteria as of the end of that quarter, the grace period for such an institution will begin as of the end of the quarter ending June 30, 2020.

The institution may continue to use the CBLR framework as of September 30, 2020, but will need to comply fully with the generally applicable capital rule (including the associated Schedule RC-R reporting requirements) as of December 31, 2020, unless the institution once again meets all qualifying criteria of the CBLR framework, including the leverage ratio requirement qualifying criterion, before that time.

If a CBLR electing institution is in the grace period when the required community bank leverage ratio increases, the institution would be subject, as of the date of that change, to both the higher community bank leverage ratio requirement and higher grace period leverage ratio requirement. For example, if a CBLR electing institution that had met all of the qualifying criteria as of September 30, 2020, has a 7.2 percent community bank leverage ratio (but meets all of the other qualifying criteria) as of December 31, 2020, the grace period for such an institution will begin as of the end of the fourth quarter of 2020. The institution may continue to use the CBLR framework as of March 31, 2021, if the institution has a leverage ratio of greater than 7.5 percent, and will need to comply fully with the generally applicable capital rule (including the associated Schedule RC-R reporting requirements) as of June 30, 2021, unless the institution has a leverage ratio of greater than 8.5 percent (and meets all of the other qualifying criteria) by that date. In this example, if the institution has a leverage ratio equal to or less than 7.5 percent as of

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[1] An institution that is subject to the advanced approaches capital rule (i.e., an advanced approaches institution as defined in the federal banking agencies' regulatory capital rules) is (i) a subsidiary of a global systemically important bank holding company, as identified pursuant to 12 CFR 217.402; (ii) a Category II institution; (iii) a subsidiary of a depository institution that uses the advanced approaches pursuant to subpart E of 12 CFR part 3 (OCC), 12 CFR part 217 (Board), or 12 CFR part 324 (FDIC) to calculate its risk-based capital requirements; (iv) a subsidiary of a bank holding company or savings and loan holding company that uses the advanced approaches pursuant to subpart E of 12 CFR part 217 to calculate its risk-based capital requirements; or (v) an institution that elects to use the advanced approaches to calculate its risk-based capital requirements.
Category II institutions include institutions with (1) at least $700 billion in total consolidated assets or (2) at least $75 billion in cross-jurisdictional activity and at least $100 billion in total consolidated assets. In addition, depository institution subsidiaries of Category II institutions are considered Category II institutions.

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

March 31, 2021, it would not be eligible to use the CBLR framework and would be subject immediately to the requirements of the generally applicable capital rule.

***3-Year and 5-Year 2020 CECL Transition Provisions***

In 2019, the federal banking agencies issued a final rule that, among other provisions, revised the agencies' regulatory capital rule and included a transition option that allows institutions to phase in over a 3-year transition period the day-one effects of adopting the current expected credit losses methodology (CECL) on their regulatory capital ratios (2019 CECL rule).

In 2020, the agencies issued a final rule that provides institutions that implement CECL during the 2020 calendar year the option to delay for two years an estimate of CECL's effect on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a 3-year transition period, thereby resulting in a 5-year transition period (2020 CECL rule).

Eligibility for, and Transition Period under, the 3-Year CECL Transition – An institution is eligible to use the 3-Year CECL transition provision if it experiences a reduction in retained earnings due to CECL adoption as of the beginning of the fiscal year in which the institution adopts CECL. The transition period under the 3-year CECL transition provision means the three-year period beginning the first day of the fiscal year in which an institution adopts CECL and reflects CECL in its first Call Report filed after that date.

An institution that is eligible to use the 3-year CECL transition provision may elect to phase in the regulatory capital impact of adopting CECL over a 3-year transition period (a 3-year CECL electing institution). A 3-year CECL electing institution is required to begin applying the 3-year CECL transition provision as of the electing banking organization's CECL adoption date. A 3-year CECL electing institution must indicate in Schedule RC-R, Part I, item 2.a, its election to use the 3-year CECL transition provision and must report the transitional amounts, as defined below and as applicable, in the affected items of Schedule RC-R, adjusted for the transition provisions, beginning in the Call Report for the quarter in which the institution first reports its credit loss allowances as measured under CECL.

An institution that does not elect to use the 3-year CECL transition provision in the Call Report for the quarter in which it first reports its credit loss allowances as measured under CECL is not permitted to make an election in subsequent reporting periods and is required to reflect the full effect of CECL in its regulatory capital ratios beginning as of the institution's CECL adoption date.

An institution that initially elects to use the 3-year CECL transition provision, but opts out of this transition provision in a subsequent reporting period, is not permitted to resume using the 3-year CECL transition provision at a later date within the 3-year transition period. An institution may opt out of applying the transition provision by reflecting the full impact of CECL on regulatory capital in Call Report Schedule RC-R.

**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 quarters[2] 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.

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[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 began after the date of the termination (i.e. May 11, 2023) of the 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.)**

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 common equity tier 1 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.

**Example and a Worksheet Calculation for the 3-year CECL Transition Provision**

*Assumptions:*

- For example, consider an institution that elects to apply the 3-year CECL transition and has a CECL effective date of January 1, 2020, and a 21 percent tax rate.
- On the closing balance sheet date immediately prior to adopting CECL (i.e., December 31, 2019), the 3-year CECL electing institution has $10 million in retained earnings and $1 million in the allowance for loan and lease losses. On the opening balance sheet date immediately after adopting CECL (i.e., January 1, 2020), the 3-year CECL electing institution has $1.2 million in allowances for credit losses (ACL), which also equals $1.2 million of AACL, as defined in the regulatory capital rules.
- The 3-year CECL electing institution recognizes the effect of the adoption of CECL as of January 1, 2020, by recording an increase in its ACL of $200,000 (credit), with an offsetting increase in temporary difference DTAs of $42,000 (debit) and a reduction in beginning retained earnings of $158,000 (debit)
- For each of the quarterly reporting periods in year 1 of the transition period (i.e., 2020), the 3-year CECL electing institution increases both retained earnings and average total consolidated assets by $118,500 ($158,000 x 75 percent), decreases temporary difference DTAs by $31,500 ($42,000 x 75 percent), and decreases AACL by $150,000 ($200,000 x 75 percent) for purposes of calculating its regulatory capital ratios. The remainder of the 3-year CECL transition provision of the 3-year CECL electing institution is transitioned into regulatory capital according to the schedule provided in Table 1 below.

**Table 2 – Example of a 3-Year CECL Transition Provision Schedule**

| Dollar Amounts in Thousands | Transitional Amounts | Transitional Amounts Applicable During Each Year of the 3-Year Transition Period | | |
|---|---|---|---|---|
| | | Year 1 at 75% | Year 2 at 50% | Year 3 at 25% |
| | Column A | Column B | Column C | Column D |
| 1. Increase retained earnings and average total consolidated assets by the CECL transitional amount | CECL transitional amount = $158 | $118.50 | $79 | $39.50 |
| 2. Decrease temporary difference DTAs by the DTA transitional amount | DTA transitional amount = $42 | $31.50 | $21 | $10.50 |
| 3. Decrease AACL by the AACL transitional amount | AACL transitional amount = $200 | $150 | $100 | $50 |

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

**Example of Application of the 5-Year CECL Transition Provision for Third Quarter 2020**

As an example, assume an institution is required under U.S. GAAP to adopt CECL on January 1, 2020. This institution chose not to delay adoption of CECL for Call Report purposes under the provisions of Section 4014 of the CARES Act, and elected to use the 5-year 2020 CECL transition provision in the March 31, 2020, Call Report. This institution's 5-year 2020 CECL transition period begins on January 1, 2020.

The institution's December 31, 2019, Call Report reflected the following amounts:
- ALLL: $120
- Temporary Difference DTAs: $20
- Retained earnings: $200
- Eligible credit reserves (advanced approaches institutions only): $110

On January 1, 2020, the institution adopted CECL and reflected the following amounts:
- AACL: $150
- AACL transitional amount = $150 - $120 = $30
  (AACL on 1/1/20 – ALLL on 12/31/19)
- Temporary difference DTAs: $30
- DTA transitional amount = $30 - $20 = $10
  (DTAs on 1/1/20 – DTAs on 12/31/19)
- Retained earnings: $180
- CECL transitional amount = $200 - $180 = $20
  (Retained earnings on 12/31/19 – retained earnings on 1/1/20)
- Eligible credit reserves (advanced approaches institutions only): $140
- Eligible credit reserves transitional amount (advanced approaches institutions only) = $140 - $110 = $30
  (Eligible credit reserves on 1/1/20 – eligible credit reserves on 12/31/19)

On September 30, 2020, the institution reflected the following amounts:
- AACL: $170
- Modified AACL transitional amount = ($170-$150)*0.25 + $30 = $35
  (AACL on 9/30/20 – AACL on 1/1/20)*0.25 + AACL transitional amount)
- Modified CECL transitional amount = ($170-$150)*0.25 + $20 = $25
  (AACL on 9/30/20 – AACL on 1/1/20)*0.25 + CECL transitional amount)

The institution would adjust the following items in its September 30, 2020, Call Report, Schedule RC-R:
- Part I, Item 2 (Retained earnings): Add $25 (modified CECL transitional amount)
- Part I, Item 15, 15.a, or 15.b, as applicable (temporary difference DTAs): Subtract $10 (DTA transitional amount) when calculating temporary difference DTAs subject to deduction
- Part I, Item 27 (Average total consolidated assets): Add $25 (modified CECL transitional amount)

An institution that is not electing the CBLR framework in its September 30, 2020, Call Report, would make these additional Schedule RC-R adjustments:
- Part I, Item 42 (Allowances in tier 2 capital): Subtract $35 (modified AACL transitional amount)
- Part II, Item 8 (All other assets): Subtract $10 (DTA transitional amount)

## 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 elected to apply the 3-year current expected credit losses methodology (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 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.

**Part I. (cont.)**

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

**2.a** **Does your institution have a CECL transition election in effect as of the quarter-end report date?** An institution may make a one-time election to use the 3-year CECL transition provision (a 3-year CECL electing institution) or the 5-year 2020 CECL transition provision (a 5-year CECL electing institution), as described in section 301 of the regulatory capital rules and in the General Instructions for Schedule RC-R, Part I.

An institution that did not elect to use the 3-year or the 5-year 2020 CECL transition as of the first Call Report the institution files that includes CECL after the institution is required to use CECL for regulatory reporting purposes would not be permitted to use the 3-year or the 5-year 2020 CECL transition provision in subsequent reporting periods.[1] For example, an institution that adopts CECL as of January 1, 2020 (i.e., does not delay adoption of CECL under Section 4014 of the Coronavirus Aid, Relief, and Economic Security Act), records a reduction in retained earnings due to the adoption of CECL, and does not elect to use the CECL transition provision in its Call Report for the March 31, 2020, report date would not be permitted to use the 3-year or the 5-year CECL transition provision in any subsequent reporting period.

An institution that elected to apply the 3-year CECL transition provision must enter "1" for "Yes with a 3-year CECL transition election" in item 2.a for each quarter in which the institution uses the transition provision. An institution that has elected to apply the 5-year 2020 CECL transition provision must enter "2" for "Yes with a 5-year 2020 CECL transition election" in item 2.a for each quarter in which the institution uses the transition provision. An institution that has adopted CECL and has elected not to use a CECL transition provision must enter a "0" for "No" in item 2.a.

Each institution should complete item 2.a beginning in the quarter that it first reports its credit loss allowances in the Call Report as measured under CECL and in each subsequent Call Report thereafter until item 2.a is removed from the report. Effective December 31, 2026, item 2.a will be removed from Schedule RC-R, Part I, because the optional 3-year and 5-year 2020 transition periods will have ended for all CECL electing institutions. If an individual CECL electing institution's 3-year or 5-year transition period ends before item 2.a is removed (e.g., its transition period ends December 31, 2022), the institution would report "0" in item 2.a to indicate that it no longer has a CECL transition election in effect.

[1] An institution that did not make a 5-year 2020 CECL transition provision election because it did not record a reduction in retained earnings due to the adoption of CECL as of the beginning of the fiscal year in which the institution adopted CECL may use the 5-year 2020 CECL transition provision if it has a positive modified CECL transitional amount during any quarter ending in 2020 and makes the election in the Call Report filed for the same quarter.

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**3** **Accumulated other comprehensive income (AOCI).** Report the amount of AOCI as reported under U.S. generally accepted accounting principles (GAAP) that is included in Schedule RC, item 26.b.

**3.a** **AOCI opt-out election.**

An institution that is not an advanced approaches institution as defined in the regulatory capital rules may make a one-time election to become subject to the AOCI-related adjustments in Schedule RC-R, Part I, items 9.a through 9.e. That is, such an institution may opt out of the requirement to include most components of AOCI in common equity tier 1 capital (with the exception of accumulated net gains and losses on cash flow hedges related to items that are not recognized at fair value on the balance sheet). An institution that makes an AOCI opt-out election must enter "1" for "Yes" in this item 3.a.

Each institution (except an advanced approaches institution) in existence as of March 31, 2015, made its AOCI opt-out election on the institution's March 31, 2015, Call Report. For an institution that comes into existence after March 31, 2015, or becomes a non-advanced approaches institution, the institution must make its AOCI opt-out election in the first Call Report the institution files after the occurrence of this event. After an institution initially makes its AOCI opt-out election, the institution must report its election in each quarterly Call Report thereafter. Each of the institution's depository institution subsidiaries, if any, must elect the same option as the institution. With prior notice to its primary federal supervisor, an institution resulting from a merger, acquisition, or purchase transaction may make a new AOCI opt-out election, as described in section 22(b)(2) of the regulatory capital rules.

An institution that does not make an AOCI opt-out election and enters "0" for "No" in this item 3.a is subject to the AOCI-related adjustment in Schedule RC-R, Part I, item 9.f.

**4** **Common equity tier 1 minority interest includable in common equity tier 1 capital.** Report the aggregate amount of common equity tier 1 minority interest, calculated as described below and in section 21 of the regulatory capital rules. Common equity tier 1 minority interest is the portion of common equity tier 1 capital in a reporting institution's subsidiary not attributable, directly or indirectly, to the parent institution. Note that a bank may only include common equity tier 1 minority interest if: (a) the subsidiary is a depository institution; and (b) the capital instruments issued by the subsidiary meet all of the criteria for common equity tier 1 capital (qualifying common equity tier 1 capital instruments).

In order to complete this item 4, institutions need to complete items 6 to 10 of Schedule RC-R, Part I. Non-advanced approaches institutions are able to include common equity tier 1 minority interest up to 10 percent of the parent banking organization's common equity tier 1 capital. The 10 percent limitation is measured before the inclusion of any minority interest and after the deductions from and adjustments to the regulatory capital of the parent banking organization described in sections 22(a) and (b) of the regulatory capital rules.

***Example and a worksheet calculation:*** Calculate common equity tier 1 minority interest includable at the reporting institution's level as follows:

*Assumptions:*

- The parent banking organization's common equity tier 1 capital is $100, it has two subsidiaries (subsidiary A and subsidiary B), and it has $10 of common equity tier 1 capital adjustments and deductions;

**Part I. (cont.)**

**Item No. Caption and Instructions**

**4**

- Subsidiary A has $7 of common equity tier 1 minority interest (that is, owned by minority shareholders).
- Subsidiary B has $5 of common equity tier 1 minority interest (that is, owned by minority shareholders).

| | | |
|---|---|---|
| (1) | Common Equity Tier 1 Capital Elements Before Minority Interest and Adjustments and Deductions = Schedule RC-R, Part I, sum of items 1, 2, and 3 | *$100* |
| (2) | Common Equity Tier 1 Capital: Adjustments and Deductions = Schedule RC-R, Part I, sum of items 6, 7, 8, 9.a through 9.f, 10.a, and 10.b | *$10* |
| (3) | Subtract the amount in step (2) from the amount in step (1). This is the base to calculate the 10 percent limitation. | *$100-$10 = $90* |
| (4) | Multiply step (3) by 10 percent. This is the maximum includable common equity tier 1 minority interest from all subsidiaries. | *$90 x 10% = $9* |
| (5) | Determine the lower of (4) and the total common equity tier 1 minority interest from all subsidiaries. This is the "common equity tier 1 minority interest includable at the reporting institution's level" to be included in Schedule RC-R, Part I, item 4. | *Minimum of ($9 from Step 4 or $12 ($7+$5) from the assumptions) = $9* |

**5** **Common equity tier 1 capital before adjustments and deductions.** Report the sum of Schedule RC-R, Part I, items 1, 2, 3, and 4.

**Common Equity Tier 1 Capital: Adjustments and Deductions**

**General Instructions for Common Equity Tier 1 Capital: Adjustments and Deductions**

*Note 1:* As described in section 22(b) of the regulatory capital rules, regulatory adjustments to common equity tier 1 capital must be made net of associated deferred tax effects.

*Note 2*: As described in section 22(e) of the regulatory capital rules, netting of deferred tax liabilities (DTLs) against assets that are subject to deduction is permitted if the following conditions are met:

(i) The DTL is associated with the asset;
(ii) The DTL would be extinguished if the associated asset becomes impaired or is derecognized under GAAP; and
(iii) A DTL can only be netted against a single asset.

The amount of deferred tax assets (DTAs) that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances, and of DTAs arising from temporary differences that the institution could not realize through net operating loss carrybacks, net of any related valuation allowances, may be offset by DTLs (that have not been netted against assets subject to deduction) subject to the following conditions:

(i) Only the DTAs and DTLs that relate to taxes levied by the same taxation authority and that are eligible for offsetting by that authority may be offset for purposes of this deduction.

**Part I. (cont.)**

**General Instructions for Common Equity Tier 1 Capital: Adjustments and Deductions (cont.)**

(ii) The amount of DTLs that the institution nets against DTAs that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances, and against DTAs arising from temporary differences that the institution could not realize through net operating loss carrybacks, net of any related valuation allowances, must be allocated in proportion to the amount of DTAs that arise from net operating loss and tax credit carryforwards (net of any related valuation allowances, but before any offsetting of DTLs) and of DTAs arising from temporary differences that the institution could not realize through net operating loss carrybacks (net of any related valuation allowances, but before any offsetting of DTLs), respectively.

An institution may offset DTLs embedded in the carrying value of a leveraged lease portfolio acquired in a business combination (whether accounted for in accordance with previous guidance under ASC Topic 840, Leases, for those leases grandfathered upon the adoption of ASC Topic 842 or accounted for under ASC Topic 842, Leases, as applicable) that are not recognized under GAAP against DTAs that are subject to section 22(d) of the regulatory capital rules in accordance with section 22(e).

An institution must net DTLs against assets subject to deduction in a consistent manner from reporting period to reporting period. An institution may change its DTL netting preference only after obtaining the prior written approval of the primary federal supervisor.

In addition, note that even though certain deductions may be net of associated DTLs, the risk-weighted portion of those items may not be reduced by the associated DTLs.

**Item Instructions for Common Equity Tier 1 Capital: Adjustments and Deductions**

| Item No. | Caption and Instructions |
|---|---|
| 6 | **LESS: Goodwill net of associated deferred tax liabilities (DTLs).** Report the amount of goodwill included in Schedule RC-M, item 2.b.<br><br>However, if the institution has a DTL that is specifically related to goodwill that it chooses to net against the goodwill, the amount of disallowed goodwill to be reported in this item should be reduced by the amount of the associated DTL. |
| 7 | **LESS: Intangible assets (other than goodwill and mortgage servicing assets (MSAs)), net of associated DTLs.** Report all intangible assets (other than goodwill and MSAs) included in Schedule RC-M, item 2.c, that do not qualify for inclusion in common equity tier 1 capital based on the regulatory capital rules of the institution's primary federal supervisor. Generally, all purchased credit card relationships (PCCRs), nonmortgage servicing assets, and all other intangibles reported in Schedule RC-M, item 2.c, do not qualify for inclusion in common equity tier 1 capital and should be included in this item.<br><br>However, if the institution has a DTL that is specifically related to an intangible asset (other than goodwill and MSAs) that it chooses to net against the intangible asset for regulatory capital purposes, the amount of disallowed intangibles to be reported in this item should be reduced by the amount of the associated DTL. Furthermore, a DTL that the institution chooses to net against the related intangible reported in this item may not also be netted against DTAs that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances, and DTAs that arise from temporary differences, net of any related valuation allowances, for regulatory capital purposes.<br><br>For state member banks, if the amount reported for other intangible assets in Schedule RC-M, item 2.c, includes intangible assets that were recorded on the reporting bank's balance sheet on or before February 19, 1992, the remaining book value as of the report date of these intangible assets may be excluded from this item. |

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| 8 | **LESS: Deferred tax assets (DTAs) that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs.** Report the amount of DTAs that arise from net operating loss and tax credit carryforwards, net of associated valuation allowances and net of associated DTLs. |
| 9 | **AOCI-related adjustments.** Institutions that entered "1" for Yes in Schedule RC-R, Part I, item 3.a, must complete Schedule RC-R, Part I, items 9.a and 9.c through 9.e, only.<br><br>Institutions that entered "0" for No in Schedule RC-R, Part I, item 3.a, must complete Schedule RC-R, Part I, item 9.f, only. |
| 9.a | **LESS: Net unrealized gains (losses) on available-for-sale debt securities.** For institutions that entered "1" for Yes in Schedule RC-R, Part I, item 3.a, report the amount of net unrealized gains (losses) on available-for-sale debt securities, net of applicable income taxes, that is included in Schedule RC, item 26.b, "Accumulated other comprehensive income." If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.<br><br>For such institutions, include in this item net unrealized gains (losses) on available-for-sale debt securities reported in Schedule RC-B, items 1 through 6.b, columns C and D, and on those assets not reported in Schedule RC-B, that the bank accounts for like available-for-sale debt securities in accordance with applicable accounting standards (e.g., negotiable certificates of deposit and nonrated industrial development obligations). |
| 9.b | Not applicable. |

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**9.c** **LESS: Accumulated net gains (losses) on cash flow hedges.** Report the amount of accumulated net gains (losses) on cash flow hedges, net of applicable income taxes, that is included in Schedule RC, item 26.b, "Accumulated other comprehensive income." The amount reported in Schedule RC-R, Part I, item 9.c, should include gains (losses) on cash flow hedges that are no longer effective but included in AOCI. If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

**9.d** **LESS: Amounts recorded in AOCI attributed to defined benefit postretirement plans resulting from the initial and subsequent application of the relevant GAAP standards that pertain to such plans.** Report the amounts recorded in AOCI, net of applicable income taxes, and included in Schedule RC, item 26.b, "Accumulated other comprehensive income," resulting from the initial and subsequent application of ASC Topic 715, Compensation–Retirement Benefits, to defined benefit postretirement plans (an institution may exclude the portion relating to pension assets deducted in Schedule RC-R, Part I, item 10.b). If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

**9.e** **LESS: Net unrealized gains (losses) on held-to-maturity securities that are included in AOCI.** Report the amount of net unrealized gains (losses) on held-to-maturity securities that is not credit-related, net of applicable taxes, and is included in AOCI as reported in Schedule RC, item 26.b, "Accumulated other comprehensive income." If the amount is a net gain, report it as a positive value. If the amount is a net loss, report it as a negative value.

Include (i) the unamortized balance of the unrealized gain (loss) that existed at the date of transfer of a debt security transferred into the held-to-maturity category from the available-for-sale category, net of applicable income taxes, and (ii) the unaccreted portion of other-than-temporary impairment losses on available-for-sale and held-to-maturity debt securities that was not recognized in earnings in accordance with ASC Topic 320, Investments-Debt Securities, net of applicable income taxes.

**9.f** **To be completed only by institutions that entered "0" for No in Schedule RC-R, Part I, item 3.a:**

**LESS: Accumulated net gain (loss) on cash flow hedges included in AOCI, net of applicable income taxes, that relates to the hedging of items that are not recognized at fair value on the balance sheet.** Report the amount of accumulated net gain (loss) on cash flow hedges included in AOCI, net of applicable income taxes, that relates to the hedging of items that are not recognized at fair value on the balance sheet. If the amount is a net gain, report it as a positive value. If the amount is a net loss, report it as a negative value.

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| 10 | **Other deductions from (additions to) common equity tier 1 capital before threshold-based deductions:** |
| 10.a | **LESS: Unrealized net gain (loss) related to changes in the fair value of liabilities that are due to changes in own credit risk.** Report the amount of unrealized net gain (loss) related to changes in the fair value of liabilities that are due to changes in the institution's own credit risk. If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item. |
| 10.b | **LESS: All other deductions from (additions to) common equity tier 1 capital before threshold-based deductions.** Report the amount of all other deductions from (additions to) common equity tier 1 capital that are not included in Schedule RC-R, Part I, items 1 through 9, as described below. |

**(1) After-tax gain-on-sale in connection with a securitization exposure.** Include any after-tax gain-on-sale in connection with a securitization exposure. Gain-on-sale means an increase in the equity capital of an institution resulting from a securitization (other than an increase in equity capital resulting from the institution's receipt of cash in connection with the securitization or reporting of a mortgage servicing asset on Schedule RC).

**(2) Defined benefit pension fund net asset, net of associated DTLs.** An institution that is not an insured depository institution should include any defined benefit pension fund net asset. This amount may be net of any associated DTLs in accordance with section 22(e) of the capital rules.

**(3) Investments in the institution's own shares to the extent not excluded as part of treasury stock.** Include the institution's investments in (including any contractual obligation to purchase) its own common stock instruments, including direct, indirect, and synthetic exposures to such capital instruments (as defined in the regulatory capital rules), to the extent such capital instruments are not excluded as part of treasury stock, reported in Schedule RC-R, Part I, item 1.

If an institution already deducts its investment in its own shares (for example, treasury stock) from its common equity tier 1 capital elements, it does not need to make such deduction twice.

An institution may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty credit risk and all other criteria in section 22(h) of the regulatory capital rules are met.

The institution must look through any holdings of index securities to deduct investments in its own capital instruments. In addition:

(i) Gross long positions in investments in an institution's own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same underlying index;
(ii) Short positions in index securities to hedge long cash or synthetic positions may be decomposed to recognize the hedge; and
(iii) The portion of the index composed of the same underlying exposure that is being hedged may be used to offset the long position only if both the exposure being hedged and the short position in the index are covered positions under the market risk rule, and the hedge is deemed effective by the institution's internal control processes.

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| 10.b (cont.) | **(4) Reciprocal cross-holdings in the capital of financial institutions in the form of common stock.** Include investments in the capital of other financial institutions (in the form of common stock) that the institution holds reciprocally (this is the corresponding deduction approach). Such reciprocal crossholdings may result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's capital instruments. |
| | **(5) Equity investments in financial subsidiaries.** Include the aggregate amount of the institutions' outstanding equity investments, including retained earnings, in its financial subsidiaries (as defined in 12 CFR 5.39 (OCC); 12 CFR 208.77 (Board); and 12 CFR 362.17 (FDIC)). The assets and liabilities of financial subsidiaries may not be consolidated with those of the parent institution for regulatory capital purposes. No other deduction is required for these investments in the capital instruments of financial subsidiaries. |
| | **(6) 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 | **Not applicable.** |
| 12 | **Subtotal.** Report the amount in Schedule RC-R, Part I, item 5, less the amounts in Schedule RC-R, Part I, items 6 through 10.b.<br><br>This subtotal will be used in Schedule RC-R, Part I, items 13 through 15, to calculate the amounts of items subject to the 25 percent common equity tier 1 capital threshold deductions (threshold items):<br><br>(i) Investments in the capital of unconsolidated financial institutions, net of associated DTLs;<br>(ii) MSAs, net of associated DTLs; and<br>(iii) DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs. |
| 13 | **LESS: Investments in the capital of unconsolidated financial institutions, net of associated DTLs, that exceed 25 percent of item 12.** Items that are not deducted from the appropriate capital tier are risk-weighted based on the exposure in Schedule RC-R, Part II, except for institutions under the community bank leverage ratio (CBLR) framework. Institutions have the flexibility when deciding which investments in the capital of unconsolidated financial institutions to risk weight and which to deduct.<br><br>Report the amount of investments in the capital of unconsolidated financial institutions, net of associated DTLs, that exceed the 25 percent common equity tier 1 capital deduction threshold, calculated as follows:<br><br>(1) Determine the amount of investments in the capital of unconsolidated financial institutions, net of associated DTLs.<br>(2) If the amount in (1) is greater than 25 percent of Schedule RC-R, Part I, item 12, report the difference across items 13, 24, or 45, depending on the tier of capital for which the investments in the capital of unconsolidated financial institutions qualify. As mentioned above, the institution can elect which investments it must deduct and which it must risk weight. The institution's election and the component of capital for which the underlying instrument would qualify will determine if the instrument will be deducted and reported in item 13 or be deducted and reported in item 24 or 45. |

**Part I. (cont.)**

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

**13** (cont.)

(3) If the amount in (2) is less than or equal to 25 percent of Schedule RC-R, Part I, item 12, report zero in this item 13.

If the institution included embedded goodwill in Schedule RC-R, Part I, item 6, to avoid double counting, the institution may net such embedded goodwill already deducted against the exposure amount of the investment. For example, if an institution has deducted $10 of goodwill embedded in a $100 investment in the capital of an unconsolidated financial institution, the institution would be allowed to net such embedded goodwill against the exposure amount of such investment (that is, the value of the investment would be $90 for purposes of the calculation of the amount that would be subject to deduction).

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

*Assumptions:*

For example, assume that an institution:

- Has $20 of total investments in the capital of unconsolidated financial institutions;
- Of that $20, $9 are investments in common equity tier 1 capital instruments, $7 are investments in additional tier 1 capital instruments, and $4 are investments in tier 2 capital instruments;
- Has total common equity tier 1 capital subtotal (reported in Schedule RC-R, Part I, item 12) of $60;
- Has total additional tier 1 capital of $20; and
- Has total tier 2 capital of $3.

| | | |
|---|---|---|
| (1) | Total investments in the capital of unconsolidated financial institutions | *$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* |
| (4) | The amount of investments deducted from regulatory capital can be deducted from the corresponding total amounts of regulatory capital held by the institution that meet each type of capital, as an institution chooses. | *Total of $5 must be deducted from regulatory capital. Of that, $3 will be deducted from the institution's $3 of tier 2 capital, and $2 will be deducted from the institution's $20 of additional tier 1 capital. No deduction from common equity tier 1 will be reported in this item 13.* |

Since the CBLR framework does not have a total capital requirement, a CBLR electing institution is neither required to calculate tier 2 capital nor make any deductions that would have been taken from tier 2 capital under the generally applicable capital rule. Therefore, if a CBLR electing institution has investments in the capital instruments of an unconsolidated financial institution that would qualify as tier 2 capital of the electing institution under the generally applicable capital rule (tier 2 qualifying investments), and the institution's total investments in the capital of unconsolidated financial institutions exceed the threshold for deduction, the institution is not required to deduct the tier 2 qualifying investments.

**Part I. (cont.)**

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

**13** (cont.) ***Example for a CBLR electing institution and a worksheet calculation:***

*Assumptions:*

For example, assume that a CBLR electing institution:

- Has $20 of total investments in the capital of unconsolidated financial institutions;
- Of that $20, $15 are investments in tier 1 capital instruments, and $5 are investments in tier 2 capital instruments; and
- Has total common equity tier 1 capital subtotal (reported in Schedule RC-R, Part I, item 12) of $60.

| | | |
|---|---|---|
| (1) | Total investments in the capital of unconsolidated financial institutions | *$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* |
| (4) | The amount of investments deducted from regulatory capital can be deducted from the corresponding total amounts of regulatory capital held by the institution that meet each type of capital, as an institution chooses. | *Total of $5 must be deducted from regulatory capital. Since institutions have the flexibility to choose which items are deducted, they can elect to allocate the tier 1 investments first. As a result, the remaining investment that exceeds the threshold would be tier 2 instruments. Therefore, since CBLR electing institutions are not required to make tier 2 deductions, no deduction is necessary.* |

**14** **LESS: MSAs, net of associated DTLs, that exceed 25 percent of item 12.** Report the amount of MSAs included in Schedule RC-M, item 2.a, net of associated DTLs, that exceed the 25 percent common equity tier 1 capital deduction threshold as follows:

(1) Take the amount of MSAs as reported in Schedule RC-M, item 2.a, net of associated DTLs.
(2) If the amount in (1) is greater than 25 percent of Schedule RC-R, Part I, item 12, report the difference in this item 14.
(3) If the amount in (1) is less than or equal to 25 percent of Schedule RC-R, Part I, item 12, enter zero in this item 14.

All institutions must apply a 250 percent risk-weight to MSAs that are not deducted from common equity tier 1 capital, without regard to any associated DTLs, except for institutions that are subject to the community bank leverage ratio (CBLR) framework.

**Part I. (cont.)**

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

**14** ***Example and a worksheet calculation:***
(cont.)

*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) of $60.

| | | |
|---|---|---|
| (1) | Total amount of MSAs, 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* |

**15** **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 allowances for credit losses (ACL.
(2) If the amount in (1) is greater than 25 percent of Schedule RC-R, Part I, item 12, report the difference in this item 15.
(3) If the amount in (1) is less than or equal to 25 percent of Schedule RC-R, Part I, item 12, enter zero in this item 15.

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.

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 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).

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**15** (cont.)

An institution that 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 RC-R, Part I, item 12) of $60.

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**Part I. (cont.)**

**Item No. Caption and Instructions**

**15**
(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* |

**16** **Not applicable.**

**17** **LESS: Deductions applied to common equity tier 1 capital due to insufficient amounts of additional tier 1 capital and tier 2 capital to cover deductions.** Report the total amount of deductions related to investments in own additional tier 1 and tier 2 capital instruments, reciprocal cross-holdings, and investments in the capital of unconsolidated financial institutions if the reporting institution does not have a sufficient amount of additional tier 1 capital before deductions (reported in Schedule RC-R, Part I, item 23) and tier 2 capital before deductions (reported in Schedule RC-R, Part I, item 42.a) to absorb these deductions in Schedule RC-R, Part I, items 24 or 45, as appropriate.

Since the community bank leverage ratio (CBLR) framework does not have a total capital requirement, a CBLR electing institution is neither required to calculate tier 2 capital nor make any deductions that would have been taken from tier 2 capital under the generally applicable capital rule. Therefore, if a CBLR electing institution has investments in the capital instruments of an unconsolidated financial institution that would qualify as tier 2 capital of the CBLR electing institution under the generally applicable capital rule (tier 2 qualifying investments), and the institution's total investments in the capital of unconsolidated financial institutions exceed the threshold for deduction, the institution is not required to deduct the tier 2 qualifying investments.

**18** **Total adjustments and deductions for common equity tier 1 capital.** Report the sum of Schedule RC-R, Part I, items 13 through 17.

**19** **Common equity tier 1 capital.** Report Schedule RC-R, Part I, item 12 less item 18. Except for a CBLR electing institution under the CBLR framework, the amount reported in this item is the numerator of the institution's common equity tier 1 risk-based capital ratio.

**Additional Tier 1 Capital**

**20** **Additional tier 1 capital instruments plus related surplus.** Report the portion of noncumulative perpetual preferred stock and related surplus included in Schedule RC, item 23, and any other capital instrument and related surplus that satisfy all the eligibility criteria for additional tier 1 capital instruments in section 20(c) of the regulatory capital rules of the institution's primary federal supervisor.

Include instruments that (i) were issued under the Small Business Jobs Act of 2010, or, prior to October 4, 2010, under the Emergency Economic Stabilization Act of 2008 and (ii) were included in the tier 1 capital under the primary federal supervisor's general risk-based capital

**Part I. (cont.)**

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

**20** (cont.) permanently). Also include additional tier 1 capital instruments issued as part of an ESOP, provided that the repurchase of such instruments is required solely by virtue of ERISA for an institution that is not publicly-traded.

**21** **Non-qualifying capital instruments subject to phase out from additional tier 1 capital.** Report the amount of non-qualifying capital instruments that may not be included in additional tier 1 capital, as described in Schedule RC-R, Part I, item 20, and that is subject to phase out rom additional tier 1 capital.

Depository institutions may include in regulatory capital debt or equity instruments issued prior to September 12, 2010, that do not meet the criteria for additional tier 1 or tier 2 capital instruments in section 20 of the regulatory capital rules but that were included in tier 1 or tier 2 capital, respectively, as of September 12, 2010 (non-qualifying capital instruments issued prior to September 12, 2010) up to the percentage of the outstanding principal amount of such non-qualifying capital instruments as of January 1, 2014, in accordance with Table 3 below.

The amount of non-qualifying capital instruments that is excluded from additional tier 1 capital in accordance with Table 3 may be included in tier 2 capital (in Schedule RC-R, Part I, item 40) without limitation, provided the instruments meet the criteria for tier 2 capital set forth in section 20(d) of the regulatory capital rules.

***Transition provisions for non-qualifying capital instruments includable in additional tier 1 or tier 2 capital:***

Table 3 applies separately to additional tier 1 and tier 2 non-qualifying capital instruments. For example, an institution that has $100 in non-qualifying tier 1 instruments may include up to $20 in additional tier 1 capital in 2020, and $10 in 2021. If that same institution has $100 in non-qualifying tier 2 instruments, it may include up to $20 in tier 2 capital in 2020 and $10 in 2021.

If the institution is involved in a merger or acquisition, it should treat its non-qualifying capital instruments following the requirements in section 300 of the regulatory capital rules.

**Table 3 – Percentage of non-qualifying capital instruments includable in additional tier 1 or tier 2 capital during the transition period**

| Transition period | Percentage of non-qualifying capital instruments includable in additional tier 1 or tier 2 capital |
|---|---|
| Calendar year 2017 | 50 |
| Calendar year 2018 | 40 |
| Calendar year 2019 | 30 |
| Calendar year 2020 | 20 |
| Calendar year 2021 | 10 |
| Calendar year 2022 and thereafter | 0 |

**Part I. (cont.)**

**Item No. Caption and Instructions**

**22** **Tier 1 minority interest not included in common equity tier 1 capital.** Report the amount of tier 1 minority interest not included in common equity tier 1 capital that is includable at the consolidated level, calculated as described below and in section 21 of the regulatory capital rules.

Non-advanced approaches institutions are able to include tier 1 minority interest up to 10 percent of the parent banking organization's tier 1 capital. The 10 percent limitation is measured before the inclusion of any minority interest and after the deductions from and adjustments to the regulatory capital of the parent banking organization described in sections 22(a) and (b) of the regulatory capital rules. Tier 1 minority interest is the portion of tier 1 capital in a reporting institution's subsidiary not attributable, directly or indirectly, to the parent institution. Note that an institution may only include tier 1 minority interest if the capital instruments issued by the subsidiary meet all of the criteria for tier 1 capital (qualifying tier 1 capital instruments).

***Example and a worksheet calculation:*** Calculate tier 1 minority interest not included in common equity tier 1 minority interest includable at the reporting institution's level as follows:

*Assumptions:*

- This is a continuation of the example used in the instructions for Schedule RC-R, Part I, item 4.
- Assumptions and calculation from Schedule RC-R, Part I, item 4:
  - The parent banking organization's common equity tier 1 before minority interest and common equity tier 1 capital adjustments and deductions is $100.
  - Common equity tier 1 capital adjustments and deductions is $10.
- The parent banking organization's additional tier 1 capital instruments before minority interest and additional tier 1 deductions equal $15.
- Additional tier 1 capital deductions equal $4.
- Subsidiary A has $6 of additional tier 1 minority interest (that is, owned by minority shareholders).
- Subsidiary B has $6 of additional tier 1 minority interest (that is, owned by minority shareholders).
- The subsidiary's tier 1 minority interest (that is, owned by minority shareholders) is $24 ($12 of common equity tier 1 minority interest and $12 of minority interest in the form of additional tier 1 instruments).

| | | |
|---|---|---|
| (1) | Common equity tier 1 capital before CET1 minority interest + Additional tier 1 capital instruments before minority interest - additional tier 1 capital deductions = Schedule RC-R, Part I, sum of items 19, 20, and 21, minus item 4 minus item 24. | *$90+$15-$4=$101* |
| (2) | Multiply step (1) by 10 percent. This is the maximum includable tier 1 minority interest from all subsidiaries. | *$101 x 10% = $10.1* |
| (3) | Determine the lower of (2) or the tier 1 minority interest from all subsidiaries. | *Minimum of ($10.1 from Step 2 or $24 from the assumptions) = $10.1* |
| (4) | From (3), subtract out the common equity tier 1 minority interest reported in Schedule RC-R, Part I, item 4. This is the "tier 1 minority interest not included in common equity tier 1 minority interest includable at the reporting institution's level" to be included in Schedule RC-R, Part I, item 22. | *$10.1 - $9 = $1.1* |

**Part I. (cont.)**

**Item No. Caption and Instructions**

**23** **Additional tier 1 capital before deductions.** Report the sum of Schedule RC-R, Part I, items 20, 21, and 22.

**24** **LESS: Additional tier 1 capital deductions.** Report additional tier 1 capital deductions as the sum of the following elements.

Note that an institution should report additional tier 1 capital deductions in this item 24 irrespective of the amount of additional tier 1 capital before deductions reported in Schedule RC-R, Part I, item 23. If an institution does not have a sufficient amount of additional tier 1 capital before deductions in item 23 to absorb these deductions, then the institution must deduct the shortfall from common equity tier 1 capital in Schedule RC-R, Part I, item 17. For example, if an institution reports $0 of "Additional tier 1 capital before deductions" in Schedule RC-R, Part I, item 23, and has $100 of additional tier 1 capital deductions, the institution would report $100 in this item 24, add $100 to the amount to be reported in Schedule RC-R, Part I, item 17, and report $0 in Schedule RC-R, Part I, item 25, "Additional tier 1 capital."

**(1) Investments in own additional tier 1 capital instruments.** Report the institution's investments in (including any contractual obligation to purchase) its own additional tier 1 capital instruments, whether held directly or indirectly.

An institution may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty risk.

The institution must look through any holdings of index securities to deduct investments in its own capital instruments. In addition:

(i) Gross long positions in investments in an institution's own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same index;
(ii) Short positions in index securities that are hedging long cash or synthetic positions can be decomposed to recognize the hedge; and
(iii) The portion of the index that is composed of the same underlying exposure that is being hedged may be used to offset the long position if both the exposure being hedged and the short position in the index are covered positions under the market risk capital rule, and the hedge is deemed effective by the institution's internal control processes.

**(2) Reciprocal cross-holdings in the capital of financial institutions.** Include investments in the additional tier 1 capital instruments of other financial institutions that the institution holds reciprocally, where such reciprocal cross-holdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's capital instruments. If the institution does not have a sufficient amount of a specific component of capital to effect the required deduction, the shortfall must be deducted from the next higher (that is, more subordinated) component of regulatory capital.

For example, if an institution is required to deduct a certain amount from additional tier 1 capital and it does not have additional tier 1 capital, then the deduction should be from common equity tier 1 capital in Schedule RC-R, Part I, item 17.

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**24** (cont.)

**(3) Investments in the capital of unconsolidated financial institutions that exceed the 25 percent threshold to be deducted from additional tier 1 capital.** Report the total amount of investments in the capital of unconsolidated financial institutions in the form of additional tier 1 capital that exceeds the 25 percent threshold. Calculate this amount as follows:

(1) Determine the amount of investments in the capital of unconsolidated financial institutions, net of associated DTLs.
(2) If the amount in (1) is greater than 25 percent of Schedule RC-R, Part I, item 12, report the difference across items 13, 24, or 45, depending on the tier of capital for which the investments in the capital of unconsolidated financial institutions qualify. The institution can elect which investments it must deduct and which it must risk weight. Depending on the institution's election and the component of capital for which the underlying instrument would qualify will determine if it will be deducted and reported in Schedule RC-R, Part I, item 13, or be deducted and reported in Schedule RC-R, Part I, item 24 or 45.
(3) If the amount in (1) is less than 25 percent of Schedule RC-R, Part I, item 12, no deduction is needed.

See Schedule RC-R, Part I, item 13, for an example of how to deduct amounts of investments in the capital of unconsolidated financial institutions that exceed the 25 percent threshold.

Since the community bank leverage ratio framework does not have a total capital requirement, a CBLR electing institution is neither required to calculate tier 2 capital nor make any deductions that would have been taken from tier 2 capital under the generally applicable rule. Therefore, if a CBLR electing institution has investments in the capital instruments of an unconsolidated financial institution that would qualify as tier 2 capital of the CBLR electing institution under the generally applicable rule (tier 2 qualifying investments), and the institution's total investments in the capital of unconsolidated financial institutions exceed the threshold for deduction, the institution is not required to deduct the tier 2 qualifying investments.

**(4) Other adjustments and deductions.** Include adjustments and deductions applied to additional tier 1 capital due to insufficient tier 2 capital to cover deductions (related to reciprocal cross-holdings and investments in the tier 2 capital of unconsolidated financial institutions).

CBLR eligible institutions that opt into the community bank leverage ratio framework are not required to calculate tier 2 capital and would not be required to make any deductions that would be taken from tier 2 capital.

In addition, insured state banks with real estate subsidiaries whose continued operations have been approved by the FDIC pursuant to Section 362.4 of the FDIC's Rules and Regulations generally should include as a deduction from additional tier 1 capital their equity investment in the subsidiary. (Insured state banks with FDIC-approved phase-out plans for real estate subsidiaries need not make these deductions.) Insured state banks with other subsidiaries (that are not financial subsidiaries) whose continued operations have been approved by the FDIC pursuant to Section 362.4 should include as a deduction from additional Tier 1 capital the amount required by the approval order.

**Part I. (cont.)**

**Item No. Caption and Instructions**

**25** **Additional tier 1 capital.** Report the greater of Schedule RC-R, Part I, item 23 minus item 24, or zero.

**Tier 1 Capital**

**26** **Tier 1 capital.** Report the sum of Schedule RC-R, Part I, items 19 and 25.

**Total Assets for the Leverage Ratio**

**27** **Average total consolidated assets.** All institutions must report the amount of average total consolidated assets as reported in Schedule RC-K, item 9.

An institution that has elected to apply the 3-year CECL transition provision (3-year CECL electing institution) should increase its average total consolidated assets by its applicable CECL transitional amount, in accordance with section 301 of the regulatory capital rules. Specifically, a 3-year CECL electing institution should increase its average total consolidated assets as reported on the Call Report for purposes of the leverage ratio 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 (see Table 2 in the General Instructions for Schedule RC-R, Part I).

An institution that has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing institution) should increase its average total consolidated assets by 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 its average total consolidated assets as reported on the Call Report for purposes of the leverage ratio 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 (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).

**28** **LESS: Deductions from common equity tier 1 capital and additional tier 1 capital.**

Report the sum of the amounts deducted from common equity tier 1 capital and additional tier 1 capital in Schedule RC-R, Part I, items 6, 7, 8, 10.b, 13 through 15, 17, and 24. Also exclude the amount reported in Schedule RC-R, Part I, item 17, that is due to insufficient amounts of additional tier 1 capital, and which is included in the amount reported in Schedule RC-R, Part I, item 24. (This is to avoid double counting.)

**29** **LESS: Other deductions from (additions to) assets for leverage ratio purposes.** Based on the regulatory capital rules of the bank's primary federal supervisor, report the amount of any deductions from (additions to) total assets for leverage ratio purposes that are not included in Schedule RC-R, Part I, item 28, as well as the items below, if applicable. If the amount is a net deduction, report it as a positive value in this item. If the amount is a net addition, report it as a negative value in this item.

**Part I. (cont.)**

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**29** (cont.)

Include as a deduction the quarterly average amount of Paycheck Protection Program (PPP) loans pledged to the PPP Liquidity Facility (PPPLF). 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. Institutions also should report in Schedule RC-M, item 17.e, the quarterly average amount of PPP loans pledged to the PPPLF that are included as a deduction in this item 29.

Include as a deduction the quarterly average amount of assets purchased under the Money Market Mutual Fund Liquidity Facility (MMLF). 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. Institutions also should report in Schedule RC-M, item 18.b, the quarterly average amount of assets purchased under the MMLF that are included as a deduction in this item 29.

***Institutions that make the AOCI opt-out election in Schedule RC-R, Part I, item 3.a – Defined benefit postretirement plans:***

If the reporting institution sponsors a single-employer defined benefit postretirement plan, such as a pension plan or health care plan, accounted for in accordance with ASC Topic 715, Compensation-Retirement Benefits, the institution should adjust total assets for leverage ratio purposes for any amounts included in Schedule RC, item 26.b, "Accumulated other comprehensive income" (AOCI), affecting assets as a result of the initial and subsequent application of ASC Topic 715. The adjustment also should take into account subsequent amortization of these amounts from

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

**29** (cont.)

AOCI into earnings. The intent of the adjustment reported in this item (together with the amount reported in Schedule RC-R, Part I, item 9.d) is to reverse the effects on AOCI of applying ASC Topic 715 for regulatory capital purposes. Specifically, assets recognized or derecognized as an adjustment to AOCI as part of the incremental effect of applying ASC Topic 715 should be reported as an adjustment to total assets for leverage ratio purposes. For example, the derecognition of an asset recorded as an offset to AOCI as part of the initial incremental effect of applying ASC Topic 715 should be added back to total assets for leverage ratio purposes by reporting the amount as a negative number in this item. As another example, the portion of a benefit plan surplus asset that is included in Schedule RC, item 26.b, as an increase to AOCI and in total assets should be deducted from total assets for leverage ratio purposes by reporting the amount as a positive number in this item.

***Institutions that do not make the AOCI opt-out election – Available-for-sale debt securities:***

Available-for-sale debt securities are reflected at amortized cost when calculating average total consolidated assets for Schedule RC-K, item 9. Therefore, include in this item as a deduction from (addition to) assets for leverage ratio purposes the amount needed to adjust the quarterly average for available-for-sale debt securities included in Schedule RC-K, item 9, from an average based on amortized cost to an average based on fair value. If the deferred tax effects of any net unrealized gains (losses) on available-for-sale debt securities were excluded from the determination of average total consolidated assets for Schedule RC-K, item 9, also include in this item as a deduction from (addition to) assets for leverage ratio purposes the quarterly average amount necessary to reverse the effect of this exclusion on the quarterly average amount of net deferred tax assets included in Schedule RC-K, item 9.

***Financial Subsidiaries:***

If a financial subsidiary is not consolidated into the bank for purposes of the bank's balance sheet, include in this item 29 as a deduction from the bank's average total assets (as reported in Schedule RC-R, Part I, item 27) the quarterly average for the bank's ownership interest in the financial subsidiary accounted for under the equity method of accounting that is included in the bank's average total assets reported in Schedule RC-K, item 9.

If a financial subsidiary is consolidated into the bank for purposes of the bank's balance sheet, include in this item 29 as a deduction from the bank's average total assets (as reported in Schedule RC-R, Part I, item 27) the quarterly average of the assets of the subsidiary that have been included in the bank's consolidated average total assets reported in Schedule RC-K, item 9; minus any deductions from common equity tier 1 capital and additional tier 1 capital attributable to the financial subsidiary that have been included in Schedule RC-R, Part I, item 28; and plus the quarterly average of bank assets representing claims on the financial subsidiary, other than the bank's ownership interest in the subsidiary, that were eliminated in consolidation. Because the bank's claims on the subsidiary were eliminated in consolidation, these bank assets were not included in the bank's consolidated average total assets reported in Schedule RC-K, item 9.

***Non-Includable Subsidiaries:***

A savings association with a non-includable subsidiary should include in this item 29 a deduction from average total assets (as reported in Schedule RC-R, Part I, item 27) determined in the same manner as described above for financial subsidiaries, except that for a non-includable subsidiary accounted for under the equity method of accounting, the deduction should be the quarterly average for the savings association's outstanding investments (both equity and debt) in, and extensions of credit to, the subsidiary.

**Part I. (cont.)**

**Item No. Caption and Instructions**

**30** **Total assets for the leverage ratio.** Report Schedule RC-R, Part I, item 27, less items 28 and 29.

**Leverage Ratio**

**31** **Leverage ratio.** Report the institution's leverage ratio as a percentage, rounded to four decimal places. Divide Schedule RC-R, Part I, item 26 by item 30.

**31.a** **Does your institution have a community bank leverage ratio (CBLR) framework election in effect as of the quarter-end report date?**
Enter "1" for Yes or enter "0" for No. Refer to the qualifying criteria for using the CBLR framework, which are explained in the instructions for Schedule RC-R, Part I, items 32 through 34, below.

NOTE: Item 31.b is to be completed by non-advanced approaches institutions that elect to use the Standardized Approach for Counterparty Credit Risk (SA-CCR) for purposes of the standardized approach. Other non-advanced approaches institutions that did not elect to use SA-CCR should leave this item blank.

**31.b** **Standardized Approach for Counterparty Credit Risk opt-in election.** A non-advanced approaches institution may continue to use the Current Exposure Method or elect to use SA-CCR for purposes of the standardized approach and supplementary leverage ratio (as applicable). Where a banking institution has the option to choose among the approaches applicable to such institution under the capital rule, it must use the same approach for all purposes. The SA-CCR rule provides non-advanced approaches institutions the option to adopt SA-CCR for purposes of standardized total risk-weighted assets.[1]

Non-advanced approaches institutions that elect to use SA-CCR must notify their appropriate federal supervisor. These institutions would complete this item as prescribed below:

A non-advanced approaches institution that adopts SA-CCR would enter "1" for "Yes" in item 31.b. A non-advanced approaches institution that does not make a SA-CCR opt-in election should leave item 31.b blank. A non-advanced approaches institution must use the same methodology to calculate the exposure amount for all its derivative contracts and, if an institution has elected to use SA-CCR, an institution may change its election only with prior approval of its appropriate federal supervisor.

[1] See 12 CFR 3 (OCC); 12 CFR 217 (Board); 12 CFR 324 (FDIC).

**Part I. (cont.)**

**Item No. Caption and Instructions**

**Qualifying Criteria and Other Information for CBLR Institutions**

Schedule RC-R, Part I, items 32 through 37 and, if applicable, items 38.a through 38.c, are to be completed only by qualifying institutions that have elected to adopt the community bank leverage ratio (CBLR) framework or are within the grace period as of the quarter-end report date. (For further information on the grace period, see the General Instructions for Part I.)

If your institution entered "1" in item 31.a, then items 32 through 37 and, if applicable, items 38.a through 38.c, must be completed. Institutions that do not qualify for or have not adopted the community bank leverage ratio framework as of the quarter-end report date should leave items 32 through 38.c blank and go to Schedule RC-R, Part I, item 39. A qualifying institution can opt out of the community bank leverage ratio framework by completing Schedule RC-R, Parts I and II, excluding Schedule RC-R, Part I, items 32 through 38.c.

**32** **Total assets.** Report total assets from Schedule RC, item 12. A bank's total assets must be less than $10 billion as part of the qualifying criteria for the CBLR framework.

**33** **Trading assets and trading liabilities.** Report in column A the sum of trading assets from Schedule RC, item 5, and trading liabilities from Schedule RC, item 15 (i.e., added, not netted).

Report in column B the sum of trading assets and trading liabilities as a percentage of total assets by dividing the amount of trading assets and trading liabilities reported in column A of this item by total assets reported in Schedule RC-R, Part I, item 32, above, rounded to four decimal places. The percentage reported in this item must be 5 percent or less of total assets as part of the qualifying criteria for the CBLR framework.

**34** **Off-balance sheet exposures.** Report in the appropriate subitem the specified off-balance sheet exposure amounts.

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**Part I. (cont.)**

| Item No. | Caption and Instructions |
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**34.a** **Unused portion of conditionally cancellable commitments.** Report the amount of unused commitments, excluding unconditionally cancellable commitments that are reported in Schedule RC-R, Part I, item 35, below. Include in this item legally binding arrangements (other than letters of credit, which are reported in Schedule RC-R, Part I, item 34.c) that obligate a bank to extend credit or to purchase assets. Where a bank provides a commitment structured as a syndication or participation, include the amount for the bank's pro rata share of the commitment.

In general, this item would include the unused portion of commitments reported in Schedule RC-L, item 1, that are not unconditionally cancelable.

**34.b** **Securities lent and borrowed.** Report the sum of securities lent from Schedule RC-L, item 6.a, and securities borrowed from Schedule RC-L, item 6.b.

**34.c** **Other off-balance sheet exposures.** Report the sum of:

- ***Financial standby letters of credit:*** Include the amount outstanding and unused of financial standby letters of credit reported in Schedule RC-L, item 2.

- ***Transaction-related contingent items, including performance bonds, bid bonds, warranties, and performance standby letters of credit:*** Report transaction-related contingent items, which include the amount outstanding and unused of performance standby letters of credit reported in Schedule RC-L, item 3, and any other transaction-related contingent items.

- ***Self-liquidating, trade-related contingent items that arise from the movement of goods:*** Include the amount outstanding and unused of self-liquidating, trade-related contingent items that arise from the movement of goods reported in Schedule RC-L, item 4, "Commercial and similar letters of credit."

- ***Sold credit protection in the form of guarantees and credit derivatives:*** Include the notional amount of sold credit protection in the form of guarantees or credit derivatives (such as written credit option contracts). Do not include any non-credit derivatives, such as foreign exchange swaps and interest rate swaps.

- ***Credit-enhancing representations and warranties:*** Include the off-balance sheet amount of exposures transferred with credit-enhancing representations and warranties as defined in §.2 of the regulatory capital rule. Credit-enhancing representations and warranties obligate an institution "to protect another party from losses arising from the credit risk of the underlying exposures" and "include provisions to protect a party from losses resulting from the default or nonperformance of the counterparties of the underlying exposures or from an insufficiency in the value of the collateral backing the underlying exposures." Thus, when loans or other assets are sold "with recourse" and the recourse arrangement provides protection from losses as described in the preceding definition, the recourse arrangement constitutes a credit-enhancing representation and warranty.

- ***Forward agreements that are not derivative contracts:*** Include the notional amount of all forward agreements, which are defined in §.2 of the regulatory capital rule as legally binding contractual obligations to purchase assets with certain drawdown at a specified future date, not including commitments to make residential mortgage loans or forward foreign exchange contracts.

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| 34.c (cont.) | • ***Off-balance sheet securitizations:*** Report the notional amount of off-balance sheet items that qualify as securitization exposures. Refer to the definitions of securitization exposure, synthetic securitization, traditional securitization, and tranche in §.2 of the regulatory capital rules and to §.42 of the regulatory capital rules to calculate the relevant exposure amount. |
| 34.d | **Total off-balance sheet exposures.** Report in column A the sum of Schedule RC-R, Part I, items 34.a through 34.c.<br><br>Report in column B total off-balance sheet exposures as a percentage of total assets by dividing the total amount of off-balance sheet exposures reported in column A of this item by total assets reported in Schedule RC-R, Part I, item 32, above, rounded to four decimal places. The percentage reported in this item must be 25 percent or less as part of the qualifying criteria for the CBLR framework. |
| 35 | **Unconditionally cancellable commitments.** Report the unused portion of commitments (facilities) that are unconditionally cancellable (without cause) at any time by the bank (to the extent permitted by applicable law). In general, this item would include the amounts reported in Schedule RC-L, items 1.a, 1.b, and 1.e.<br><br>In the case of consumer home equity or mortgage lines of credit secured by liens on 1-4 family residential properties, a bank is deemed able to unconditionally cancel the commitment if, at its option, it can prohibit additional extensions of credit, reduce the credit line, and terminate the commitment to the full extent permitted by relevant federal law.<br><br>Retail credit cards and related plans, including overdraft checking plans and overdraft protection programs, are included in this item if the bank has the unconditional right to cancel the line of credit at any time in accordance with applicable law. |
| 36 | **Investments in the tier 2 capital of unconsolidated financial institutions.** Report the amount of investments in the tier 2 capital of unconsolidated financial institutions, net of associated deferred tax liabilities. |
| 37 | **Allocated transfer risk reserve.** Report the entire amount of any allocated transfer risk reserve (ATRR) the reporting bank is required to establish and maintain as specified in Section 905(a) of the International Lending Supervision Act of 1983, in the agency regulations implementing the Act (Subpart D of Federal Reserve Regulation K, Part 347 of the FDIC's Rules and Regulations, and 12 CFR Part 28, Subpart C (OCC)), and in any guidelines, letters, or instructions issued by the agencies. The entire amount of the ATRR equals the ATRR related to loans and leases held for investment (which is included in Schedule RC, item 4,c, "Allowance for credit losses on loans and leases") plus the ATRR for assets other than loans and leases held for investment. |
| 38 | **Amount of allowances for credit losses on purchased credit-deteriorated assets.** "Purchased credit-deteriorated assets" (PCD) are acquired individual financial assets (or acquired groups of financial assets with similar risk characteristics) accounted for in accordance with ASC Topic 326, Financial Instruments–Credit Losses, that, as of the date of acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination, as determined by the acquiring institution's assessment. |

**Part I. (cont.)**

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| 38 (cont.) | Institutions are required by ASC Topic 326 to estimate and record a credit loss allowance for a PCD asset at the time of purchase. The credit loss allowance is then added to the purchase price to determine the amortized cost basis of the asset for financial reporting purposes. Post-acquisition increases in credit loss allowances on PCD assets will be established through a charge to earnings. |
| 38.a | **Loans and leases held for investment.** Report all allowances for credit losses on PCD loans and leases held for investment. |
| 38.b | **Held-to-maturity debt securities.** Report all allowances for credit losses on PCD held-to-maturity debt securities. |
| 38.c | **Other financial assets measured at amortized cost.** Report all allowances for credit losses on all other PCD financial assets, excluding PCD loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities. |

NOTE: A qualifying institution that has a community bank leverage ratio (CBLR) framework election in effect as of the quarter-end report date (i.e., entered "1" for Yes in Schedule RC-R, Part I, item 31.a) should not complete Schedule RC-R, Part I, items 39 through 54, and should not complete Schedule RC-R, Part II.

**Tier 2 Capital**

**39** **Tier 2 capital instruments plus related surplus.** Report the portion of cumulative perpetual preferred stock and related surplus included in Schedule RC, item 23; the portion of subordinated debt and limited-life preferred stock and related surplus included in Schedule RC, item 19; and any other capital instrument and related surplus that satisfy all the eligibility criteria for tier 2 capital instruments in section 20(d) of the regulatory capital rules of the institution's primary federal supervisor.

Include instruments that (i) were issued under the Small Business Jobs Act of 2010, or, prior to October 4, 2010, under the Emergency Economic Stabilization Act of 2008 and (ii) were included in the tier 2 capital non-qualifying capital instruments (e.g., trust preferred stock and cumulative perpetual preferred stock) under the primary federal supervisor's general risk-based capital rules.

**40** **Non-qualifying capital instruments subject to phase-out from tier 2 capital.** Report the total amount of non-qualifying capital instruments that were included in tier 2 capital and outstanding as of January 1, 2014, and that are subject to phase-out.

Depository institutions may include in regulatory capital debt or equity instruments issued prior to September 12, 2010, that do not meet the criteria for additional tier 1 or tier 2 capital

**Part I. (cont.)**

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|---|---|
| **40** (cont.) | instruments in section 20 of the regulatory capital rules but that were included in tier 1 or tier 2 capital respectively as of September 12, 2010 (non-qualifying capital instruments issued prior to September 12, 2010) up to the percentage of the outstanding principal amount of such non-qualifying capital instruments as of January 1, 2014, in accordance with Table 3 in the instructions for Schedule RC-R, item 21. |
| **41** | **Total capital minority interest that is not included in tier 1 capital.** Report the aggregate amount of total capital minority interest, calculated as described below and in section 21 of the regulatory capital rules. Non-advanced approaches institutions are able to include total capital minority interest up to 10 percent of the parent banking organization's total capital. The 10 percent limitation is measured before the inclusion of any minority interest and after the deductions from and adjustments to the regulatory capital of the parent banking organization described in sections 22(a) and (b) of the capital rule. Total capital minority interest is the portion of total capital in a reporting institution's subsidiary not attributable, directly or indirectly, to the parent institution. Note that a reporting institution may only include total capital minority interest if the capital instruments issued by the subsidiary meet all of the criteria for capital (qualifying capital instruments).<br><br>***Example and a worksheet calculation:*** Calculate total capital minority interest includable at the reporting institution's level as follows:<br><br>*Assumptions:*<br>• This is a continuation of the example used in the instructions for Schedule RC-R, Part I, items 4 and 22.<br>• Assumptions and calculation from Schedule RC-R, Part I, item 4:<br>  ○ Includable common equity tier 1 minority interest (see Schedule RC-R, Part I, item 4) is $9.<br>  ○ The parent banking organization's common equity tier 1 capital before minority interest and after deductions and adjustments is $90.<br>• Assumptions and calculation from Schedule RC-R, Part I, item 22:<br>  ○ Includable tier 1 minority interest that is not included in common equity tier 1 minority interest (see Schedule RC-R, Part I, item 22) is $1.1.<br>  ○ The parent banking organization's additional tier 1 capital before minority interest and after deductions is $11 ($15 - $4).<br>• The parent banking organization's tier 2 capital instruments before minority interest and adjusted allowances for credit losses (AACL) includable in tier 2 capital is $20. Additional tier 2 capital deductions equal $2.<br>• The subsidiary's total capital minority interest (that is, owned by minority shareholders) is $14.<br>• Subsidiary A has $8 of minority interest in the form of tier 2 instruments (that is, owned by minority shareholders).<br>• Subsidiary B has $6 of minority interest in the form of tier 2 instruments (that is, owned by minority shareholders). |

**Part I. (cont.)**

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

**41**
(cont.)

| | | |
|---|---|---|
| (1) | Tier 1 capital after deductions and before minority interest + tier 2 capital instruments before minority interest + adjusted allowances for credit losses (AACL) for regulatory capital purposes that is includable in tier 2 capital - tier 2 capital deductions = Schedule RC-R, Part I, sum of items 26, 39, 40, and 42.a, minus item 45. | *$101 + $20 - $2 = $119* |
| (2) | Multiply step (1) by 10 percent. This is the maximum includable total capital minority interest from all subsidiaries. | *$119 x 10% = $11.9* |
| (3) | Determine the lower of (2) or the total capital minority interest from all subsidiaries. | *Minimum of ($11.9 from Step 2 or $38 from the assumptions) = $11.9* |
| (4) | From (3), subtract out the includable common equity tier 1 minority interest reported in Schedule RC-R, Part I, item 4, and includable tier 1 minority interest that is not included in common equity tier 1 minority interest reported in Schedule RC-R, Part I, item 22. This is the "total capital minority interest not included in tier 1 minority interest includable at the reporting institution's level" to be included in Schedule RC-R, Part I, item 41. | *$11.9 - $9 - $1.1 = $1.8* |

**42** **Adjusted allowances for credit losses (AACL) includable in tier 2 capital.** Report the portion of the institution's adjusted allowances for credit losses (AACL) for regulatory capital purposes that is includable in tier 2 capital. None of the institution's allocated transfer risk reserve, if any, is includable in tier 2 capital.

The institution's AACL for regulatory capital purposes equals Schedule RI-B, Part II, item 7, columns A and B, "Balance end of current period" for loans and leases held for investment and held-to-maturity debt securities, respectively; plus Schedule RI-B, Part II, Memorandum item 6, "Allowance for credit losses on other financial assets measured at amortized cost (not included in item 7, above)"; less Schedule RC-R, Part II, sum of Memorandum items 4.a, 4.b, and 4.c, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for loans and leases held for investment, held-to-maturity debt securities, and other financial assets measured at amortized cost, respectively; less any allocated transfer risk reserve included in Schedule RI-B, Part II, item 7, columns A and B, and Memorandum item 6; plus Schedule RC-G, item 3, ''Allowance for credit losses on off-balance sheet credit exposures.''

An institution that has elected to apply the 3-year CECL transition provision (3-year CECL electing institution) should decrease its AACL by the applicable AACL transitional amount

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**42** (cont.) Specifically, a 3-year CECL electing institution should reduce the amount of its AACL includable by 75 percent of its AACL transitional amount during the first year of the transition period, 50 percent of its AACL transitional amount during the second year of the transition period, and 25 percent of its AACL transitional amount during the third year of the transition period (see Table 1 in the General Instructions for Schedule RC-R, Part I).

An institution that has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing institution) should decrease its AACL by the applicable modified AACL 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 AACL by 100 percent of its modified AACL transitional amount during the first and second years of the transition period, 75 percent of its modified AACL transitional amount during the third year of the transition period, 50 percent of its modified AACL transitional amount during the fourth year of the transition period, and 25 percent of its modified AACL 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).

The amount to be reported in this item is the lesser of (1) the institution's AACL for regulatory capital purposes, as defined above, or (2) 1.25 percent of the institution's risk-weighted assets base for the AACL calculation as reported in Schedule RC-R, Part II, item 26. In calculating the risk-weighted assets base for this purpose, an institution would not include items that are deducted from capital under section 22(a). However, an institution would include risk-weighted asset amounts of items deducted from capital under sections 22(c) through (f) of the regulatory capital rule. While amounts deducted from capital under sections 22(c) through (f) are included in the risk-weighted assets base for the AACL calculation, such amounts are excluded from standardized total risk-weighted assets used in the denominator of the risk-based capital ratios.

The amount, if any, by which an institution's AACL for regulatory capital purposes exceeds 1.25 percent of the institution's risk-weighted assets base for the AACL calculation (as reported in Schedule RC-R, Part II, item 26), as applicable, should be reported in Schedule RC-R, Part II, item 29, "LESS: Excess AACL."

**43** Not applicable.

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**44** **Tier 2 capital before deductions.** Report the sum of Schedule RC-R, Part I, items 39 through 42.

**45** **LESS: Tier 2 capital deductions.** Report total tier 2 capital deductions as the sum of the following elements.

Note that an institution should report tier 2 capital deductions in this item 45 irrespective of the amount of tier 2 capital before deductions reported in Schedule RC-R, Part I, item 44. If an institution does not have a sufficient amount of tier 2 capital before deductions in item 44 to absorb these deductions, then the institution must deduct the shortfall from additional tier 1 capital before deductions in Schedule RC-R, Part I, item 24, or, if there is not enough additional tier 1 capital before deductions, from common equity tier 1 capital in Schedule RC-R, Part I, item 17.

For example, if an institution reports $98 of "Tier 2 capital before deductions" in Schedule RC-R, Part I, item 44, and must make $110 in tier 2 capital deductions, the institution would report $110 in this item 45, include the additional $12 in deductions in Schedule RC-R, Part I, item 24 (and in Schedule RC-R, Part I, item 17, in the case of insufficient "Additional tier 1 capital before deductions" in Schedule RC-R, Part I, item 23, from which to make the deduction in Schedule RC-R, Part I, item 24), and report $0 in item 46, "Tier 2 capital."

**(1) Investments in own tier 2 capital instruments.** Report the institution's investments in (including any contractual obligation to purchase) its own tier 2 instruments, whether held directly or indirectly.

An institution may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty risk.

The institution must look through any holdings of index securities to deduct investments in its own capital instruments. In addition:

(i) Gross long positions in investments in an institution's own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same index;
(ii) Short positions in index securities that are hedging long cash or synthetic positions can be decomposed to recognize the hedge; and
(iii) The portion of the index that is composed of the same underlying exposure that is being hedged may be used to offset the long position if both the exposure being hedged and the short position in the index are covered positions under the market risk capital rule, and the hedge is deemed effective by the institution's internal control processes.

**(2) Reciprocal cross-holdings in the capital of financial institutions.** Include investments in the tier 2 capital instruments of other financial institutions that the institution holds reciprocally, where such reciprocal crossholdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's capital instruments.

**(3) Investments in the capital of unconsolidated financial institutions that exceed the 25 percent threshold to be deducted from tier 2 capital.** Report the total amount of investments in the capital of unconsolidated financial institutions in the form of tier 2 capital that exceeds the 25 percent threshold.

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| **45** (cont.) | Calculate this amount as follows:<br>(1) Determine the amount of investments in the capital of unconsolidated financial institutions, net of associated DTLs.<br>(2) If the amount in (1) is greater than 25 percent of Schedule RC-R, Part I, item 12, report the difference across Schedule RC-R, Part I, item 13, item 24, or item 45, depending on the tier of capital for which the investments in the capital of unconsolidated financial institutions qualify. The institution can elect which investments it must deduct and which it must risk weight. The institution's election and the component of capital for which the underlying instrument would qualify will determine if it will be deducted and reported in Schedule RC-R, Part I, item 13, or be deducted and reported in Schedule RC-R, Part I, item 24 or item 45.<br>(3) If the amount in (1) is less than 25 percent of Schedule RC-R, Part I, item 12, no deduction is needed.<br><br>See Schedule RC-R, Part I, item 13, for an example of how to deduct amounts of investments in the capital of unconsolidated financial institutions that exceed the 25 percent threshold.<br><br>**(4) Other adjustments and deductions.** Include any other applicable adjustments and deductions applied to tier 2 capital in accordance with the regulatory capital rules of the primary federal supervisor. |
| **46** | **Tier 2 capital.** Report the greater of Schedule RC-R, Part I, item 44 less item 45, or zero. |

**Total Capital**

| | |
|---|---|
| **47** | **Total capital.** Report the sum of Schedule RC-R, Part I, items 26 and 46. |

**Total Risk-Weighted Assets**

| | |
|---|---|
| **48** | **Total risk-weighted assets.** Report the amount of total risk-weighted assets using the standardized approach (as reported in Schedule RC-R, Part II, item 31). |

**Risk-Based Capital Ratios**

| | |
|---|---|
| **49** | **Common equity tier 1 capital ratio.** Report the institution's common equity tier 1 risk-based capital ratio as a percentage, rounded to four decimal places. Divide Schedule RC-R, Part I, item 19 by item 48. |
| **50** | **Tier 1 capital ratio.** Report the institution's tier 1 risk-based capital ratio as a percentage, rounded to four decimal places. Divide Schedule RC-R, Part I, item 26 by item 48. |
| **51** | **Total capital ratio.** Report the institution's total risk-based capital ratio as a percentage, rounded to four decimal places. Divide Schedule RC-R, Part I, item 47 by item 48. |

**Part I. (cont.)**

**Capital Buffer**

| Item No. | Caption and Instructions |
|---|---|

**52** **Institution-specific capital conservation buffer necessary to avoid limitations on distributions and discretionary bonus payments.** In order to avoid limitations on distributions, including dividend payments, and certain discretionary bonus payments to executive officers, an institution must hold a capital conservation buffer above its minimum risk-based capital requirements.

Report the institution's capital conservation buffer as a percentage, rounded to four decimal places. Except as described below, the capital conservation buffer is equal to the lowest of ratios (1), (2), and (3) below.

For example, the capital conservation buffer to be reported in this item 52 for the June 30, 2020, report date would be based on the capital ratios reported in Schedule RC-R, Part I, of the Call Report for June 30, 2020.

(1) Schedule RC-R, Part I, item 49, less 4.5000 percent, which is the minimum common equity tier 1 capital ratio requirement under section 10 of the regulatory capital rules;
(2) Schedule RC-R, Part I, item 50, less 6.0000 percent, which is the minimum tier 1 capital ratio requirement under section 10 of the regulatory capital rules; and
(3) Schedule RC-R, Part I, item 51, less 8.0000 percent, which is the minimum total capital ratio requirement under section 10 of the regulatory capital rules.

However, if any of the three ratios calculated above is less than zero (i.e., is negative), the institution's capital conservation buffer is zero.

**NOTE: Institutions must complete Schedule RC-R, Part I, item 53, only if the amount reported in Schedule RC-R, Part I, item 52, above, is less than or equal to 2.5000 percent.**

| Item No. | Caption and Instructions |
|---|---|

**53** **Eligible retained income.** Report the amount of eligible retained income as the greater of (1) the reporting institution's net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income, and (2) the average of the reporting institution's net income over the four preceding calendar quarters. (See the instructions for Schedule RC-R, Part I, item 54, for the definition of "distributions" from section 2 of the regulatory capital rules.)

For purposes of this item 53, the four preceding calendar quarters refers to the calendar quarter ending on the last day of the current reporting period and the three preceding calendar quarters as illustrated in the example below. The average of an institution's net income over the four preceding calendar quarters refers to the average of three-month net income for the calendar quarter ending on the last day of the current reporting period and the three-month net income for the three preceding calendar quarters as illustrated in the example below.

**Part I. (cont.)**

**Item No. Caption and Instructions**

**53** ***Example and a worksheet calculation:***
(cont.)

Assumptions:

- Eligible retained income is calculated for the Call Report date of March 31, 2020.
- The institution reported the following on its Call Reports in Schedule RI, Income Statement, item 14, "Net income (loss) attributable to bank (item 12 minus item 13)":

| Call Report Date | Amount Reported in Item 14 | Three-Month Net Income |
|---|---|---|
| March 31, 2019 | $400 (A) | $400 |
| June 30, 2019 | $900 (B) | $500 (B-A) |
| September 30, 2019 | $1,500 (C) | $600 (C-B) |
| December 31, 2019 | $1,900 (D) | $400 (D-C) |
| March 31, 2020 | $200 (E) | $200 (E) |

- The distributions and associated tax effects not already reflected in net income (e.g., dividends declared on the institution's common stock between April 1, 2019, and March 31, 2020) in this example are $400 in each of the four preceding calendar quarters.

| | Q2 2019 | Q3 2019 | Q4 2019 | Q1 2020 |
|---|---|---|---|---|
| Net Income | $500 | $600 | $400 | $200 |
| Adjustments for distributions and associated tax effects not already reflected in net income | ($400) | ($400) | ($400) | ($400) |
| Adjusted Net Income (Net Income – Adjustments) | $100 | $200 | $0 | ($200) |

| | | |
|---|---|---|
| (1) | Calculate an institution's net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income. | $100 + $200 + $0 + ($200) = $100 |
| (2) | Calculate the average of an institution's three-month net income over the four preceding calendar quarters. | ($500 + $600 + $400 + $200) / 4 = $425* |
| (3) | Take the greater of step (1) and step (2) and report the amount in Schedule RC-R, Part I, item 53. | $425 |

*From a practical perspective, an institution may use the year-to-date net income reflected in Schedule RI for December 31, 2019; subtract from it the net income reflected in Schedule RI, item 14, for March 31, 2019; and then add the net income in Schedule RI, item 14, for March 31, 2020, to calculate the numerator in step 2, above. For the example above, the average of an institution's three-month net income over the four preceding calendar quarters would be: ($1,900 (D) less $400 (A) plus $200 (E)) divided by 4 = $425.

**Part I. (cont.)**

**NOTE: Institutions must complete Schedule RC-R, Part I, item 54, only if the amount reported in Schedule RC-R, Part I, item 52, in the Call Report for the previous calendar quarter-end report date was less than or equal to 2.5000 percent.**

| Item No. | Caption and Instructions |
|---|---|

**54** **Distributions and discretionary bonus payments during the quarter.** An institution must complete this item only if the amount of its capital conservation buffer, as reported as of the previous calendar quarter-end report date, was less than its applicable required buffer percentage on that previous calendar quarter-end report date. For an institution that must complete this item 54, report the amount of distributions and discretionary bonus payments during the calendar quarter ending on the report date.

For example, an institution must report the amount of distributions and discretionary bonus payments made during the calendar quarter ending June 30, 2020, in this item 54 in its June 30, 2020, Call Report only if the amount of its capital conservation buffer as reported in Schedule RC-R, Part I, item 52, in its March 31, 2020, Call Report was less than or equal to 2.5000 percent.

As defined in section 2 of the regulatory capital rules, “distribution” means:

(1) A reduction of tier 1 capital through the repurchase of a tier 1 capital instrument or by other means, except when an institution, within the same quarter when the repurchase is announced, fully replaces a tier 1 capital instrument it has repurchased by issuing another capital instrument that meets the eligibility criteria for:
   (i) A common equity tier 1 capital instrument if the instrument being repurchased was part of the institution's common equity tier 1 capital, or
   (ii) A common equity tier 1 or additional tier 1 capital instrument if the instrument being repurchased was part of the institution's tier 1 capital;

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**54** (cont.)

(2) A reduction of tier 2 capital through the repurchase, or redemption prior to maturity, of a tier 2 capital instrument or by other means, except when an institution, within the same quarter when the repurchase or redemption is announced, fully replaces a tier 2 capital instrument it has repurchased by issuing another capital instrument that meets the eligibility criteria for a tier 1 or tier 2 capital instrument;
(3) A dividend declaration or payment on any tier 1 capital instrument;
(4) A dividend declaration or interest payment on any tier 2 capital instrument if the institution has full discretion to permanently or temporarily suspend such payments without triggering an event of default; or
(5) Any similar transaction that the institution's primary federal regulator determines to be in substance a distribution of capital.

As defined in section 2 of the regulatory capital rules, "discretionary bonus payment" means a payment made to an executive officer of an institution, where:

(1) The institution retains discretion as to whether to make, and the amount of, the payment until the payment is awarded to the executive officer;
(2) The amount paid is determined by the institution without prior promise to, or agreement with, the executive officer; and
(3) The executive officer has no contractual right, whether express or implied, to the bonus payment.

As defined in section 2 of the regulatory capital rules, "executive officer" means a person who holds the title or, without regard to title, salary, or compensation, performs the function of one or more of the following positions: president, chief executive officer, executive chairman, chief operating officer, chief financial officer, chief investment officer, chief legal officer, chief lending officer, chief risk officer, or head of a major business line, and other staff that the board of directors of the institution deems to have equivalent responsibility.

## Part II. Risk-Weighted Assets

### Contents – Part II. Risk-Weighted Assets


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**Part II. (cont.)**

***Community Bank Leverage Ratio Framework***

A qualifying community banking organization that decides to opt into the community bank leverage ratio (CBLR) framework (i.e., has a CBLR framework election in effect as of the quarter-end report date, as reported in Schedule RC-R, Part I, item 31.a) should not complete Schedule RC-R, Part II. All other institutions should complete Schedule RC-R, Part II. A qualifying institution can opt out of the community bank leverage ratio framework by completing Schedule RC-R, Parts I and II, excluding Schedule RC-R, Part I, items 32 through 38.c. Please refer to the General Instructions for Schedule RC-R, Part I, for information on the reporting requirements that apply when an institution ceases to meet the applicable leverage ratio requirement under the CBLR framework or fails to meet any of the other CBLR qualifying criteria and is no longer in the grace period.

**General Instructions for Schedule RC-R, Part II.**

NOTE: Schedule RC-R, Part II, items 1 through 25, columns A through U, as applicable, are to be completed semiannually in the June and December reports only. Items 26 through 31 are to be completed quarterly.

The instructions for Schedule RC-R, Part II, items 1 through 22, provide general directions for the allocation of bank balance sheet assets, credit equivalent amounts of derivatives and off-balance sheet items, and unsettled transactions to the risk-weight categories in columns C through Q (and, for items 1 through 10 only, to the adjustments to the totals in Schedule RC-R, Part II, column A, to be reported in column B). In general, the aggregate amount allocated to each risk-weight category is then multiplied by the risk weight associated with that category. The resulting risk-weighted values from each of the risk categories are added together, and generally this sum is the bank's total risk-weighted assets, which comprises the denominator of the risk-based capital ratios.

These instructions should provide sufficient guidance for most banks for risk-weighting their balance sheet assets and credit equivalent amounts. However, these instructions do not address every type of exposure. Banks should review the regulatory capital rules of their primary federal supervisory authority for the complete description of capital requirements.

**Part II. (cont.)**

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

**Exposure Amount Subject to Risk Weighting**

In general, banks need to risk weight the exposure amount. The exposure amount is defined in §.2 of the regulatory capital rules as follows:

(1) For the on-balance sheet component of an exposure,[1] the bank's carrying value[2] of the exposure.

(2) For a security[3] classified as AFS or HTM where the bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a, the carrying value of the exposure (including net accrued but uncollected interest and fees)[4] less any net unrealized gains on the exposure plus any net unrealized losses on the exposure included in AOCI.

(3) For the off-balance sheet component of an exposure,[5] the notional amount of the off-balance sheet component multiplied by the appropriate credit conversion factor in §.33 of the regulatory capital rules.

(4) For an exposure that is an OTC derivative contract, the exposure amount determined under §.34 or §.132 of the regulatory capital rules.

(5) For an exposure that is a derivative contract that is a cleared transaction, the exposure amount determined under §.35 or §.133 of the regulatory capital rules.

For derivatives that have matured, but have associated unsettled receivables or payables that are reported as assets or liabilities, respectively, on the balance sheet as of the quarter-end report date, a banking organization does not need to report such notional amounts for derivatives that have matured for purposes of Schedule RC-R, Part II.

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[1] Not including: (1) an available-for-sale (AFS) or held-to-maturity (HTM) security where the bank has made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule RC-R, Part I, item 3.a, (2) an over-the-counter (OTC) derivative contract, (3) a repo-style transaction or an eligible margin loan for which the bank determines the exposure amount under §.37 of the regulatory capital rules, (4) a cleared transaction, (5) a default fund contribution, or (6) a securitization exposure.

[2] As indicated in the definition in §.2 of the regulatory capital rules, *carrying value* means, with respect to an asset, the value of the asset on the balance sheet of the bank determined in accordance with U.S. generally accepted accounting principles (GAAP). For all assets other than available-for-sale debt securities or purchased credit-deteriorated assets, the carrying value is not reduced by any associated credit loss allowance that is determined in accordance with U.S. GAAP.

[3] Not including: (1) a securitization exposure, (2) an equity exposure, or (3) preferred stock classified as an equity security under U.S. GAAP.

[4] Where the bank has made the AOCI opt-out election, accrued but uncollected interest and fees reported in Schedule RC, item 11, "Other assets," associated with AFS or HTM debt securities that are not securitization exposures should be reported in Schedule RC-R, Part II, item 8, "All other assets."

[5] Not including: (1) an available-for-sale (AFS) or held-to-maturity (HTM) security where the bank has made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule RC-R, Part I, item 3.a, (2) an over-the-counter (OTC) derivative contract, (3) a repo-style transaction or an eligible margin loan for which the bank determines the exposure amount under §.37 of the regulatory capital rules, (4) a cleared transaction, (5) a default fund contribution, or (6) a securitization exposure.

**Part II. (cont.)**

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

(6) For an exposure that is an eligible margin loan or repo-style transaction (including a cleared transaction) for which the bank calculates the exposure amount as provided in §.37, the exposure amount determined under §.37 of the regulatory capital rules.

(7) For an exposure that is a securitization exposure, the exposure amount determined under §.42 of the regulatory capital rules.

**Amounts to Report in Column B**

The amount to report in column B will vary depending upon the nature of the particular item.

For items 1 through 8 and 11 of Schedule RC-R, Part II, column B should include the amount of the reporting bank's on-balance sheet assets that are deducted or excluded (not risk weighted) in the determination of risk-weighted assets. Column B should include assets that are deducted from capital such as goodwill; other intangible assets; gain on sale of securitization exposures; threshold deductions above the 25 percent individual limits for (1) deferred tax assets (DTAs) arising from temporary differences that could not be realized through net operating loss carrybacks, (2) mortgage servicing assets (MSAs), net of associated deferred tax liabilities (DTLs), and (3) investments in the capital of unconsolidated financial institutions; and any other assets that must be deducted in accordance with the requirements of a bank's primary federal supervisory authority.

Column B should also include items that are excluded from the calculation of risk-weighted assets, such as allowances for credit losses, allocated transfer risk reserves, and certain on-balance sheet asset amounts associated with derivative contracts that are included in the calculation of the credit equivalent amounts of the derivative contracts. In addition, for items 1 through 8 and 11 of Schedule RC-R, Part II, column B should include any difference between the balance sheet amount of an on-balance sheet asset and its exposure amount as described above under "Exposure Amount Subject to Risk Weighting." *Note: For items 1 through 8 and 11 of Schedule RC-R, Part II, the sum of columns B through R must equal the balance sheet asset amount reported in column A.*

For items 9.a through 9.d of Schedule RC-R, Part II, the amount a reporting bank should report in column B will depend upon the risk-weighting approach it uses to risk weight its securitization exposures and whether the bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a. For each of items 9.a through 9.d, a mathematical relationship similar to the one described above will hold true, such that the sum of columns B through Q must equal the balance sheet asset amount reported in column A.

- If a bank uses the 1,250 percent risk weight approach to risk weight an on-balance sheet securitization exposure, the bank will report in column B the difference between the carrying value of the exposure and the exposure amount that is to be risk weighted. For example, if a bank has a securitization exposure that is an AFS debt security with a $105 carrying value (i.e., fair value) including a $5 unrealized gain (in other words, a $100 amortized cost), the bank would report the following:

    - If the bank has not made (or cannot make) the AOCI opt-out election, the bank would report zero in item 9.b, column B. The bank would report the $105 exposure amount to be risk weighted in item 9.b, column Q–1250% risk weight.
    - If the bank has made the AOCI opt-out election, the bank would report any unrealized gain as a positive number in item 9.b, column B, and any unrealized loss as a negative number in item 9.b, column B. Therefore, in this example, the bank would report $5 in item 9.b, column B. Because

**Part II. (cont.)**

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

the bank reverses out the unrealized gain for regulatory capital purposes because it has made the AOCI opt-out election, it does not have to risk weight the gain. (Note: The bank also would report the $100 exposure amount to be risk weighted in item 9.b, column Q–1250% risk weight.)

- If the bank uses the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach to risk weight an on-balance sheet securitization exposure, the bank will report in column B the same amount that it reported in column A.

For item 10 of Schedule RC-R, Part II, the amount a reporting bank should report in column B also will depend upon the risk-weighting approach it uses to risk weight its securitization exposures. If a bank uses the 1,250 percent risk weight approach to risk weight an off-balance sheet securitization exposure, the bank will report in column B any difference between the notional amount of the off-balance sheet securitization exposure that is reported in column A and its exposure amount. If the bank uses the SSFA or the Gross-Up Approach to risk weight an off-balance sheet securitization exposure, the bank will report in column B the same amount that it reported in column A. An example is presented in the instructions for Schedule RC-R, Part II, item 10. For item 10 of Schedule RC-R, Part II, the sum of columns B through Q must equal the amount of the off-balance sheet securitization exposures reported in column A.

For items 12 through 21 of Schedule RC-R, Part II, column B should include the credit equivalent amounts of the reporting bank's derivative contracts and off-balance sheet items that are covered by the regulatory capital rules. For the off-balance sheet items in items 12 through 19, the credit equivalent amount to be reported in column B is calculated by multiplying the face, notional, or other amount reported in column A by the appropriate credit conversion factor. The credit equivalent amounts in column B are to be allocated to the appropriate risk-weight categories in columns C through J (or to the securitization exposure collateral category in column R, if applicable). For items 12 through 21 of Schedule RC-R, Part II, the sum of columns C through J (plus column R, if applicable) must equal the credit equivalent amount reported in column B.

**Treatment of Collateral and Guarantees**

a. Collateralized Transactions

The rules for recognition of collateral are in §.37 and pertinent definitions in §.2 of the regulatory capital rules. The regulatory capital rules define qualifying financial collateral as cash on deposit, gold bullion, investment grade long- and short-term debt exposures (that are not resecuritization exposures), publicly traded equity securities and convertible bonds, and money market fund or other mutual fund shares with prices that are publicly quoted on a daily basis.

Banks may apply one of two approaches, as outlined in §.37, to recognize the risk-mitigating effects of qualifying financial collateral:

(1) Simple Approach: Can be used for any type of exposure. Under this approach, banks may apply a risk weight to the portion of an exposure that is secured by the fair value of the financial collateral based on the risk weight assigned to the collateral under §.32. However, under this approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent, unless one of the following exceptions applies:

- *Zero percent risk weight:* May be assigned to an exposure to an over-the-counter (OTC) derivative contract that is marked-to-market on a daily basis and subject to a daily margin requirement, to the extent that the contract is collateralized to cash on deposit; to the portion of an exposure collateralized by cash on deposit; to the portion of an exposure collateralized by an exposure to a sovereign that qualifies for the zero percent risk weight under §.32 and the bank has discounted the fair value of the collateral by 20 percent.

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**Part II. (cont.)**

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

- *10 percent risk weight:* May be assigned to an exposure to an OTC derivative contract that is marked-to-market on a daily basis and subject to a daily margin requirement, to the extent that the contract is collateralized by an exposure to a sovereign that qualified for a zero percent risk weight under §.32.

(2) Collateral Haircut Approach: can be used only for repo-style transactions, eligible margin loans, collateralized derivative transactions, and single-product netting sets of such transactions. Under this approach, banks would apply either standard supervisory haircuts or own internal estimates for haircuts to the value of the collateral. See §.37(c) of the regulatory capital rules for a description of the calculation of the exposure amount, standard supervisory market price volatility haircuts, and requirements for using own internal estimates for haircuts.

Banks may use any approach described in §.37 that is valid for a particular type of exposure or transaction; however, they must use the same approach for similar transactions or exposures.

If an exposure is partially secured, that is, the market value (or in cases of using the Collateral Haircut Approach, the adjusted market value) of the financial collateral is less than the face amount of an asset or off-balance sheet exposure, only the portion that is covered by the market value of the collateral is to be reported in the risk-weight category item appropriate to the type of collateral. The uncovered portion of the exposure continues to be assigned to the initial risk-weight category item appropriate to the exposure. The face amount of an exposure secured by multiple types of qualifying collateral is to be reported in the risk-weight category items appropriate to the collateral types, apportioned according to the market value of the types of collateral.

*Exposures collateralized by deposits at the reporting institution*
The portion of any exposure collateralized by deposits at the reporting institution would be eligible for a zero percent risk weight. The remaining portion of the exposure that is not collateralized by deposits should be risk-weighted according to the regulatory capital rules.

b. Guarantees and Credit Derivatives

The rules for recognition of guarantees and credit derivatives are in §.36 and pertinent definitions are in §.2 of the regulatory capital rules. A bank may recognize the credit risk mitigation benefits of an eligible guarantee or eligible credit derivative by substituting the risk weight associated with the protection provider for the risk weight assigned to the exposure. Please refer to the definitions of *eligible guarantee, eligible guarantor,* and *eligible credit derivative* in §.2 of the regulatory capital rules. Note that in the definition of eligible guarantee, where the definition discusses contingent guarantees, only contingent guarantees of the U.S. government or its agencies are recognized.

The coverage amount provided by an eligible guarantee or eligible credit derivative will need to be adjusted downward if:

- The residual maturity of the credit risk mitigant is less than that of the hedged exposure (maturity mismatch adjustment), see §.36(c);

- The credit risk mitigant does not include as a credit event a restructuring of the hedged exposure involving forgiveness or postponement of principal, interest, or fees that results in a credit loss event (that is, a charge-off, specific provision, or other similar debit to the profit and loss account), see §.36(d); or

- The credit risk mitigant is denominated in a currency different from that in which the hedged exposure is denominated (currency mismatch adjustment, see §.36(e).

**Part II. (cont.)**

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

For further information on credit derivatives, refer to the instructions for Schedule RC-L, item 7, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

*Exposures covered by Federal Deposit Insurance Corporation (FDIC) loss-sharing agreements*
The portion of any exposure covered by an FDIC loss-sharing agreement would be eligible for a 20 percent risk weight. The remaining uncovered portion of the exposure should be risk weighted according to the regulatory capital rules.

**Treatment of Equity Exposures**

The treatment of equity exposures is outlined in §.51 through §.53 of the regulatory capital rules. Banks must use different methodologies to determine risk-weighted assets for their equity exposures:

- The Simple Risk Weight Approach, which must be used for all types of equity exposures that are not equity exposures to a mutual fund or other investment fund, and
- Full look-through, simple modified look-through, and alternative modified look-through approaches for equity exposures to mutual funds and other investment funds.

*Treatment of stable value protection*
The regulatory capital rules define stable value protection (SVP) in §.51(a)(3).

A bank that purchases SVP on an investment in a separate account must treat the portion of the carrying value of the investment attributable to the SVP as an exposure to the provider of the protection. The remaining portion of the carrying value of the investment must be treated as an equity exposure to an investment fund.

A bank that provides SVP must treat the exposure as an equity derivative with an adjusted carrying value equal to the sum of the on-balance and off-balance sheet adjusted carrying value.

*Adjusted carrying value*
The adjusted carrying value of an equity exposure is equal to:

- **On-balance sheet equity exposure:** The carrying value of the exposure.
- **Off-balance sheet portion of an equity exposure (that is not an equity commitment):** The effective notional principal amount[1] of the exposure minus the adjusted carrying value of the on-balance sheet component of the exposure.

For an equity commitment (a commitment to purchase an equity exposure), the effective notional principal amount must be multiplied by the following credit conversion factors: 20 percent for conditional equity commitments with an original maturity of one year or less, 50 percent for conditional equity commitments with an original maturity of more than one year, and 100 percent for unconditional equity commitments.

*Equity exposure risk weighting methodologies*
(1) Simple Risk Weight Approach: Must be used for all types of equity exposures that are not equity exposures to a mutual fund or other investment fund. Under this approach, banks must determine the risk weighted asset amount of an individual equity exposure by multiplying (1) the adjusted

[1] The regulatory capital rules define the "effective notional principal amount" as an exposure of equivalent size to a hypothetical on-balance sheet position in the underlying equity instrument that would evidence the same change in fair value (measured in dollars) given a small change in the price of the underlying equity instrument.

**Part II. (cont.)**

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

carrying value of the exposure or (2) the effective portion and ineffective portion of a hedge pair by the lowest possible risk weight below:

- *Zero percent risk weight:* An equity exposure to a sovereign, Bank for International Settlements, the European Central Bank, the European Commission, the International Monetary Fund, the European Stability Mechanism, the European Financial Stability Facility, a multilateral development bank (MDB), and any other entity whose credit exposures receive a zero percent risk weight under §.32 of the regulatory capital rules.

- *20 percent risk weight:* An equity exposure to a public sector entity, Federal Home Loan Bank, and the Federal Agricultural Mortgage Corporation (Farmer Mac).

- *100 percent risk weight:* Equity exposures to:
  - Certain qualified community development investments,
  - The effective portion of hedge pairs, and
  - Equity exposures, to the extent that the aggregate carrying value of the exposures does not exceed 10 percent of total capital. To utilize this risk weight, the bank must aggregate the following equity exposures: unconsolidated small business investment companies or held through consolidated small business investment companies; publicly traded (including those held indirectly through mutual funds or other investment funds); and non-publicly traded (including those held indirectly through mutual funds or other investment funds).

- *300 percent risk weight:* Publicly traded equity exposures.

- *400 percent risk weight:* Equity exposures that are not publicly traded.

- *600 percent risk weight:* An equity exposure to an investment firm, provided that the investment firm would (1) meet the definition of *traditional securitization* in §.2 of the regulatory capital rules were it not for the application of paragraph (8) of the definition and (2) has greater than immaterial leverage.

(2) Full look-through approach: Used only for equity exposures to a mutual fund or other investment fund. Requires a minimum risk weight of 20 percent. Under this approach, banks calculate the aggregate risk-weighted asset amounts of the carrying value of the exposures held by the fund as if they were held directly by the bank multiplied by the bank's proportional ownership share of the fund.

(3) Simple modified look-through approach: Used only for equity exposures to a mutual fund or other investment fund. Requires a minimum risk weight of 20 percent. Under this approach, risk-weighted assets for an equity exposure is equal to the exposure's adjusted carrying value multiplied by the highest risk weight that applies to any exposure the fund is permitted to hold under the prospectus, partnership agreement, or similar agreement that defines the funds permissible investments.

(4) Alternative modified look-through approach: Used only for equity exposures to a mutual fund or other investment fund. Requires a minimum risk weight of 20 percent. Under this approach, banks may assign the adjusted carrying value on a pro rata basis to different risk-weight categories based on the limits in the fund's prospectus, partnership agreement, or similar contract that defines the fund's permissible investments.

**Part II. (cont.)**

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

**Treatment of Sales of 1-4 Family Residential First Mortgage Loans with Credit-Enhancing Representations and Warranties**

When a bank transfers mortgage loans with credit-enhancing representations and warranties in a transaction that qualifies for sale accounting under GAAP, the bank will need to report and risk weight those exposures. The definition of *credit-enhancing representations and warranties* (CERWs) is found in §.2 of the regulatory capital rules. Many CERWs should be treated as securitization exposures for purposes of risk weighting. However, those CERWs that do not qualify as securitization exposures receive a 100 percent credit conversion factor as indicated in §.33 of the regulatory capital rules. For example, if the bank has agreed to repurchase the loans that it has sold, it will generally need to risk weight those loans in Schedule RC-R, Part II, item 17, until the warranties expire. Note that CERWs do not include certain early default clauses and similar warranties that permit the return of, or premium refund clauses covering, 1-4 family residential mortgage loans that qualify for a 50 percent risk weight provided the warranty period does not exceed 120 days from the date of transfer.

Example: A bank sells $100 in qualifying 1-4 family residential first mortgage loans and agrees to repurchase them in case of early default for up to 180 days. This warranty exceeds the 120-day limit, and therefore the full $100 should be reported in Schedule RC-R, Part II, item 17, until the warranty expires.

If the bank has made a CERW that is limited or capped (e.g., a warranty to cover first losses on loans up to a set amount that is less than the full loan amount), such warranties are regarded as securitization exposures under the regulatory capital rules as they represent a transaction that has been separated into at least two tranches reflecting different levels of seniority for credit risk. (Refer to the definitions of *securitization exposure, synthetic securitization, traditional securitization,* and *tranche* in §.2 of the regulatory capital rules). The bank will need to report and risk weight these warranties in Schedule RC-R, Part II, item 10, as off-balance sheet securitization exposures.

Example: A bank sells $100 in qualifying 1-4 family residential first mortgage loans and agrees to compensate the buyer for losses up to $2 if the loans default during the first 12 months. Twelve months exceeds the 120-day limit and therefore the agreement is a CERW. The CERW is also a securitization exposure because the $2 is effectively a first loss tranche on a $100 transaction.

For purposes of reporting this transaction in Schedule RC-R, Part II, item 10, the bank should report $100 in column A, an adjustment of $98 in column B, and then $2 in column Q as an exposure amount that is risk weighted by applying a 1,250 percent risk weight (if the bank does not use the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach for purposes of risk weighting its securitization exposures). The bank will not need to report any amount in columns T or U of Schedule RC-R, Part II, item 10, unless it uses the SSFA or Gross-Up approach for calculating the risk-weighted asset amount for this transaction.

If the bank uses either the SSFA or Gross-Up Approach to risk weight the $2 exposure, the bank should report $100 in both column A and column B. In column T or U, it would report the risk-weighted asset amount calculated by using the SSFA or Gross-Up Approach, respectively.

**Treatment of Exposures to Sovereign Entities and Foreign Banks**

These instructions contain several references to Country Risk Classifications (CRC) used by the Organization for Economic Cooperation and Development (OECD). The CRC methodology classifies countries into one of eight risk categories (0-7), with countries assigned to the zero category having the lowest possible risk assessment and countries assigned to the 7 category having the highest possible risk assessment. The OECD regularly updates CRCs for more than 150 countries and makes the

**Part II. (cont.)**

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

assessments publicly available on its website.[1] The OECD does not assign a CRC to every country; for example, it does not assign a CRC to a number of major economies; it also does not assign a CRC to many smaller countries. As such, the table below also provides risk weights for countries with no CRC based on whether or not those particular countries are members of the OECD. In addition, there is a higher risk weight of 150 percent for any country that has defaulted on its sovereign debt within the past 5 years, regardless of the CRC rating.

For information on the risk weights to be assigned to reported balance sheet items (items 1 through 8) and off-balance sheet items and other exposures (items 12 through 22) that are exposures to foreign central governments (including foreign central banks), foreign banks, and foreign public sector entities, see the discussion on the Treatment of Exposures to Sovereign Entities and Foreign Banks in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**Summary of Risk Weights for Exposures to Government and Public Sector Entities**

The following are some of the most common exposures to government and public sector entities and the risk weights that apply to them:

*Column C – 0% risk weight*:

- All exposures (defined broadly to include securities, loans, and leases) that are direct exposures to, or the portion of exposures that are directly and unconditionally guaranteed by, the U.S. Government or U.S. Government agencies. This includes the portions of deposits insured by the FDIC or the National Credit Union Administration (NCUA).
- Exposures that are collateralized by cash on deposit in the reporting bank.
- Exposures that are collateralized by securities issued or guaranteed by the U.S. Government, or other sovereign governments that qualify for the zero percent risk weight. Collateral value must be adjusted under §.37 of the regulatory capital rules.
- Exposures to, and the portions of exposures guaranteed by, the Bank for International Settlements, the European Central Bank, the European Commission, the International Monetary Fund, the European Stability Mechanism, the European Financial Stability Facility, or a multilateral development bank (as specifically defined in §.2 of the regulatory capital rules).

*Column G – 20% risk weight*:

- The portion of exposures that are conditionally guaranteed by the U.S. Government or U.S. Government agencies. This includes exposures, or the portions of exposures, conditionally guaranteed by the FDIC or the NCUA.
- The portion of exposures that are collateralized by cash on deposit in the bank or by securities issued or guaranteed by the U.S. Government or U.S. Government agencies that are not included in zero percent column.
- General obligation exposures to states, municipalities, and other political subdivisions of the United States.
- Exposures to U.S. government-sponsored entities (GSEs) other than equity exposures or preferred stock, and risk-sharing securities.

*Column H – 50% risk weight*:

- Revenue obligation exposures to states, municipalities, and other political subdivisions of the United States.

*Column I – 100% risk weight*:

- Preferred stock of U.S. GSEs.

[1] *See* http://www.oecd.org/trade/xcred/crc.htm.

**Part II. (cont.)**

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

**Risk-Weighted Assets for Securitization Exposures**

Under the agencies' regulatory capital rules, three separate approaches are available for setting the regulatory capital requirements for *securitization exposures*, as defined in §.2 of the regulatory capital rules. Securitization exposures include asset-backed and mortgage-backed securities, other positions in securitization transactions, re-securitizations, and structured finance programs[1] (except credit-enhancing interest-only (CEIO) strips). Include as a securitization exposure for risk-weighted asset purposes any amount reported in Schedule RC, item 11, "Other assets," for accrued interest receivable on an on-balance sheet securitization exposure. In general, under each of the three approaches, the risk-based capital requirement for a position in a securitization or structured finance program (hereafter referred to collectively as a securitization) is computed by multiplying the calculated amount of the position (including any accrued interest receivable on the position) by the appropriate risk weight. The three approaches to determining the proper risk weight for a securitization exposure are the Simplified Supervisory Formula Approach (SSFA), the Gross-Up Approach, or the 1,250 Percent Risk Weight Approach.

If a securitization exposure is not an after-tax gain-on-sale resulting from a securitization that requires deduction, or the portion of a CEIO strip that does not constitute an after-tax gain-on-sale,[2] a bank may assign a risk weight to the securitization exposure using the SSFA if certain requirements are met. If a bank is not subject to Subpart F (the market risk capital rule) of the regulatory capital rules, it may instead choose to assign a risk weight to the securitization exposure using the Gross-Up Approach if certain requirements are met. However, the bank must apply either the SSFA or the Gross-Up Approach consistently across all of its securitization exposures. However, if the bank cannot, or chooses not to, apply the SSFA or the Gross-Up Approach to an individual securitization exposure, the bank must assign a 1,250 percent risk weight to that exposure.

Both traditional and synthetic securitizations must meet certain operational requirements before applying either the SSFA or the Gross-Up Approach. Furthermore, banks must complete certain due diligence requirements and satisfactorily demonstrate a comprehensive understanding of the features of the securitization exposure that would materially affect the performance of the exposure. If these due diligence requirements are not met, the bank must assign the securitization exposure a risk weight of 1,250 percent. The bank's analysis must be commensurate with the complexity of the securitization exposure and the materiality of the exposure in relation to its capital. Banks should refer to §.41 of the regulatory capital rules to review the details of these operational and due diligence requirements.

For example, a bank not subject to the market risk capital rule has 12 securitization exposures. The operational and due diligence requirements have been met for 10 of the exposures, to which the bank applies the Gross-Up Approach. The bank then assigns a 1,250 percent risk weight to the other two exposures. Alternatively, the bank could assign a 1,250 percent risk weight to all 12 securitization exposures.

a. Exposure Amount Calculation

The exposure amount of an on-balance sheet securitization exposure that is not an available-for-sale or held-to-maturity security where the bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a, a repo-style transaction, an eligible margin loan, an over-the-counter (OTC) derivative contract, or a cleared transaction is equal to the carrying value of the exposure (including any accrued interest receivable on the exposure reported in Schedule RC, item 11, "Other assets").

[1] Structured finance programs include, but are not limited to, collateralized debt obligations.

[2] Consistent with the regulatory capital rules, a bank must deduct from common equity tier 1 capital any after-tax gain-on-sale resulting from a securitization and must apply a 1,250 percent risk weight to the portion of a CEIO strip that does not constitute an after-tax gain-on-sale.

**Part II. (cont.)**

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

The exposure amount of an on-balance sheet securitization exposure that is an available-for-sale or held-to-maturity security where the bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a, is equal to the carrying value of the exposure (including any accrued interest receivable on the exposure reported in Schedule RC, item 11), less any net unrealized gains on the exposure and plus any net unrealized losses on the exposure.

The exposure amount of an off-balance sheet securitization exposure that is not a repo-style transaction, an eligible margin loan, a cleared transaction (other than a credit derivative), an OTC derivative contract (other than a credit derivative), or an exposure to an asset-backed commercial paper (ABCP) program is the notional amount of the exposure.

For an off-balance sheet securitization exposure to an ABCP program, such as an eligible ABCP liquidity facility, the notional amount may be reduced to the maximum potential amount that the bank could be required to fund given the ABCP program's current underlying assets (calculated without regard to the current credit quality of those assets). An exposure amount of an eligible ABCP liquidity facility for which the SSFA does not apply is calculated by multiplying the notional amount of the exposure by a credit conversion factor (CCF) of 50 percent. An exposure amount of an eligible ABCP liquidity facility for which the SSFA does apply is calculated by multiplying the notional amount of the exposure by a CCF of 100 percent.

The exposure amount of a securitization exposure that is a repo-style transaction, eligible margin loan, or derivative contract (other than a credit derivative) is the exposure amount of the transaction as calculated using the instructions for calculating the exposure amount of OTC derivatives or collateralized transactions outlined in §.34, §.132, or §.37 of the regulatory capital rules.

If a bank has multiple securitization exposures that provide duplicative coverage to the underlying exposures of a securitization, the bank is not required to hold duplicative risk-based capital against the overlapping position. Instead, the bank may apply to the overlapping position the applicable risk-based capital treatment that results in the highest risk-based capital requirement.

If a bank provides support to a securitization in excess of the bank's contractual obligation to provide credit support to the securitization (implicit support) it must include in risk-weighted assets all of the underlying exposures associated with the securitization as if the exposures had not been securitized and must deduct from common equity tier 1 capital any after-tax gain-on-sale resulting from the securitization.

b. Simplified Supervisory Formula Approach

To use the SSFA to determine the risk weight for a securitization exposure, a bank must have data that enables it to accurately assign the parameters. The data used to assign the parameters must be the most currently available data and no more than 91 calendar days old. A bank that does not have the appropriate data to assign the parameters must assign a risk weight of 1,250 percent to the exposure. See the operational requirements outlined in §.43 of the regulatory capital rules for further instructions.

To calculate the risk weight for a securitization exposure using the SSFA, a bank must have accurate information on the following five inputs to the SSFA calculation:

- Parameter $K_G$ is the weighted-average total capital requirement for *all* underlying exposures calculated using the standardized approach (with unpaid principal used as the weight for each exposure). Parameter $K_G$ is expressed as a decimal value between zero and one (e.g., an average risk weight of 100 percent represents a value of $K_G$ equal to .08). "Underlying exposures" is defined in the regulatory capital rules to mean one or more exposures that have been securitized in a securitization transaction. In this regard, underlying exposures means all exposures, including performing and nonperforming exposures. Thus, for example, for a pool of

**Part II. (cont.)**

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

underlying corporate exposures that have been securitized, where 95 percent of the pool is performing (and qualify for a risk weight of 100 percent) and 5 percent of the pool is past due exposures that are not guaranteed and are unsecured (and thus are assigned a risk weight of 150 percent), the weighted risk weight for the pool would be 102.5 percent [102.5% = (95% * 100%) + (5% * 150%)] and the total capital requirement $K_G$ would be equal to 0.082 (102.5% divided by 1,250%). This treatment is consistent with the regulatory capital rules.

- Parameter W is the ratio of the sum of the dollar amounts of any underlying exposures within the securitized pool to the ending balance, measured in dollars, of underlying exposures, that meet any of the following criteria: (1) 90 days or more past due; (2) subject to a bankruptcy or insolvency proceeding; (3) in the process of foreclosure; (4) held as real estate owned; (5) has contractually deferred interest payments for 90 days or more (other than in the case of deferments on federally guaranteed student loans and certain consumer loans deferred according to provisions in the contract); or (6) is in default. Parameter W is expressed as a decimal value between zero and one.

  As a result, past due exposures that also meet one or more of the criteria in parameter W are to be factored into the measure of both parameters $K_G$ and W for purposes of calculating the regulatory capital requirement for securitization exposures using the SSFA.

- Parameter A is the attachment point for the exposure, which represents the threshold at which credit losses will first be allocated to the exposure. Parameter A equals the ratio of the current dollar amount of underlying exposures that are subordinated to the exposure of the bank to the current dollar amount of underlying exposures. Any reserve account funded by the accumulated cash flows from the underlying exposures that is subordinated to the bank's securitization exposure may be included in the calculation of parameter A to the extent that cash is present in the account. Parameter A is expressed as a decimal value between zero and one.

- Parameter D is the detachment point for the exposure, which represents the threshold at which credit losses of principal allocated to the exposure would result in a total loss of principal. Parameter D equals parameter A plus the ratio of the current dollar amount of the securitization exposures that are pari passu with the exposure (that is, have equal seniority with respect to credit risk) to the current dollar amount of the underlying exposures. Parameter D is expressed as a decimal value between zero and one.

- A supervisory calibration parameter, p, is equal to 0.5 for securitization exposures that are not resecuritization exposures and equal to 1.5 for resecuritization exposures.

There are three steps to calculating the risk weight for a securitization using the SSFA. First, a bank must complete the following equations using the previously described parameters:

$K_A = (1 - W) \cdot K_G + (0.5 \cdot W)$

$a = -\dfrac{1}{p \cdot K_A}$

$u = D - K_A$

$l = \max(A - K_A, 0)$

$e = 2.71828$, the base of the natural logarithms

Second, using the variables calculated in first step, find the value of $K_{SSFA}$ using the formula below:

$$K_{SSFA} = \frac{e^{a \cdot u} - e^{a \cdot l}}{a(u - l)}$$

**Part II. (cont.)**

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

Third, the risk weight of any particular securitization exposure (expressed as a percent) will depend on the tranche's attachment point and detachment point relative to $K_A$.

**Case 1:** If the detachment point, parameter D, is less than or equal to $K_A$, the exposure is assigned a risk weight of 1,250 percent.

**Case 2:** If the attachment point, parameter A, is less than $K_A$ and the detachment point, parameter D, is greater than $K_A$, the risk weight is a weighted average of 1,250 percent and 1,250 percent times $K_{SSFA}$, calculated as shown below:

$$RW = \left[\left(\frac{K_A - A}{D - A}\right) \times 1{,}250\ percent\right] + \left[\left(\frac{D - K_A}{D - A}\right) \times 1{,}250\ percent \times K_{SSFA}\right]$$

**Case 3:** If the attachment point, parameter A, is greater than or equal to $K_A$, the risk weight is the product of $K_{SSFA}$ and 1,250 percent, as shown in the following equation:

$$RW = 1{,}250\ percent \times K_{SSFA}$$

To determine the risk-based capital requirement under the SSFA, multiply the exposure amount (including any accrued interest receivable on the exposure) by the higher of either (1) the calculated risk weight or (2) a 20 percent risk weight.

For purposes of reporting in Schedule RC-R, Part II, items 9 and 10, a bank would report in column T the risk-weighted asset amount calculated under the SSFA for its securitization exposures.

c. Gross-Up Approach

A bank that is not subject to the market risk capital rule (Subpart F) in the regulatory capital rules may apply the Gross-Up Approach instead of the SSFA to determine the risk weight of its securitization exposures, provided that it applies the Gross-Up Approach consistently to all of its securitization exposures.

To calculate the risk weight for a securitization exposure using the Gross-Up Approach, a bank must calculate the following four inputs:

(1) Pro rata share, which is the par value of the bank's securitization exposure as a percent of the par value of the tranche in which the securitization exposure resides.

(2) Enhanced amount, which is the par value of the tranches that are more senior to the tranche in which the bank's securitization resides.

(3) Exposure amount of the bank's securitization exposure (including any accrued interest receivable on the exposure).

(4) Risk weight, which is the weighted-average risk weight of underlying exposures in the securitization pool.

The bank would calculate the credit equivalent amount which is equal to the sum of the exposure amount of the bank's securitization exposure (3) and the pro rata share (1) multiplied by the enhanced amount (2).

A bank must assign the higher of the weighted-average risk weight (4) or a 20 percent risk weight to the securitization exposure using the Gross-Up Approach.

**Part II. (cont.)**

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

To determine the risk-based capital requirement under the gross-up approach, multiply the higher of the two risk weights by the credit equivalent amount. These steps are outlined in the worksheet below:

***Gross-Up Approach Worksheet to Calculate the Capital Charge for a Securitization Exposure that is Not a Senior Exposure***[1]

| | | |
|---|---|---|
| (a) | Currently outstanding par value of the bank's non-senior securitization exposure divided by the currently outstanding par value of the entire tranche (e.g., 60%[2]) | |
| (b) | Currently outstanding par value of the more senior positions in the securitization that are supported by the tranche in which the bank owns a non-senior securitization exposure | |
| (c) | Pro rata share of the more senior positions currently outstanding in the securitization that are supported by the bank's non-senior securitization exposure: enter (b) multiplied by (a) | |
| (d) | Exposure amount of the bank's non-senior securitization exposure | |
| (e) | Enter the sum of (c) and (d) | |
| (f) | Enter the weighted-average risk weight applicable to the assets underlying the securitization | |
| (g) | Risk-weighted asset amount of the bank's non-senior securitization exposure: enter the higher of:<br>• (d) multiplied by 20%, or<br>• (e) multiplied by (f) | |
| (h) | Capital charge for the risk-weighted asset amount of the bank's non-senior securitization exposure: enter (g) multiplied by 8% | |

For purposes of reporting its non-senior securitization exposures in Schedule RC-R, Part II, items 9 and 10, a bank would report in column U the risk-weighted asset amount calculated in line (g) on the Gross-Up Approach worksheet. For a senior securitization exposure, a bank would report in column U the exposure amount of its exposure multiplied by the weighted-average risk weight of the securitization's underlying exposures, subject to a 20 percent risk-weight floor.

*Reporting in Schedule RC-R, Part II, When Using the Gross-Up Approach:*

If the bank's non-senior security is an HTM securitization exposure, the amortized cost of this security is included on the Report of Condition balance sheet in Schedule RC, item 2.a, "Held-to-maturity securities," and on the regulatory capital schedule in columns A and B of Schedule RC-R, Part II, item 9.a, "On-balance sheet securitization exposures – Held-to-maturity securities." The risk-weighted asset amount from line (g) in the Gross-Up Approach Worksheet above is reported in column U of Schedule RC-R, Part II, item 9.a.

If the bank's security is an AFS securitization exposure, the fair value of this security is included on the Report of Condition balance sheet in Schedule RC, item 2.b, "Available-for-sale securities," and on the regulatory capital schedule in column A of Schedule RC-R, Part II, item 9.b, "On-balance sheet securitization exposures – Available-for-sale securities." For further information on the reporting of

[1] A senior securitization exposure means a securitization exposure that has a first priority claim on the cash flows from the underlying exposures, without considering amounts due under interest rate or currency contracts, fees or other similar payments due. Time tranching (that is, maturity differences) also is not considered when determining whether a securitization exposure is a senior securitization exposure.

[2] For example, if the currently outstanding par value of the entire tranche is $100 and the currently outstanding par value of the bank's subordinated security is $60, then the bank would enter 60% in (a).

**Part II. (cont.)**

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

AFS securitization exposures in column B, refer to the instructions for Schedule RC-R, Part II, item 9.b, because the amount reported in column B depends on whether the bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a. For non-senior AFS securitization exposures, the risk-weighted asset amount from line (g) in the Gross-Up Approach Worksheet above is reported in column U of Schedule RC-R, Part II, item 9.b.

If the bank's non-senior security is a trading securitization exposure, the fair value of this security is included on the Report of Condition balance sheet in Schedule RC, item 5, "Trading assets," and on the regulatory capital schedule in column A of Schedule RC-R, Part II, item 9.c, "On-balance sheet securitization exposures – Trading assets." A trading security is risk-weighted using its fair value if the bank is not subject to the market risk capital rule. The risk-weighted asset amount from line (g) in the Gross-Up Approach Worksheet above is reported in column U of Schedule RC-R, Part II, item 9.c.

d. 1,250 Percent Risk Weight Approach

If the bank cannot, or chooses not to, apply the SSFA or the Gross-Up Approach to the securitization exposure, the bank must assign a 1,250 percent risk weight to the exposure (including any accrued interest receivable on the exposure).

*Securitization exposure reporting in Schedule RC-R, Part II*

Securitization exposure reporting depends on the methodology the bank will use to risk weight the exposure.

For example, if a bank plans to apply the 1,250 percent risk weight to its securitization exposures, the amount reported in column Q should match the amount reported in column A (plus or minus any adjustments reported in column B, such as that for an allocated transfer risk reserve (ATRR)). For any securitization exposure risk weighted using the 1,250 percent risk weight, the sum of columns B and Q should equal column A.

| | (Column A) Totals | (Column B) Adjustments to Totals Reported in Column A | (Column Q) Exposure Amount | (Column T) Total Risk-Weighted Asset Amount by Calculation Methodology | (Column U) | |
|---|---|---|---|---|---|---|
| | | | 1250% | SSFA | Gross-Up | |
| 9. On-balance sheet securitization exposures | | | | | | |
| a. Held-to-maturity securities | $100 | $0 | $100 | $0 | $0 | 9.a. |

In addition, when a bank applies the 1,250 percent risk weight to an on-balance sheet securitization exposure, the bank should include in column A of Schedule RC-R, Part II, item 9.d, any amount reported in Schedule RC, item 11, "Other assets," for accrued interest receivable on the securitization exposures, regardless of where the securitization exposure is reported on the balance sheet in Schedule RC. The amount reported in column Q should match the amount reported in column A

If a bank – regardless of whether it makes the AOCI opt-out election – is applying the SSFA or Gross-Up Approach, the reporting is significantly different due to the fact that the bank reports the risk-weighted asset amount in columns T or U.

**Part II. (cont.)**

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

In the case where a bank has a securitization exposure with a balance sheet value of $100, it would report $100 in both columns A and B. If the bank applies the SSFA and calculates a risk-weighted asset exposure of $20 for that securitization, the bank would report $20 in column T. Since it is using the SSFA for all its securitization exposures, the bank must report $0 in column U.

| | (Column A) Totals | (Column B) Adjustments to Totals Reported in Column A | (Column Q) Exposure Amount | (Column T) Total Risk-Weighted Asset Amount by Calculation Methodology | (Column U) | |
|---|---|---|---|---|---|---|
| | | | 1250% | SSFA | Gross-Up | |
| 9. On-balance sheet securitization exposures | | | | | | |
| a. Held-to-maturity securities | $100 | $100 | $0 | $20 | $0 | 9.a. |

A bank, at its discretion, could also use both the 1,250 percent risk weight for some securitization exposures and either the SSFA or Gross-Up Approach for other securitization exposures. For example, Bank Z has three securitization exposures, each valued at $100 on the balance sheet. Bank Z chooses to apply the 1,250 percent risk weight to one exposure and use the Gross-Up Approach to calculate risk-weighted assets for the other two exposures. Assume that the risk-weighted asset amount under the Gross-Up Approach is $20 for each exposure.

The bank would report the following:

| | (Column A) Totals | (Column B) Adjustments to Totals Reported in Column A | (Column Q) Exposure Amount | (Column T) Total Risk-Weighted Asset Amount by Calculation Methodology | (Column U) | |
|---|---|---|---|---|---|---|
| | | | 1250% | SSFA | Gross-Up | |
| 9. On-balance sheet securitization exposures | | | | | | |
| a. Held-to-maturity securities | $300 | $200 | $100 | $0 | $40 | 9.a. |

The $200 reported under column B reflects the balance sheet amounts of the two securitization exposures risk weighted using the Gross-Up Approach. This ensures that the sum of columns B and Q continues to equal the amount reported in column A. The $40 under column U reflects the risk-weighted asset amount of the sum of the two securitization exposures that were risk weighted using the Gross-Up Approach. This $40 is included in risk-weighted assets before deductions in item 28 of Schedule RC-R, Part II.

**Banks That Are Subject to the Market Risk Capital Rule**

The banking agencies' regulatory capital rules require all banks with significant market risk to measure their market risk exposure and hold sufficient capital to mitigate this exposure. In general, a bank is subject to the market risk capital rule if its consolidated trading activity, defined as the sum of trading assets and liabilities as reported in its Call Report for the previous quarter, equals: (1) 10 percent or more of the bank's total assets as reported in its Call Report for the previous quarter, or (2) $1 billion or more. However, a bank's primary federal supervisory authority may exempt or include the bank if necessary or appropriate for safe and sound banking practices.

For further information, a bank that is subject to the market risk capital rule should refer to the discussion of "Banks That Are Subject to the Market Risk Capital Rule" in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**Part II. (cont.)**

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

**Adjustments for Financial Subsidiaries**

Section 121 of the Gramm-Leach-Bliley Act allows national banks and insured state banks to establish entities known as financial subsidiaries. (Savings associations are not authorized under the Gramm-Leach-Bliley Act to have financial subsidiaries.) One of the statutory requirements for establishing a financial subsidiary is that a national bank or insured state bank must deduct any investment in a financial subsidiary from the bank's assets and tangible equity. Therefore, under the regulatory capital rules, a bank must deduct the aggregate amount of its outstanding equity investment in a financial subsidiary, including the retained earnings of the subsidiary, from its common equity tier 1 capital elements in Schedule RC-R, Part I, item 10.b. In addition, the assets and liabilities of the subsidiary may not be consolidated with those of the parent bank for regulatory capital purposes.

For further information, a bank with one or more financial subsidiaries should refer to the discussion of "Adjustments for Financial Subsidiaries" in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**Treatment of Embedded Derivatives**

If a bank has a hybrid contract containing an embedded derivative that must be separated from the host contract and accounted for as a derivative instrument under ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended), then the host contract and embedded derivative should be treated separately for risk-based capital purposes. When the fair value of the embedded derivative has been reported as part of the bank's assets on Schedule RC – Balance Sheet, that fair value (whether positive or negative) should be reported (as a positive or negative number) in column B of the corresponding asset category item in Schedule RC-R, Part II (items 1 to 8). The host contract, if an asset, should be risk weighted according to the obligor or, if relevant, the guarantor or the nature of the collateral. All derivative exposures should be risk weighted in the derivative items of Schedule RC-R, Part II, as appropriate (items 20 or 21).

**Reporting Exposures Hedged with Cleared Eligible Credit Derivatives**

Institutions are able to obtain full or partial protection for (i.e., "hedge") on-balance sheet assets or off-balance sheet items using credit derivatives that are cleared through a qualified central counterparty (QCCP) or a central counterparty (CCP) that is not a QCCP. In some cases, a cleared credit derivative used for this purpose meets the definition of an eligible credit derivative in §.2 of the regulatory capital rules. In these cases, under §.36 of the regulatory capital rules, an institution that is a clearing member or a clearing member client may recognize the credit risk mitigation benefits of the eligible credit derivative. More specifically, the risk weight of the underlying exposure (e.g., 20 percent, 50 percent, or 100 percent) may be replaced with the risk weight of the CCP or QCCP as the protection provider if the credit derivative is an eligible credit derivative, is cleared through a CCP or a QCCP, and meets the applicable requirements under §.35 and §.36 of the regulatory capital rules. The risk weight for an eligible credit derivative cleared through a QCCP is 2 percent or 4 percent, based on conditions set forth in the rules. The risk weight for an eligible credit derivative cleared through a CCP is determined according to §.32 of the regulatory capital rules. In addition, the coverage amount provided by an eligible credit derivative must be adjusted downward under certain conditions as described in §.36 of the regulatory capital rules.

If a clearing member bank or clearing member client bank has obtained full or partial protection for an on-balance sheet asset or off-balance sheet item using a cleared eligible credit derivative cleared through a QCCP, the institution may, but is not required to, recognize the benefits of this eligible credit derivative in determining the risk-weighted asset amount for the hedged exposure in Schedule RC-R, Part II, by reporting the protected exposure amounts and credit equivalent amounts in the 2 percent or 4 percent risk-weight category, as appropriate under the regulatory capital rules. Any amount of the exposure that is not covered by the eligible credit derivative should be reported in the risk-weight category

**Part II. (cont.)**

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

corresponding to the risk weight of the underlying exposure. For example, for an asset with a $200 exposure amount fully covered by an eligible credit derivative cleared through a QCCP that qualifies for a 2 percent risk weight, the institution would report the $200 exposure amount in Column D–2% risk weight for the appropriate asset category.

**Treatment of Certain Centrally Cleared Derivative Contracts**

In August 2017, the banking agencies issued supervisory guidance on the regulatory capital treatment of certain centrally cleared derivative contracts, which are reported in Schedule RC-R, Part II, item 21, in light of revisions to the rulebooks of certain central counterparties. Under the previous requirements of these central counterparties' rulebooks, variation margin transferred to cover the exposure that arises from marking cleared derivative contracts, and netting sets of such contracts, to fair value was considered collateral pledged by one party to the other, with title to the collateral remaining with the posting party. These derivative contracts are referred to as collateralized-to-market contracts. Under the revised rulebooks of certain central counterparties, variation margin for certain centrally cleared derivative contracts, and certain netting sets of such contracts, is considered a settlement payment for the exposure that arises from marking these derivative contracts and netting sets to fair value, with title to the payment transferring to the receiving party. In these circumstances, the derivative contracts and netting sets are referred to as settled-to-market contracts.

For further information, an institution with settled-to-market contracts should refer to the discussion of "Treatment of Certain Centrally Cleared Derivative Contracts" in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports. In addition, institutions should refer to the August 2017 supervisory guidance in its entirety for purposes of determining the appropriate regulatory capital treatment of settled-to-market contracts under the regulatory capital rules.

**Treatment of FDIC Loss-Sharing Agreements**

Loss-sharing agreements entered into by the FDIC with acquirers of assets from failed institutions are considered conditional guarantees for risk-based capital purposes due to contractual conditions that acquirers must meet. The guaranteed portion of assets subject to a loss-sharing agreement may be assigned a 20 percent risk weight. Because the structural arrangements for these agreements vary depending on the specific terms of each agreement, institutions should consult with their primary federal regulator to determine the appropriate risk-based capital treatment for specific loss-sharing agreements.

**Allocated Transfer Risk Reserve (ATRR)**

If the reporting bank is required to establish and maintain an ATRR as specified in Section 905(a) of the International Lending Supervision Act of 1983, the ATRR should be reported in Schedule RC-R, Part II, item 30. The ATRR is not eligible for inclusion in either tier 1 or tier 2 capital.

Any ATRR related to loans and leases held for investment is included on the balance sheet in Schedule RC, item 4.c, "Allowance for credit losses on loans and leases." However, if the bank must maintain an ATRR for any asset other than a loan or lease held for investment, the balance sheet category for that asset should be reported net of the ATRR on Schedule RC. In this situation, the ATRR should be reported as a negative number (i.e., with a minus (-) sign) in column B, "Adjustments to totals reported in Column A," of the corresponding asset category in Schedule RC-R, Part II, items 1 through 4 and 7 through 9. The amount to be risk weighted for this asset in columns C through Q, as appropriate, would be its net carrying value plus the ATRR. For example, a bank has an HTM security issued by a foreign commercial company against which it has established an ATRR of $20. The security, net of the ATRR, is included in Schedule RC, item 2.a, "Held-to-maturity securities," at $80. The security should be included in Schedule RC-R, Part II, item 2.a, column A, at $80. The bank should include $-20 in Schedule RC-R, item 2.a, column B, and $100 in item 2.a, column I.

**Part II. (cont.)**

**Item Instructions for Schedule RC-R, Part II.**

**Balance Sheet Asset Categories**

**Item No. Caption and Instructions**

NOTE: Schedule RC-R, Part II, items 1 through 8.b, columns A through S, as applicable, are to be completed semiannually in the June and December reports only.

**1** **Cash and balances due from depository institutions.** Report in column A the amount of cash and balances due from depository institutions reported in Schedule RC, sum of items 1.a and 1.b, excluding those balances due from depository institutions that qualify as securitization exposures as defined in §.2 of the regulatory capital rules.

The amount of those balances due from depository institutions reported in Schedule RC, items 1.a and 1.b, that qualify as securitization exposures must be reported in Schedule RC-R, Part II, item 9.d, column A.

- *In column C–0% risk weight*, include:
  - The amount of currency and coin reported in Schedule RC, item 1.a;
  - Any balances due from Federal Reserve Banks reported in Schedule RC, item 1.b;
  - The insured portions of deposits in FDIC-insured depository institutions and NCUA-insured credit unions reported in Schedule RC, items 1.a and 1.b; and
  - The amount of negotiable certificates of deposit purchased through the Money Market Mutual Fund Liquidity Facility.

- *In column G–20% risk weight*, include:
  - Any balances due from depository institutions and credit unions that are organized under the laws of the United States or a U.S. state reported in Schedule RC, items 1.a and 1.b, in excess of any applicable FDIC or NCUA deposit insurance limits for deposit exposures or where the depository institutions are not insured by either the FDIC or the NCUA;
  - Any balances due from Federal Home Loan Banks reported in Schedule RC, items 1.a and 1.b; and
  - The amount of cash items in the process of collection reported in Schedule RC, item 1.a.

- *In column I–100% risk weight*, include all other amounts that are not reported in columns C through H and J.

- For balances due from foreign banks and foreign central banks that must be risk weighted according to the Country Risk Classification (CRC) methodology, assign these exposures to risk-weight categories based on the CRC methodology described in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

If the reporting bank is the correspondent bank in a pass-through reserve balance relationship, report in column C the amount of its own reserves as well as those reserve balances actually passed through to a Federal Reserve Bank on behalf of its respondent depository institutions.

If the reporting bank is the respondent bank in a pass-through reserve balance relationship, report in column C the amount of the bank's reserve balances due from its correspondent bank that its correspondent has actually passed through to a Federal Reserve Bank on the reporting bank's behalf, i.e., for purposes of this item, treat these balances as balances due from a Federal Reserve Bank. This risk-based capital treatment differs from the required reporting described in the Glossary entry for “pass-through reserve balances," which, for

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| 1 (cont.) | legal and supervisory purposes, treats pass-through reserve balances held by a bank's correspondent as balances due from a depository institution as opposed to balances due from the Federal Reserve.<br><br>If the reporting bank is a participant in an excess balance account at a Federal Reserve Bank, report in column C the bank's balance in this account.<br><br>If the reporting bank accounts for any holdings of certificates of deposit (CDs) like available-for-sale debt securities that do not qualify as securitization exposures, report in column A the fair value of such CDs. If the bank has made the Accumulated Other Comprehensive Income opt-out election in Schedule RC-R, Part I, item 3.a, include in column B the difference between the fair value and amortized cost of these CDs. When fair value exceeds amortized cost, report the difference as a positive number in column B. When amortized cost exceeds fair value, report the difference as a negative number (i.e., with a minus (-) sign) in column B. Risk weight the amortized cost of these CDs in columns C through J, as appropriate. |
| 2 | **Securities.** Do not include securities that qualify as securitization exposures in items 2.a and 2.b below; instead, report these securities in Schedule RC-R, Part II, items 9.a and 9.b. In general, under the regulatory capital rules, securitizations are exposures that are "tranched" for credit risk. Refer to the definitions of *securitization, traditional securitization, synthetic securitization* and *tranche* in §.2 of the regulatory capital rules. |
| 2.a | **Held-to-maturity securities.** Report in column A the amount of held-to-maturity (HTM) securities reported in Schedule RC, item 2.a, excluding those HTM securities that qualify as securitization exposures as defined in §.2 of the regulatory capital rules.<br><br>The amount of those HTM securities reported in Schedule RC, item 2.a, that qualify as securitization exposures are to be reported in Schedule RC-R, Part II, item 9.a, column A. The sum of Schedule RC-R, Part II, items 2.a and 9.a, column A, must equal Schedule RC, item 2.a.<br><br>Exposure amount to be used for purposes of risk weighting – bank has not made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule RC-R, Part I, item 3.a:<br>For a security classified as HTM where the bank has not made the AOCI opt-out election (i.e., most AOCI is included in regulatory capital), the exposure amount to be risk weighted by the bank is the carrying value of the security, which is the value of the asset reported (a) on the balance sheet of the bank determined in accordance with GAAP and (b) in Schedule RC-R, Part II, item 2.a, column A.<br><br>Exposure amount to be used for purposes of risk weighting – bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a:<br>For a security classified as HTM where the bank has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount to be risk weighted by the bank is the carrying value of the security reported (a) on the balance sheet of the bank and (b) in Schedule RC-R, Part II, item 2.a, column A, less any unrealized gain on the exposure or plus any unrealized loss on the exposure included in AOCI. For purposes of determining the exposure amount of an HTM security, an unrealized gain (loss), if any, on such a security that is included in AOCI is (i) the unamortized balance of the unrealized gain (loss) that existed at the date of transfer of a debt security transferred into the held-to-maturity category from the available-for-sale category, or (ii) the unaccreted portion of other-than-temporary impairment losses on an HTM debt security that was not recognized in earnings in accordance with ASC Topic 320, Investments-Debt Securities (formerly FASB |

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**2.a (cont.)** Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities"). Thus, for an HTM security with such an unrealized gain (loss), report in column B any difference between the carrying value of the security reported in column A of this item and its exposure amount reported under the appropriate risk weighting column C through J.

- *In column B*, include the amount of:
  - Investments in tier 2 capital of unconsolidated financial institutions that are reported in Schedule RC, item 2.a, and have been deducted from capital in Schedule RC-R, Part I, item 45.

  Include as a negative number in column B:
  - The portion of Schedule RI-B, Part II, item 7, column B, "Balance end of current period" for HTM debt securities that relates to HTM securities reported in column A of this item, less
  - The portion of Schedule RC-R, Part II, Memorandum item 4.b, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for HTM debt securities that relates to purchased credit-deteriorated HTM securities reported in column A of this item.

  For example, if an institution reports $100 in Schedule RI-B, Part II, item 7, column B, and $10 in Schedule RC-R, Part II, Memorandum item 4.b, the institution would report ($90) in this column B.

- *In column C–0% risk weight.* The zero percent risk weight applies to exposures to the U.S. government, a U.S. government agency, or a Federal Reserve Bank, and those exposures otherwise unconditionally guaranteed by the U.S. government. Include exposures to or unconditionally guaranteed by the FDIC or the NCUA. Certain foreign government exposures and certain entities listed in §.32 of the regulatory capital rules may also qualify for the zero percent risk weight. Also include the exposure amount of HTM debt securities purchased through the Money Market Mutual Fund Liquidity Facility. Include the exposure amounts of securities reported in Schedule RC-B, column A, that do not qualify as securitization exposures that qualify for the zero percent risk weight. Such securities may include portions of, but may not be limited to:
  - Item 1, "U.S. Treasury securities,"
  - Item 2, those obligations issued by U.S. Government agencies,
  - Item 4.a.(1), those residential mortgage pass-through securities guaranteed by GNMA,
  - Item 4.b.(1), those other residential mortgage-backed securities issued or guaranteed by U.S. Government agencies, such as GNMA exposures,
  - Item 4.c.(1)(a), those commercial mortgage-backed securities (MBS) "Issued or guaranteed by FNMA, FHLMC, or GNMA" that represent GNMA securities, and
  - Item 4.c.(2)(a), those commercial MBS "Issued or guaranteed by U.S. Government agencies or sponsored agencies" that represent GNMA securities.
  - The portion of any exposure reported in Schedule RC, item 2.a, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight.

- *In column G–20% risk weight.* The 20 percent risk weight applies to general obligations of U.S. states, municipalities, and U.S. public sector entities. It also applies to exposures to U.S. depository institutions and credit unions, exposures conditionally guaranteed by

**Part II. (cont.)**

**Item No. Caption and Instructions**

**2.a** (cont.)

the U.S. government, as well as exposures to U.S. government-sponsored enterprises. Certain foreign government and foreign bank exposures may qualify as indicated in §.32 of the regulatory capital rules. Include the exposure amounts of securities reported in Schedule RC-B, column A, that do not qualify as securitization exposures that qualify for the 20 percent risk weight. Such securities may include portions of, but may not be limited to:

- Item 2, those obligations issued by U.S. Government-sponsored agencies, Item 3, "Securities issued by states and political subdivisions in the U.S." that represent general obligation securities,
- Item 4.a.(1), those residential mortgage pass-through securities issued by FNMA and FHLMC,
- Item 4.b.(1), Other residential mortgage-backed securities "Issued or guaranteed by U.S. Government agencies or sponsored agencies,"
- Item 4.c.(1)(a), those commercial MBS “Issued or guaranteed by FNMA, FHLMC, or GNMA” that represent FHLMC and FNMA securities,
- Item 4.c.(2)(a), those commercial MBS “Issued or guaranteed by U.S. Government agencies or sponsored agencies” that represent FHLMC and FNMA securities,
- Item 4.b.(2), Other residential MBS "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies," and
- Any securities categorized as “structured financial products” on Schedule RC-B that are <u>not</u> securitization exposures and qualify for the 20 percent risk weight. Note: Many of the structured financial products would be considered securitization exposures and must be reported in Schedule RC-R, Part II, item 9.a, for purposes of calculating risk-weighted assets.
- The portion of any exposure reported in Schedule RC, item 2.a, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.

- *In column H–50% risk weight,* include the exposure amounts of securities reported in Schedule RC-B, column A, that do <u>not</u> qualify as securitization exposures that qualify for the 50 percent risk weight. Such securities may include portions of, but may not be limited to:
  - Item 3, "Securities issued by states and political subdivisions in the U.S.," that represent revenue obligation securities,
  - Item 4.a.(2), "Other [residential mortgage] pass-through securities," that represent residential mortgage exposures that qualify for 50 percent risk weight. (Pass-through securities that do not qualify for the 50 percent risk weight should be assigned to the 100 percent risk-weight category.)
  - Item 4.b.(2), Other residential MBS "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies" (excluding portions subject to an FDIC loss-sharing agreement and interest-only securities) that represent residential mortgage exposures that qualify for 50 percent risk weight, and
  - Item 4.b.(3), “All other residential MBS.” Include only those MBS that qualify for the 50 percent risk weight. Refer to §.32(g), (h) and (i) of the regulatory capital rules. Note: Do not include MBS portions that are tranched for credit risk; those must be reported as securitization exposures in Schedule RC-R, Part II, item 9.a. Exclude interest-only securities.
  - The portion of any exposure reported in Schedule RC, item 2.a, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**2.a** (cont.)

- *In column I–100% risk weight*, include the exposure amounts of securities reported in Schedule RC-B, column A, that do not qualify as securitization exposures that qualify for the 100 percent risk weight. Such securities may include portions of, but may not be limited to:
  - Item 4.a.(2), "Other [residential mortgage] pass-through securities," that represent residential mortgage exposures that qualify for the 100 percent risk weight,
  - Item 4.b.(2), Other residential MBS "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies" (excludes portions subject to an FDIC loss-sharing agreement), that represent residential mortgage exposures that qualify for the 100 percent risk weight,
  - Item 4.b.(3), "All other residential MBS," Include only those MBS that qualify for the 100 percent risk weight. Refer to §.32(g), (h) and (i) of the regulatory capital rules. (Note: Do not include MBS that are tranched for credit risk; those should be reported as securitization exposures in Schedule RC-R, Part II, item 9.a.),
  - Item 4.c.(1)(b), “Other [commercial mortgage] pass-through securities,”
  - Item 4.c.(2)(b), “All other commercial MBS,”
  - Item 5.a, "Asset-backed securities," and

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**Part II. (cont.)**

| Item No. | Caption and Instructions |
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**2.a** (cont.)

- Any securities reported as "structured financial products" in Schedule RC-B, item 5.b, that are not securitization exposures and qualify for the 100 percent risk weight. Note: Many of the structured financial products would be considered securitization exposures and must be reported in Schedule RC-R, Part II, item 9.a, for purposes of calculating risk-weighted assets.
- The portion of any exposure reported in Schedule RC, item 2.a, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.
- Also include all other HTM securities that do not qualify as securitization exposures reported in Schedule RC, item 2.a, that are not included in columns C through H and J.

- *In column J–150% risk weight*, include the exposure amounts of securities reported in Schedule RC-B, column A, that are past due 90 days or more or in nonaccrual status (except sovereign exposures), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

- For HTM securities that are directly and unconditionally guaranteed by foreign central governments or are exposures to foreign banks that do not qualify as securitization exposures and must be risk-weighted according to the Country Risk Classification (CRC) methodology, assign these exposures to risk-weight categories based on the CRC methodology described in the General Instructions for Schedule RC-R, Part II, and the instructions for Schedule RC-R, Part, II, item 2.a, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**2.b** **Available-for-sale debt securities and equity securities with readily determinable fair values not held for trading.** Report in column A the sum of:
(1) The fair value of AFS debt securities reported in Schedule RC, item 2.b; and
(2) The fair value of equity securities with readily determinable fair values not held for trading reported in Schedule RC, item 2.c;
excluding the fair value of those debt and equity securities that qualify as securitization exposures as defined in §.2 of the regulatory capital rules, which must be reported in Schedule RC-R, Part II, item 9.b, column A. The sum of Schedule RC-R, Part II, items 2.b and 9.b, column A, must equal the sum of Schedule RC, items 2.b and 2.c.

Exposure amount to be used for purposes of risk weighting by a bank that has not made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule RC-R, Part I, item 3.a:
For a security reported in Schedule RC-R, Part II, item 2.b, column A, where the bank has not made the AOCI opt-out election (i.e., most AOCI is included in regulatory capital), the exposure amount to be risk weighted by the bank is:

- **For a debt security:** the carrying value, which is the value of the asset reported on the balance sheet of the bank determined in accordance with GAAP (i.e., the fair value of the AFS debt security) and in column A.
- **For equity securities and preferred stock classified as an equity under GAAP:** the adjusted carrying value.[1]

[1] Adjusted carrying value applies only to equity exposures and is defined in §.51 of the regulatory capital rules. In general, it includes an on-balance sheet amount as well as application of conversion factors to determine on-balance sheet equivalents of any off-balance sheet commitments to acquire equity exposures. For institutions that have not made the AOCI opt-out election, the on-balance sheet component is equal to the carrying value. Refer to §.51 for the precise definition.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| **2.b** (cont.) | Exposure amount to be used for purposes of risk weighting by a bank that has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a:<br>For a security reported in Schedule RC-R, Part II, item 2.b, column A, where the bank has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount to be risk weighted by the bank is:<br>• **For a debt security:** the carrying value, less any unrealized gain on the exposure or plus any unrealized loss on the exposure included in AOCI.<br>• **For equity securities and preferred stock classified as an equity under GAAP with readily determinable fair values:** the adjusted carrying value.[1]<br><br>• *In column B*, a bank that has made the AOCI opt-out election should include the difference between the fair value and amortized cost of those AFS debt securities that do not qualify as securitization exposures. This difference equals the amounts reported in Schedule RC-B, items 1 through 6.b, column D, minus items 1 through 6.b, column C, for those AFS debt securities included in these items that are not securitization exposures.<br>o When fair value exceeds cost, report the difference as a positive number in Schedule RC-R, Part II, item 2.b, column B.<br>o When cost exceeds fair value, report the difference as a negative number (i.e., with a minus (-) sign) in Schedule RC-R, Part II, item 2.b, column B. |

[1] Adjusted carrying value applies only to equity exposures and is defined in §.51 of the regulatory capital rules. In general, it includes an on-balance sheet amount as well as application of conversion factors to determine on-balance sheet equivalents of any off-balance sheet commitments to acquire equity exposures. For institutions that have made the AOCI opt-out election, the adjusted carrying value of an on-balance sheet equity exposure, such as an equity security with a readily determinable fair value not held for trading, is equal to the carrying value of the equity exposure, i.e., the value of the asset on the balance sheet determined in accordance with U.S. GAAP. Refer to §.51 for the precise definition.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**2.b** (cont.)

Example: A bank reports an AFS debt security that is not a securitization exposure on its balance sheet in Schedule RC, item 2.b, at a carrying value (i.e., fair value) of $105. The amortized cost of the debt security is $100. The bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a. The AFS debt security has a $5 unrealized gain that is included in AOCI. In Schedule RC-R, Part II, item 2.b, the bank would report:

a. $105 in column A. This is the carrying value of the AFS debt security on the bank's balance sheet.
b. $5 in column B. This is the difference between the carrying value (i.e., fair value) of the debt security and its exposure amount that is subject to risk weighting. For a bank that has made the AOCI opt-out election, column B will typically represent the amount of the unrealized gain or unrealized loss on the security. Gains are reported as positive numbers; losses as negative numbers. (Note: If the bank has not made or cannot make the opt-out election, there will be no adjustment to be reported in column B.)
c. $100 is the exposure amount subject to risk weighting. This amount will be reported under the appropriate risk weight associated with the exposure (columns C through J). For a bank that has made the opt-out election, the exposure amount typically will be the carrying value (i.e., fair value) of the debt security excluding any unrealized gain or loss.

- *In column B*, for a bank that has made the AOCI opt-out election, no amount should be included for equity securities and preferred stock classified as an equity under GAAP with readily determinable fair values that are reported in Schedule RC-R, Part II, item 2.b, column A.

- *In column B*, include the amount of investments in the capital of unconsolidated financial institutions that are reported in Schedule RC, item 2.c, and have been deducted from capital in Schedule RC-R, Part I, item 13, item 24, and item 45.

- *In column C–0% risk weight*, the zero percent risk weight applies to exposures to the U.S. government, a U.S. government agency, or a Federal Reserve Bank, and those exposures otherwise unconditionally guaranteed by the U.S. government. Include exposures to or unconditionally guaranteed by the FDIC or the NCUA. Certain foreign government exposures and certain entities listed in §.32 of the regulatory capital rules may also qualify for zero percent risk weight. Also include the exposure amount of AFS debt securities purchased through the Money Market Mutual Fund Liquidity Facility. Include the exposure amounts of those debt securities reported in Schedule RC-B, column C, that do not qualify as securitization exposures that qualify for the zero percent risk weight.

**Part II. (cont.)**

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

**2.b** (cont.)

Such debt securities may include portions of, but may not be limited to:

- Item 1, "U.S. Treasury securities,"
- Item 2, those obligations issued by U.S. Government agencies,
- Item 4.a.(1), those residential mortgage pass-through securities guaranteed by GNMA,
- Portions of item 4.b.(1), Other residential mortgage-backed securities (MBS) "Issued or guaranteed by U.S. Government agencies or sponsored agencies," such as GNMA exposures,
- Item 4.c.(1)(a), certain portions of commercial MBS “Issued or guaranteed by FNMA, FHLMC, or GNMA” that represent GNMA securities, and
- Item 4.c.(2)(a), certain portions of commercial MBS “Issued or guaranteed by U.S. Government agencies or sponsored agencies” that represent GNMA securities.
- The portion of any exposure reported in Schedule RC, item 2.b, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight.

- *In column G–20% risk weight*, the 20 percent risk weight applies to general obligations of U.S. states, municipalities, and U.S. public sector entities. It also applies to exposures to U.S. depository institutions and credit unions, exposures conditionally guaranteed by the U.S. government, as well as exposures to U.S. government sponsored enterprises. Certain foreign government and foreign bank exposures may qualify for the 20 percent risk weight as indicated in §.32 of the regulatory capital rules. Include the exposure amounts of those debt securities reported in Schedule RC-B, column C, that do not qualify as securitization exposures that qualify for the 20 percent risk weight. Such debt securities may include portions of, but may not be limited to:
  - Item 2, those obligations issued by U.S. Government-sponsored agencies (exclude interest-only securities),
  - Item 3, "Securities issued by states and political subdivisions in the U.S." that represent general obligation securities,
  - Item 4.a.(1), those residential mortgage pass-through securities issued by FNMA and FHLMC (exclude interest-only securities),
  - Item 4.b.(1), Other residential MBS "Issued or guaranteed by U.S. Government agencies or sponsored agencies," (exclude interest-only securities)
  - Item 4.c.(1)(a), those commercial MBS “Issued or guaranteed by FNMA, FHLMC, or GNMA” that represent FHLMC and FNMA securities (exclude interest-only securities),
  - Item 4.c.(2)(a), those commercial MBS “Issued or guaranteed by U.S. Government agencies or sponsored agencies” that represent FHLMC and FNMA securities (exclude interest-only securities),
  - Item 4.b.(2), Other residential MBS "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies" (exclude interest-only securities), and
  - Any securities categorized as “structured financial products” on Schedule RC-B that are not securitization exposures and qualify for the 20 percent risk weight. Note: Many of the structured financial products would be considered securitization exposures and must be reported in Schedule RC-R, Part II, item 9.b, for purposes of calculating risk-weighted assets. Exclude interest-only securities.
  - The portion of any exposure reported in Schedule RC, item 2.b, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**2.b** (cont.)

- *In column H–50% risk weight*, include the exposure amounts of those debt securities reported in Schedule RC-B, column C, that do not qualify as securitization exposures that qualify for the 50 percent risk weight. Such debt securities may include portions of, but may not be limited to:
  - Item 3, "Securities issued by states and political subdivisions in the U.S.," that represent revenue obligation securities,
  - Item 4.a.(2), "Other [residential mortgage] pass-through securities," (that represent residential mortgage exposures that qualify for the 50 percent risk weight. (Pass-through securities that do not qualify for the 50 percent risk weight should be assigned to the 100 percent risk weight category.)
  - Item 4.b.(2), Other residential MBS "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies" (exclude portions subject to an FDIC loss-sharing agreement and interest-only securities) that represent residential mortgage exposures that qualify for the 50 percent risk weight, and
  - Item 4.b.(3), "All other residential MBS." Include only those MBS that qualify for the 50 percent risk weight. Refer to §.32(g), (h) and (i) of the regulatory capital rules. Note: Do not include MBS that are tranched for credit risk; those should be reported as securitization exposures in Schedule RC-R, Part II, item 9.b. Do not include interest-only securities.
  - The portion of any exposure reported in Schedule RC, item 2.b, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight,* include the exposure amounts of those debt securities reported in Schedule RC-B, column C, that do not qualify as securitization exposures that qualify for the 100 percent risk weight. Such debt securities may include portions of, but may not be limited to:
  - Item 4.a.(2), "Other [residential mortgage] pass-through securities," that represent residential mortgage exposures that qualify for the 100 percent risk weight,
  - Item 4.b.(2), Other residential MBS "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies" (excluding portions subject to an FDIC loss-sharing agreement) that represent residential mortgage exposures that qualify for the 100 percent risk weight,
  - Item 4.b.(3), "All other residential MBS." Include only those MBS that qualify for the 100 percent risk weight. Refer to §.32(g), (h) and (i) of the regulatory capital rules. Note: Do not include MBS portions that are tranched for credit risk; those should be reported as securitization exposures in Schedule RC-R, Part II, item 9.b.
  - Item 4.c.(1)(b), "Other [commercial mortgage] pass-through securities,"
  - Item 4.c.(2)(b), "All other commercial MBS,"
  - Item 5.a, "Asset-backed securities,"
  - Any securities reported as "structured financial products" in Schedule RC-B, item 5.b, that are not securitization exposures and qualify for the 100 percent risk weight. Note: Many of the structured financial products would be considered securitization exposures and must be reported in Schedule RC-R, Part II, item 9.b, for purposes of calculating risk-weighted assets.
  - The portion of any exposure reported in Schedule RC, item 2.b, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.
  - All other AFS debt securities that do not qualify as securitization exposures reported in Schedule RC, item 2.b, that are not included in columns C through H, J through N, or R.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**2.b** (cont.)

Also include in *column I–100% risk weight* the exposure amounts of publicly traded equity exposures with readily determinable fair values and equity exposures to investment funds with readily determinable fair values (including mutual funds) reported in Schedule RC, item 2.c, to the extent that the aggregate carrying value of the bank's equity exposures does not exceed 10 percent of total capital. If the bank's aggregate carrying value of equity exposures is greater than 10 percent of total capital, the bank must report the exposure amount of its equity exposures to investments funds with readily determinable fair values (including mutual funds) in column R (and the risk-weighted asset amount of such AFS equity exposures in column S) and the exposure amount of its other equity exposures with readily determinable fair values in either columns L or N, as appropriate. For further information on the treatment of equity exposures, refer to §.51 to §.53 of the regulatory capital rules.

- *In column J–150% risk weight*, include the exposure amounts of securities reported in Schedule RC-B, column C, that are past due 90 days or more or in nonaccrual status (except sovereign exposures), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

- *In column L–300% risk weight*, for publicly traded equity securities with readily determinable fair values reported in Schedule RC, item 2.c (except equity securities to investment firms), include the fair value of these equity securities as reported in Schedule RC, item 2.c.

- *In column N–600% risk weight*, or equity securities to investment firms with readily determinable fair values reported in Schedule RC, item 2.c, include the fair value of these equity securities as reported in Schedule RC, item 2.c.

- *In columns R and S—Application of Other Risk-Weighting Approaches*, include the bank's equity exposures to investment funds with readily determinable fair values

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**2.b** (cont.) (including mutual funds) reported in Schedule RC, item 2.c, if the aggregate carrying value of the bank's equity exposures is greater than 10 percent of total capital. Report in column R the exposure amount of these equity exposures to investment funds. Report in column S the risk-weighted asset amount of these equity exposures to investment funds as measured under the full look-through approach, the simple modified look-through approach, or the alternative modified look-through approach described in §.53 of the regulatory capital rules. All three of these approaches require a minimum risk weight of 20 percent. For further information, refer to the discussion of "Treatment of Equity Exposures" in the General Instructions for Schedule RC-R, Part II.

- For available-for-sale debt securities and equity securities with readily determinable fair values not held for trading that are directly and unconditionally guaranteed by foreign central governments or are exposures to foreign banks that do not qualify as securitization exposures and must be risk-weighted according to the Country Risk Classification (CRC) methodology, assign these exposures to risk-weight categories based on the CRC methodology described in the General Instructions for Schedule RC-R, Part II, and the instructions for Schedule RC-R, Part, II, item 2.b, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**3** **Federal funds sold and securities purchased under agreements to resell:**

**3.a** **Federal funds sold (in domestic offices).** Report in column A the amount of federal funds sold reported in Schedule RC, item 3.a, excluding those federal funds sold that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. The amount of those federal funds sold reported in Schedule RC, items 3.a, that qualify as securitization exposures are to be reported in Schedule RC-R, Part II, item 9.d, column A.

- *In column C–0% risk weight,* include the portion of Schedule RC, item 3.a, that is directly and unconditionally guaranteed by U.S. Government agencies. Also include the portion of any exposure reported in Schedule RC, item 3.a, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight.

- *In column G–20% risk weight*, include exposures to U.S. depository institution counterparties. Also include the portion of any exposure reported in Schedule RC, item 3.a, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.

- *In column H – 50% risk weight*, include any exposure reported in Schedule RC, item 3.a, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight*, include exposures to non-depository institution counterparties that lack qualifying collateral (refer to the regulatory capital rules for specific criteria). Also include the amount of federal funds sold reported in Schedule RC, item 3.a, that are not included in columns C through H and J. Also include the portion of any exposure reported in Schedule RC, item 3.a, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| **3.a** (cont.) | • For federal funds sold that that are directly and unconditionally guaranteed by foreign central governments or exposures to foreign banks and must be risk weighted according to the Country Risk Classification (CRC) methodology, assign these exposures to risk-weight categories based on the CRC methodology described in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports. |

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**3.b** **Securities purchased under agreements to resell.** Report in columns A and B the amount of securities purchased under agreements to resell (securities resale agreements, i.e., reverse repos) reported in Schedule RC, item 3.b, excluding those securities resale agreements that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. The amount of those securities resale agreements reported in Schedule RC, item 3.b, that qualify as securitization exposures are to be reported in Schedule RC-R, Part II, item 9.d, column A.

- Note: For purposes of risk weighting, please distribute on-balance sheet securities purchased under agreements to resell reported in Schedule RC, item 3.b, within the risk-weight categories in Schedule RC-R, Part II, item 16, "Repo-style transactions." Banks should report their securities purchased under agreements to resell in item 16 in order for institutions to calculate their exposure, and thus risk-weighted assets, based on master netting set agreements covering repo-style transactions.

**4** **Loans and leases held for sale.** Report in column A of the appropriate subitem the carrying value of loans and leases held for sale (HFS) reported in Schedule RC, item 4.a, excluding those HFS loans and leases that qualify as securitization exposures as defined in §.2 of the regulatory capital rules.

The carrying value of those HFS loans and leases reported in Schedule RC, item 4.a, that qualify as securitization exposures must be reported in Schedule RC-R, Part II, item 9.d, column A.

The sum of the amounts reported in column A for items 4.a through 4.d of Schedule RC-R, Part II, plus the carrying value of HFS loans and leases that qualify as securitization exposures and are reported in column A of item 9.d of Schedule RC-R, Part II, must equal Schedule RC, item 4.a.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**4.a** **Residential mortgage exposures.** Report in column A the carrying value of loans held for sale (HFS) reported in Schedule RC, item 4.a, that meet the definition of a *residential mortgage exposure* or a *statutory multifamily mortgage*[1] in §.2 of the regulatory capital rules. Include in column A the carrying value of:

- HFS loans secured by first or subsequent liens on 1-4 family residential properties (excluding those that qualify as securitization exposures) that are reported in Schedule RC-C, Part I, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b), and
- HFS loans secured by first or subsequent liens on multifamily residential properties with an original and outstanding amount of $1 million or less (excluding those that qualify as securitization exposures) that are reported in Schedule RC-C, Part I, item 1.d,

as these HFS loans would meet the regulatory capital rules' definition of *residential mortgage exposure*.

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[1] Statutory multifamily mortgage means a loan secured by a multifamily residential property that meets the requirements under Section 618(b)(1) of the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991, and that meets the following criteria:

(1) The loan is made in accordance with prudent underwriting standards;
(2) The principal amount of the loan at origination does not exceed 80 percent of the value of the property (or 75 percent of the value of the property if the loan is based on an interest rate that changes over the term of the loan) where the value of the property is the lower of the acquisition cost of the property or the appraised (or, if appropriate, evaluated) value of the property;
(3) All principal and interest payments on the loan must have been made on a timely basis in accordance with the terms of the loan for at least one year prior to applying a 50 percent risk weight to the loan, or in the case where an existing owner is refinancing a loan on the property, all principal and interest payments on the loan being refinanced must have been made on a timely basis in accordance with the terms of the loan for at least one year prior to applying a 50 percent risk weight to the loan;
(4) Amortization of principal and interest on the loan must occur over a period of not more than 30 years and the minimum original maturity for repayment of principal must not be less than 7 years;
(5) Annual net operating income (before making any payment on the loan) generated by the property securing the loan during its most recent fiscal year must not be less than 120 percent of the loan's current annual debt service (or 115 percent of current annual debt service if the loan is based on an interest rate that changes over the term of the loan) or, in the case of a cooperative or other not-for-profit housing project, the property must generate sufficient cash flow to provide comparable protection to the institution; and
(6) The loan is not more than 90 days past due, or on nonaccrual.

A loan that meets the requirements of Section 618(b)(1) of the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 is a loan:

(i) secured by a first lien on a residence consisting of more than 4 dwelling units;
(ii) under which
  (I) the rate of interest does not change over the term of the loan, (b) the principal obligation does not exceed 80 percent of the appraised value of the property, and (c) the ratio of annual net operating income generated by the property (before payment of any debt service on the loan) to annual debt service on the loan is not less than 120 percent; or
  (II) the rate of interest changes over the term of the loan, (b) the principal obligation does not exceed 75 percent of the appraised value of the property, and (c) the ratio of annual net operating income generated by the property (before payment of any debt service on the loan) to annual debt service on the loan is not less than 115 percent;
(iii) under which
  (I) amortization of principal and interest occurs over a period of not more than 30 years;
  (II) the minimum maturity for repayment of principal is not less than 7 years; and
  (III) timely payment of all principal and interest, in accordance with the terms of the loan, occurs for a period of not less than 1 year; and
(iv) that meets any other underwriting characteristics that the appropriate Federal banking agency may establish, consistent with the purposes of the minimum acceptable capital requirements to maintain the safety and soundness of financial institutions.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**4.a** (cont.)

Exclude from this item:

- HFS loans secured by multifamily residential properties included in Schedule RC-C, Part I, item 1.d, that do not meet the definition of a *residential mortgage exposure* or a *statutory multifamily mortgage* and are not securitization exposures, and
- HFS 1-4 family residential construction loans reported in Schedule RC-C, Part I, item 1.a.(1), that are not securitization exposures.

These HFS loans should be reported in Schedule RC-R, Part II, item 4.c, if they are past due 90 days or more or on nonaccrual. Otherwise, these HFS loans should be reported in Schedule RC-R, Part II, item 4.d.

- *In column C–0% risk weight*, include the portion of any exposure that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.a, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include loans collateralized by deposits at the reporting institution.

- *In column G–20% risk weight*, include the carrying value of the guaranteed portion of HFS Federal Housing Administration (FHA) and Veterans Administration (VA) mortgage loans included in Schedule RC-C, Part I, item 1.c.(2)(a). Also include the portion of any exposure that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.a, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of such an exposure covered by an FDIC loss-sharing agreement.

- *In column H–50% risk weight*, include the carrying value of HFS loans secured by 1-4 family residential properties included in Schedule RC-C, Part I, item 1.c.(1) (only include qualifying first mortgage loans); qualifying loans from Schedule RC-C, Part I, items 1.c.(2)(a) and 1.d; and those loans that meet the definition of a *residential mortgage exposure* and qualify for 50 percent risk weight under §.32(g) of the regulatory capital rules. For residential mortgage exposures, the loans must be prudently underwritten, be fully secured by first liens on 1-4 family residential properties (regardless of the original and outstanding amount of the loan) or multifamily residential properties (with an original and outstanding amount of $1 million or less), not 90 days or more past due or in nonaccrual status, and have not been restructured or modified (unless modified or restructured (1) solely pursuant to the U.S. Treasury's Home Affordable Mortgage Program (HAMP)) or (2) consistent with the agencies' April 7, 2020, interagency statement,[1] solely due to short-term modifications of 1-4 family residential mortgages made on a good faith basis in response to the Coronavirus Disease 2019 (COVID-19), provided that the loans are prudently underwritten and not 90 days or more past due or carried in nonaccrual status). Also include loans that meet the definition of *statutory multifamily mortgage* in §.2 of the regulatory capital rules. Also include the portion of any exposure that meets the definition of *residential mortgage exposure* reported in Schedule RC, item 4.a, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

[1] As discussed in the April 7, 2020, Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised), Section 4013 of the Coronavirus Aid, Relief, and Economic Security Act provides financial institutions the option to temporarily suspend certain requirements under U.S. generally accepted accounting principles related to troubled debt restructurings for a limited period of time to account for the effects of COVID-19.

**Part II. (cont.)**

**Item No. Caption and Instructions**

**4.a** (cont.)

*Notes:*

*1. Refer to the definition of "residential mortgage exposure" in* §.2 *of the regulatory capital rules, and refer to the requirements for risk weighting residential mortgage loans in* §.32 *of the regulatory capital rules.*
*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 (1) solely 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 HFS loans that are *residential mortgage exposures* reported in Schedule RC, item 4.a, that are not included in columns C, G, H, or R. Include HFS loans 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. Include HFS loans 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 HFS exposure reported in Schedule RC, item 4.a, 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. For information on the reporting of such HFS exposures in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 4.a, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| 4.b | **High volatility commercial real estate exposures.** Report in column A the carrying value of loans held for sale (HFS) reported in Schedule RC, item 4.a, that are high volatility commercial real estate (HVCRE) exposures,[1] including HVCRE exposures that are 90 days or more past due or in nonaccrual status. |

[1] HVCRE exposure means:

(1) A credit facility secured by land or improved real property that, prior to being reclassified by the institution as a non-HVCRE exposure pursuant to paragraph (6) of this definition—
  (i) Primarily finances, has financed, or refinances the acquisition, development, or construction of real property;
  (ii) Has the purpose of providing financing to acquire, develop, or improve such real property into income-producing real property; and
  (iii) Is dependent upon future income or sales proceeds from, or refinancing of, such real property for the repayment of such credit facility.

(2) An HVCRE exposure does not include a credit facility financing—
  (i) The acquisition, development, or construction of properties that are—
    (A) One- to four-family residential properties. Credit facilities that do not finance the construction of one- to four-family residential structures, but instead solely finance improvements such as the laying of sewers, water pipes, and similar improvements to land, do not qualify for the one- to four-family residential properties exclusion;
    (B) Real property that would qualify as an investment in community development; or
    (C) Agricultural land;
  (ii) The acquisition or refinance of existing income-producing real property secured by a mortgage on such property, if the cash flow being generated by the real property is sufficient to support the debt service and expenses of the real property, in accordance with the institution's applicable loan underwriting criteria for permanent financings;
  (iii) Improvements to existing income-producing improved real property secured by a mortgage on such property, if the cash flow being generated by the real property is sufficient to support the debt service and expenses of the real property, in accordance with the institution's applicable loan underwriting criteria for permanent financings; or
  (iv) Commercial real property projects in which—
    (A) The loan-to-value ratio is less than or equal to the applicable maximum supervisory loan-to-value ratio as determined by an institution's primary federal regulator;
    (B) The borrower has contributed capital of at least 15 percent of the real property's appraised, `as completed' value to the project in the form of—
      (*1*) Cash;
      (*2*) Unencumbered readily marketable assets;
      (*3*) Paid development expenses out-of-pocket; or
      (*4*) Contributed real property or improvements; and
    (C) The borrower contributed the minimum amount of capital described under paragraph (2)(iv)(B) of this definition before the institution advances funds (other than the advance of a nominal sum made in order to secure the institution's lien against the real property) under the credit facility, and such minimum amount of capital contributed by the borrower is contractually required to remain in the project until the HVCRE exposure has been reclassified by the institution as a non-HVCRE exposure under paragraph (6) of this definition;

(3) An HVCRE exposure does not include any loan made prior to January 1, 2015;

(4) An HVCRE exposure does not include a credit facility reclassified as a non-HVCRE exposure under paragraph (6) of this definition.

(5) Value of contributed real property: For the purposes of this HVCRE exposure definition, the value of any real property contributed by a borrower as a capital contribution is the appraised value of the property as determined under standards prescribed pursuant to section 1110 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 3339), in connection with the extension of the credit facility or loan to such borrower.

(6) Reclassification as a non-HVCRE exposure: For purposes of this HVCRE exposure definition and with respect to a credit facility and an institution, an institution may reclassify an HVCRE exposure as a non-HVCRE exposure upon—
  (i) The substantial completion of the development or construction of the real property being financed by the credit facility; and
  (ii) Cash flow being generated by the real property being sufficient to support the debt service and expenses of the real property, in accordance with the institution's applicable loan underwriting criteria for permanent financings.

(7) For purposes of this definition, an institution is not required to reclassify a credit facility that was originated on or after January 1, 2015, and prior to April 1, 2020.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**4.b** (cont.)

- *In column C–0% risk weight,* include the portion of any HVCRE exposure included in loans and leases HFS that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of HVCRE exposures collateralized by deposits at the reporting institution.

- *In column G–20% risk weight,* include the portion of any HVCRE exposure included in loans and leases HFS that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of any HVCRE exposure covered by an FDIC loss-sharing agreement.

- *In column H–50% risk weight,* include the portion of any HVCRE exposure included in loans and leases HFS that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight,* include the portion of any HVCRE exposure included in loans and leases HFS that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- *In column J–150% risk weight,* include the carrying value of HVCRE exposures, as defined in §.2 of the regulatory capital rules, included in Schedule RC, item 4.a, excluding those portions of the carrying value that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any HVCRE exposure included in loans and leases HFS reported in Schedule RC, item 4.a, that 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. For information on the reporting of such HFS exposures in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 4.b, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**4.c** **Exposures past due 90 days or more or on nonaccrual.** Report in column A the carrying value of loans and leases held for sale (HFS) reported in Schedule RC, item 4.a., that are 90 days or more past due or in nonaccrual status according to the requirements set forth in §.32(k) of the regulatory capital rules. Do not include HFS sovereign exposures or HFS residential mortgage exposures, as described in §.32(a) and §.32(g), respectively, that are 90 days or more past due or in nonaccrual status (report such past due and nonaccrual exposures in Schedule RC-R, Part II, item 4.d and item 4.a, respectively). Also do not include HFS high volatility commercial real estate exposures that are 90 days or more past due or in nonaccrual status (report such exposures in Schedule RC-R, Part II, item 4.b).

- *In column C–0% risk weight,* include the portion of loans and leases HFS included in Schedule RC, item 4.a, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include U.S. Small Business Administration Paycheck Protection Program loans and the portion of loans and leases HFS collateralized by deposits at the reporting institution.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**4.c** (cont.)

- *In column G–20% risk weight,* include the portion of loans and leases HFS included in Schedule RC, item 4.a, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of HFS loans covered by an FDIC loss-sharing agreement.

- *In column H–50% risk weight,* include the portion of loans and leases HFS included in Schedule RC, item 4.a, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight,,* include the portion of loans and leases HFS included in Schedule RC, item 4.a, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- *In column J–150% risk weight,* include the carrying value of loans and leases HFS included in Schedule RC, item 4.a, that are 90 days or more past due or in nonaccrual status (except as noted above), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

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**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**4.c** (cont.)

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any loans and leases HFS included in Schedule RC, item 4.a, that are 90 days or more past due or in nonaccrual status (except as noted above), that 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. For information on the reporting of such HFS exposures in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 4.c, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**4.d** **All other exposures.** Report in column A the carrying value of loans and leases held for sale (HFS) reported in Schedule RC, item 4.a, that are not reported in Schedule RC-R, Part II, items 4.a through 4.c above.

- *In column C–0% risk weight,* include the carrying value of the unconditionally guaranteed portion of HFS Small Business Administration (SBA) "Guaranteed Interest Certificates" purchased in the secondary market that are included in Schedule RC-C, Part I. Also include the portion of any loans and leases HFS that that are not reported in Schedule RC-R, Part II, items 4.a through 4.c above, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include U.S. Small Business Administration Paycheck Protection Program loans and the portion of loans and leases HFS collateralized by deposits at the reporting institution.

- *In column G–20% risk weight*, include the carrying value of HFS loans to and acceptances of other U.S. depository institutions that are reported in Schedule RC-C, Part I, item 2, plus the carrying value of the guaranteed portion of HFS SBA loans originated and held by the reporting bank included in Schedule RC-C, Part I, and the carrying value of the portion of HFS student loans reinsured by the U.S. Department of Education included in Schedule RC-C, Part I, item 6.d, "Other consumer loans." Also include the portion of any loans and leases HFS that that are not reported in Schedule RC-R, Part II, items 4.a through 4.c above, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of loans and leases HFS covered by FDIC loss-sharing agreements.

- *In column H–50% risk weight,* include the carrying value of HFS loans that meet the definition of *presold construction loan* in §.2 of the regulatory capital rules that qualify for the 50 percent risk weight. Also include the portion of any loans and leases HFS that that are not reported in Schedule RC-R, Part II, items 4.a through 4.c above, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight*, include the carrying value of HFS loans and leases reported in Schedule RC, item 4.a, that are not included in columns C through H, J, or R. This item would include 1-4 family construction loans reported in Schedule RC-C, Part I, item 1.a.(1) and loans secured by multifamily residential properties reported in Schedule RC-C, Part I, item 1.d, with an original amount of more than $1 million. Also include the carrying value of HFS loans that meet the definition of *presold construction loan* in §.2 of the regulatory capital rules that qualify for the 100 percent risk weight. Also include the portion of any loans and leases HFS that that are not reported in Schedule RC-R, Part II, items 4.a through 4.c above, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**4.d** (cont.)

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any HFS loans and leases, including HFS eligible margin loans, reported in Schedule RC, item 4.a, that 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, or the collateral margin approach for eligible margin loans, 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. For information on the reporting of such HFS exposures in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 4.d, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

- For all other HFS loans and leases that must be risk weighted according to the Country Risk Classification (CRC) methodology, assign these exposures to risk-weight categories based on the CRC methodology described in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**5** **Loans and leases held for investment.** Report in column A of the appropriate subitem the carrying value of loans and leases held for investment (HFI) reported in Schedule RC, item 4.b, excluding those loans and leases HFI that qualify as securitization exposures as defined in §.2 of the regulatory capital rules.

The carrying value of those loans and leases HFI that qualify as securitization exposures must be reported in Schedule RC-R, Part II, item 9.d, column A.

The sum of the amounts reported in column A for items 5.a through 5.d of Schedule RC-R, Part II, plus the carrying value of loans and leases HFI that qualify as securitization exposures and are reported in column A of item 9.d of Schedule RC-R, Part II, must equal Schedule RC, item 4.b.

**5.a** **Residential mortgage exposures.** Report in column A the carrying value of loans HFI reported in Schedule RC, item 4.b, that meet the definition of a *residential mortgage exposure* or a *statutory multifamily mortgage*[1] in §.2 of the regulatory capital rules. Include in column A the carrying value of:

- Loans HFI secured by first or subsequent liens on 1-4 family residential properties (excluding those that qualify as securitization exposures) that are reported in Schedule RC-C, Part I, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b), and
- Loans HFI secured by first or subsequent liens on multifamily residential properties with an original and outstanding amount of $1 million or less (excluding those that qualify as securitization exposures) that are reported in Schedule RC-C, Part I, item 1.d,

as these loans would meet the regulatory capital rules' definition of *residential mortgage exposure*.

Exclude from this item:

- Loans HFI secured by multifamily residential properties included in Schedule RC-C, Part I, item 1.d, that do not meet the definition of a *residential mortgage exposure* or a *statutory multifamily mortgage* and are not securitization exposures, and
- 1-4 family residential construction loans HFI reported in Schedule RC-C, Part I, item 1.a.(1), that are not securitization exposures.

[1] See the instructions for Schedule RC-R, Part II, item 4.a, above for the definition of statutory multifamily mortgage.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**5.a** (cont.) These loans should be reported in Schedule RC-R, Part II, item 5.c, if they are past due 90 days or more or on nonaccrual. Otherwise, these HFI loans should be reported in Schedule RC-R, Part II, item 5.d.

- *In column B*, include as a positive number the portion of Schedule RC-R, Part II, Memorandum item 4.a, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for loans and leases held for investment that are applicable to purchased credit-deteriorated residential mortgage exposures.

- *In column C–0% risk weight*, include the portion of any HFI exposure that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.b, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include loans and leases HFI collateralized by deposits at the reporting institution.

- *In column G–20% risk weight*, include the carrying value of the guaranteed portion of FHA and VA mortgage loans HFI included in Schedule RC-C, Part I, item 1.c.(2)(a). Also include the portion of any loan HFI which meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.b, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of loans HFI covered by an FDIC loss-sharing agreement.

- *In column H–50% risk weight*, include the carrying value of loans HFI secured by 1-4 family residential properties included in Schedule RC-C, Part I, item 1.c.(1) (only include qualifying first mortgage loans); qualifying loans from Schedule RC-C, Part I, items 1.c.(2)(a) and 1.d; and those loans that meet the definition of a *residential mortgage exposure* and qualify for 50 percent risk weight under §.32(g) of the regulatory capital rules. For residential mortgage exposures, the loans must be prudently underwritten, be fully secured by first liens on 1-4 family residential properties (regardless of the original and outstanding amount of the loan) or multifamily residential properties (with an original and outstanding amount of $1 million or less), not 90 days or more past due or in nonaccrual status, and have not been restructured or modified (unless modified or restructured (1) solely pursuant to the U.S. Treasury's Home Affordable Mortgage Program (HAMP)) or (2) consistent with the agencies' April 7, 2020, interagency statement,[1] solely due to short-term modifications of 1-4 family residential mortgages made on a good faith basis in response to the Coronavirus Disease 2019 (COVID-19), provided that the loans are prudently underwritten and not 90 days or more past due or carried in nonaccrual status). Also include loans HFI that meet the definition of *statutory multifamily mortgage* in §.2 of the regulatory capital rules. Also include the portion of any loan HFI which meets the definition of *residential mortgage exposure* reported in Schedule RC, item 4.b, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

[1] As discussed in the April 7, 2020, Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised), Section 4013 of the Coronavirus Aid, Relief, and Economic Security Act provides financial institutions the option to temporarily suspend certain requirements under U.S. generally accepted accounting principles related to troubled debt restructurings for a limited period of time to account for the effects of COVID-19.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**5.a** (cont.)

*Notes:*

*1. Refer to the definition of "residential mortgage exposure" in* §.2 *of the regulatory capital rules, and refer to the requirements for risk weighting residential mortgage loans in* §.32 *of the regulatory capital rules.*
*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 (1) solely 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. For information on the reporting of such HFI exposures in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 5.a, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**5.b** **High volatility commercial real estate exposures.** Report in column A the portion of the carrying value of loans HFI reported in Schedule RC, item 4.b, that are high volatility commercial real estate (HVCRE) exposures,[1] including HVCRE exposures that are 90 days or more past due or in nonaccrual status.

- *In column B*, include as a positive number the portion of Schedule RC-R, Part II, Memorandum item 4.a, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for loans and leases held for investment that are applicable to purchased credit-deteriorated high volatility commercial real estate exposures.

- *In column C–0% risk weight,* include the portion of any HVCRE exposure included in loans and leases HFI, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of HVCRE loans HFI collateralized by deposits at the reporting institution.

[1] See the instructions for Schedule RC-R, Part II, item 4.b, above for the definition of HVCRE exposure.

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**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**5.b** (cont.)

- *In column G–20% risk weight,* include the portion of any HVCRE exposure included in loans and leases HFI which is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of any HVCRE exposure covered by an FDIC loss-sharing agreement.

- *In column H–50% risk weight,* include the portion of any HVCRE exposure included in loans and leases HFI which is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight,* include the portion of any HVCRE exposure included in loans and leases HFI which is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- *In column J–150% risk weight,* include the carrying value of HVCRE exposures, as defined in §.2 of the regulatory capital rules, included in Schedule RC, item 4.b, excluding those portions of the carrying value that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any HVCRE exposure included in loans and leases HFI reported in Schedule RC, item 4.b, that 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. For information on the reporting of such HFI exposures in columns R and S, refer to the instructions for Schedule RC-R, Part, II item 5.b, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**5.c** **Exposures past due 90 days or more or on nonaccrual.** Report in column A the carrying value of loans and leases HFI reported in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status according to the requirements set forth in §.32(k) of the regulatory capital rules. Do not include sovereign exposures or residential mortgage exposures, as described in §.32(a) and §.32(g), respectively, that are 90 days or more past due or in nonaccrual status (report such past due and nonaccrual exposures in Schedule RC-R, Part II, items 5.d and 5.a, respectively). Also do not include high volatility commercial real estate exposures that are 90 days or more past due or in nonaccrual status (report such exposures in Schedule RC-R, Part II, item 5.b).

- *In column B*, include as a positive number the portion of Schedule RC-R, Part II, Memorandum item 4.a, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for loans and leases held for investment that are applicable to purchased credit-deteriorated exposures past due 90 days or more or on nonaccrual.

- *In column C–0% risk weight,* include the portion of loans and leases HFI included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include U.S. Small Business Administration Paycheck Protection Program loans and the portion of loans and leases HFI collateralized by deposits at the reporting institution.

**Part II. (cont.)**

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

**5.c** (cont.)

- *In column G–20% risk weight,* include the portion of loans and leases HFI included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of loans and leases HFI covered by an FDIC loss-sharing agreement.

- *In column H–50% risk weight,* include the portion of loans and leases HFI included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight,* include the portion of loans and leases HFI, included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- *In column J–150% risk weight,* include the carrying value of loans and leases HFI included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any loans and leases HFI included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), that 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. For information on the reporting of such HFI exposures in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 5.c, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**5.d** **All other exposures.** Report in column A the carrying value of loans and leases HFI reported in Schedule RC, item 4.b, that are not reported in items 5.a through 5.c above.

- *In column B*, include as a positive number the portion of Schedule RC-R, Part II, Memorandum item 4.a, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for loans and leases held for investment that are applicable to all purchased credit-deteriorated exposures not reported in items 5.a through 5.c above.

- *In column C–0% risk weight,* include the carrying value of the unconditionally guaranteed portion of HFI SBA "Guaranteed Interest Certificates" purchased in the secondary market that are included in Schedule RC-C, Part I. Also include the portion of any loans and leases HFI not reported in Schedule RC-R, Part II, items 5.a through 5.c above, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include U.S. Small Business Administration Paycheck Protection Program loans and the portion of loans and leases HFI collateralized by deposits at the reporting institution.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
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**5.d** (cont.)

- *In column G–20% risk weight*, include the carrying value of HFI loans to and acceptances of other U.S. depository institutions that are reported in Schedule RC-C, Part I, item 2 (excluding the carrying value of any long-term exposures to non-OECD banks), plus the carrying value of the HFI guaranteed portion of SBA loans originated and held by the reporting bank included in Schedule RC-C, Part I, and the carrying value of the portion of HFI student loans reinsured by the U.S. Department of Education included in Schedule RC-C, Part I, item 6.d, "Other consumer loans." Also include the portion of any loans and leases HFI not reported in Schedule RC-R, Part II, items 5.a through 5.c above, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of loans and leases HFI covered by FDIC loss-sharing agreements.

- *In column H–50% risk weight*, include the carrying value of loans and leases HFI that meet the definition of *presold construction loan* in §.2 of the regulatory capital rules that qualify for the 50 percent risk weight. Also include the portion of any loans and leases HFI not reported in Schedule RC-R, Part II, items 5.a through 5.c above, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight,* include the carrying value of loans and leases HFI reported in Schedule RC, item 4.b, that is not included in columns C through H, J, or R (excluding loans that are assigned a higher than 100 percent risk weight, such as HVCRE loans and past due loans). This item would include 1-4 family construction loans and leases HFI reported in Schedule RC-C, Part I, item 1.a.(1) and the portion of loans HFI secured by multifamily residential property reported in Schedule RC-C, Part I, item 1.d, with an original amount of more than $1 million. Also include the carrying value of loans HFI that meet the definition of *presold construction loan* in §.2 of the regulatory capital rules that qualify for the 100 percent risk weight. Also include the portion of any loans and leases HFI not reported in Schedule RC-R, Part II, items 5.a through 5.c above, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any loans and leases HFI, including eligible margin loans, reported in Schedule RC, item 4.b, that 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, or the collateral margin approach for eligible margin loans, 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. For information on the reporting of such HFI exposures in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 5.d, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

- For all other loans and leases HFI that must be risk weighted according to the Country Risk Classification (CRC) methodology, assign these exposures to risk-weight categories based on the CRC methodology described in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**6** **LESS: Allowance for credit losses on loans and leases.** Report in columns A and B the balance of the allowance for credit losses on loans and leases reported in Schedule RC, item 4.c.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**7** **Trading assets.** Report in column A the fair value of trading assets reported in Schedule RC, item 5, excluding those trading assets that are securitization exposures, as defined in §.2 of the regulatory capital rules.

The fair value of those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures must be reported in Schedule RC-R, Part II, item 9.c, column A. The sum of Schedule RC-R, Part II, items 7 and 9.c, column A, must equal Schedule RC, item 5.

If the bank is subject to the market risk capital rule, include in column B the fair value of all trading assets that are covered positions as defined in Schedule RC-R, Part II, item 27 (except those trading assets that are both securitization exposures and covered positions, which are excluded from column A of this item 7 and are to be reported instead in Schedule RC-R, Part II, item 9.c, column A). The bank will report its standardized market risk-weighted assets in Schedule RC-R, Part II, item 27. For further information on the market risk capital rule and the meaning of the term "covered position," refer to the discussion of "Banks That Are Subject to the Market Risk Capital Rule" in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

For banks not subject to the market risk capital rule and for those trading assets reported in column A that are held by banks subject to the market risk capital rule and do not meet the definition of a covered position:

- *In column B*, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of derivative contracts that are assets (excluding those derivative contracts reported in Schedule RC, item 5, that qualify as securitization exposures, which are excluded from column A of this item 7). For purposes of risk weighting, include the credit equivalent amounts of these derivatives, determined in accordance with the regulatory capital rules, in the risk-weight categories in Schedule RC-R, Part II, items 20 and 21, as appropriate. Do not risk weight these derivatives in this item.

  *In column B*, include the amount of investments in the capital of unconsolidated financial institutions that are reported in Schedule RC, item 5, and have been deducted from capital in Schedule RC-R, Part I, item 13, item 17, item 24, and item 45.

  Also include in column B the fair value of any unsettled transactions (failed trades) that are reported as trading assets in Schedule RC, item 5. For purposes of risk weighting, unsettled transactions are to be reported in Schedule RC-R, Part II, item 22.

- *In column C–0% risk weight*,
  - include the portion of the amount reported in Schedule RC, item 5, that qualifies for the zero percent risk weight and are not securitization exposures, which may include the fair value of U.S. Treasury securities, securities issued by U.S. Government agencies, and mortgage-backed securities (MBS) guaranteed by GNMA.
  - Include the fair value of assets purchased through the Money Market Mutual Fund Liquidity Facility that are held for trading.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**7** (cont.)

- Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include U.S. Small Business Administration Paycheck Protection Program loans held for trading and the portion of trading assets collateralized by deposits at the reporting institution.

- *In column G–20% risk weight*,
  - include the portion of the amount reported in Schedule RC, item 5, that qualifies for the 20 percent risk weight and are not securitization exposures, which may include the fair value of securities issued by U.S. Government-sponsored agencies; general obligations issued by states and political subdivisions in the United States; MBS issued by FNMA and FHLMC; and asset-backed securities, structured financial products, other debt securities, loans and acceptances, and certificates of deposit that represent exposures to U.S. depository institutions.
  - Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of trading assets covered by FDIC loss-sharing agreements.

- *In column H–50% risk weight*,
  - include the portion of the amount reported in Schedule RC, item 5, that qualifies for the 50 percent risk weight and are not securitization exposures, which may include the fair value of revenue obligations issued by states and political subdivisions in the United States and MBS.
  - Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight*, include the portion of the amount reported in Schedule RC, item 5, that qualifies for the 100 percent risk weight and are not securitization exposures, which may include the fair value of MBS and other debt securities that represent exposures to corporate entities and special purpose vehicles (SPVs).
  - Also include the fair value of publicly traded and not publicly traded equity exposures and equity exposures to investment funds (including mutual funds) reported in Schedule RC, item 5, to the extent that the aggregate carrying value of the bank's equity exposures does not exceed 10 percent of total capital. If the bank's aggregate carrying value of equity exposures is greater than 10 percent of total capital, the bank must report its trading equity exposures in columns L, M, or N, as appropriate.
  - Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.
  - Also include the fair value of trading assets reported in Schedule RC, item 5, that is not included in columns C through H, J through N, and R. Exclude those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures and report them in Schedule RC-R, Part II, item 9.c.

- *In column J–150% risk weight*, include:
  - The exposure amounts of trading assets reported in Schedule RC, item 5, that are past due 90 days or more or in nonaccrual status (except sovereign exposures), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**7** (cont.)

- The fair value of high volatility commercial real estate exposures, as defined in §.2 of the regulatory capital rules, included in Schedule RC, item 5, excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

- *In column L–300% risk weight*, include the portion of the amount reported in Schedule RC, item 5, that does not qualify as securitization exposures that represents the fair value of publicly traded equity securities with readily determinable fair values.

- *In column M–400% risk weight*, include the portion of the amount reported in Schedule RC, item 5, that does not qualify as securitization exposures that represents the fair value of equity securities (other than those issued by investment firms) that do not have readily determinable fair values.

- *In column N–600% risk weight*, include the portion of the amount reported in Schedule RC, item 5, that does not qualify as securitization exposures that represents the fair value of equity exposures to investment firms.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include:
  - The portion of any trading assets reported in Schedule RC, item 5, that 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.
  - Equity exposures to investment funds (including mutual funds) reported as trading assets in Schedule RC, item 5, if the aggregate carrying value of the bank's equity exposures is greater than 10 percent of total capital. These exposures are subject to a minimum risk weight of 20 percent.
  - For information on the reporting of such trading assets in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 7, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

- For trading assets that must be risk-weighted according to the Country Risk Classification (CRC) methodology, assign these assets to risk-weight categories based on the CRC methodology described in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**8** **All other assets.** Report in column A the sum of the amounts reported in Schedule RC, item 6, "Premises and fixed assets"; item 7, "Other real estate owned"; item 8, "Investments in unconsolidated subsidiaries and associated companies"; item 9, "Direct and indirect investments in real estate ventures"; item 10, "Intangible assets"; and item 11, "Other assets," excluding those assets reported in Schedule RC, items 6 through 11, that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. The amount of those assets reported in Schedule RC, items 6 through 11, that qualify as securitization exposures (as well as the amount reported in Schedule RC, item 11, for accrued interest receivable on on-balance sheet securitization exposures, regardless of where the securitization exposures are reported on the balance sheet in Schedule RC) must be reported in Schedule RC-R, Part II, item 9.d, column A.

The sum of item 8, columns B through R (including items 8.a and 8.b, column R), must equal item 8, column A. Amounts reported in Schedule RC-R, Part II, items 8.a and 8.b, column R, should not also be reported in Schedule RC-R, Part II, item 8, column R.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**8** (cont.) Treatment of Defined Benefit Postretirement Plan Assets – Applicable Only to Banks That Have Made the Accumulated Other Comprehensive Income (AOCI) Opt-Out Election in Schedule RC-R, Part I, item 3.a

If the reporting institution sponsors a single-employer defined benefit postretirement plan, such as a pension plan or health care plan, accounted for in accordance with ASC Topic 715, Compensation-Retirement Benefits (formerly FASB Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans"), the institution should adjust the asset amount reported in column A of this item for any amounts included in Schedule RC, item 26.b, "Accumulated other comprehensive income," affecting assets as a result of the initial and subsequent application of the funded status and measurement date provisions of ASC Topic 715. The adjustment also should take into account subsequent amortization of these amounts from AOCI into earnings. The intent of the adjustment reported in this item (together with the amount reported in Schedule RC-R, Part I, item 9.d) is to reverse the effects on AOCI of applying ASC Topic 715 for regulatory capital purposes. Specifically, assets recognized or derecognized as an adjustment to AOCI as part of the incremental effect of applying ASC Topic 715 should be reported as an adjustment to assets in column B of this item. For example, the derecognition of an asset recorded as an offset to AOCI as part of the initial incremental effect of applying ASC Topic 715 should be reported in this item as a negative amount in column B and as a positive amount in column I. As another example, the portion of a benefit plan surplus asset that is included in Schedule RC, item 26.b, as an increase to AOCI and in column A of this item should be excluded from risk-weighted assets by reporting the amount as a positive number in column B of this item.

- *In column B*, include the amount of:
  - Any goodwill reported in Schedule RC-M, item 2.b, without regard to any associated DTLs;
  - Intangible assets (other than goodwill and mortgage servicing assets (MSAs)) reported as a deduction from common equity tier 1 capital in Schedule RC-R, Part I, item 7, without regard to any associated DTLs;
  - Deferred tax assets (DTAs) that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs reported in Schedule RC-R, Part I, item 8;
  - The fair value of over-the-counter derivative contracts (as defined in §.2 of the regulatory capital rules) and derivative contracts that are cleared transactions (as described in §.2 of the regulatory capital rules) that are reported as assets in Schedule RC, item 11 (banks should risk weight the credit equivalent amount of these derivative contracts in Schedule RC-R, Part II, item 20 or 21, as appropriate);
    - Note: The fair value of derivative contracts reported as assets in Schedule RC, item 11, that are neither over-the-counter derivative contracts nor derivative contracts that are cleared transactions under §.2 of the regulatory capital rules should not be reported in column B. Such derivative contracts include written option contracts, including so-called "derivative loan commitments," i.e., a lender's commitment to originate a mortgage loan that will be held for resale. The fair value of such derivative contracts should be reported in the appropriate risk-weight category in this item 8.
  - Investments in the capital of unconsolidated financial institutions that are reported in Schedule RC, item 8 or item 11, and have been deducted from capital in Schedule RC-R, Part I, item 13, item 24, and item 45.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**8** (cont.)

- Items subject to the 25 percent common equity tier 1 capital threshold limitations that have been deducted for risk-based capital purposes in Schedule RC-R, Part I, items 13 through 15. These excess amounts pertain to three items:
  - Investments in the capital of unconsolidated financial institutions;
  - MSAs; and
  - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances; and
- Unsettled transactions (failed trades) that are reported as "Other assets" in Schedule RC, item 11. For purposes of risk weighting, unsettled transactions are to be reported in Schedule RC-R, Part II, item 22.

Report as a negative number in column B:

- The portion of Schedule RI-B, Part II, Memorandum item 6, "Allowance for credit losses on other financial assets measured at amortized cost," that relates to assets reported in column A of this item, less
- The portion of Schedule RC-R, Part II, Memorandum item 4.c, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for other financial assets measured at amortized cost that relates to assets reported in column A of this item.

For example, if an institution reports $100 in Schedule RI-B, Part II, Memorandum item 6 (and the entire amount relates to assets reported in this item 8, column A), and $10 in Schedule RC-R, Part II, Memorandum item 4.c (and the entire amount relates to assets reported in this item 8, column A), the institution would report ($90) in this column B.

An institution has elected to apply the 3-year CECL transition provision (3-year CECL electing institution) should report as a positive number in column B the amount by which it has decreased its DTAs arising from temporary differences for its applicable DTA transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 3-year CECL electing institution reduces its temporary difference DTAs 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.

An institution that has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing institution) should report as a positive number in column B the amount by which it has decreased its DTAs arising from temporary differences for its applicable DTA transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing institution reduces its temporary difference DTAs 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.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| **8** (cont.) | Report as a negative number in column B the amount of default fund contributions in the form of commitments made by a clearing member to a central counterparty's mutualized loss-sharing arrangement. |

- *In column C–0% risk weight*, include:
  - The carrying value of Federal Reserve Bank stock included in Schedule RC-F, item 4;
  - Accrued interest receivable on assets included in the zero percent risk weight category (column C of Schedule RC-R, Part II, items 1 through 7);
  - The carrying value of gold bullion not held for trading that is held in the bank's own vault or in another bank's vault on an allocated basis, and exposures that arise from the settlement of cash transactions (such as equities, fixed income, spot foreign exchange, and spot commodities) with a central counterparty where there is no assumption of ongoing credit risk by the central counterparty after settlement of the trade and associated default fund contributions;
  - The carrying value of assets purchased through the Money Market Mutual Fund Liquidity Facility that are reported in Schedule RC, item 11; and
  - The portion of assets reported in Schedule RC, items 6 through 11, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of these assets collateralized by deposits in the reporting institution.

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**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**8** (cont.)

- *In column G–20% risk weight*, include:
  - The carrying value of Federal Home Loan Bank stock included in Schedule RC-F, item 4;
  - Accrued interest receivable on assets included in the 20 percent risk weight category (column G of Schedule RC-R, Part II, items 1 through 7);
  - The portion of customers' acceptance liability reported in Schedule RC, item 11, that has been participated to other depository institutions; and
  - The portion of assets reported in Schedule RC, items 6 through 11, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of these assets covered by FDIC loss-sharing agreements.

- *In column H–50% risk weight*, include accrued interest receivable on assets included in the 50 percent risk weight category (column H of Schedule RC-R, Part II, items 1 through 7). Also include the portion of assets reported in Schedule RC, items 6 through 11, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight*, include:
  - Accrued interest receivable on assets included in the 100 percent risk weight category (column I of Schedule RC-R, Part II, items 1 through 7);
  - Publicly traded and not publicly traded equity exposures, equity exposures without readily determinable fair values, and equity exposures to investment funds, to the extent that the aggregate carrying value of the bank's equity exposures does not exceed 10 percent of total capital. If the bank's aggregate carrying value of equity exposures is greater than 10 percent of total capital, the bank must report its equity exposures reported in Schedule RC, items 6 through 11, in either columns L, M, or N, as appropriate;
  - The portion of assets reported in Schedule RC, items 6 through 11, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight; and
  - The amount of all other assets reported in column A that is not included in columns C through H, J through N, or R;

- *In column J–150% risk weight*, include accrued interest receivable on assets included in the 150 percent risk weight category (column J of Schedule RC-R, Part II, items 1 through 7). Also include the portion of assets reported in Schedule RC, items 6 through 11, that is secured by collateral or has a guarantee that qualifies for the 150 percent risk weight.

- *In column K–250% risk weight*, include the amounts of
  - MSAs, and
  - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances,

  that do not exceed the common equity tier 1 capital deduction thresholds and are included in capital, as described in §.22 of the regulatory capital rules.

- *In column L–300% risk weight*, include the fair value of publicly traded equity securities with readily determinable fair values that are reported in Schedule RC, items 8 and 9.

- *In column M–400% risk weight*, include the historical cost of equity securities (other than those issued by investment firms) that do not have readily determinable fair values that are reported in Schedule RC-F, item 4.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**8** (cont.)

- *In column N–600% risk weight,* include the historical cost of equity securities issued by investment firms that do not have readily determinable fair values that are reported in Schedule RC-F, item 4.

- *In columns R and S of item 8–Application of Other Risk-Weighting Approaches*, include:
  - The portion of any asset reported in Schedule RC, items 6 through 11 (except separate account bank-owned life insurance and default fund contributions to central counterparties, which are to be reported in columns R and S of items 8.a and 8.b, respectively), that 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.
  - Equity exposures to investment funds (including mutual funds) reported in Schedule RC, item 8 or 11 (except separate account bank-owned life insurance and default fund contributions to central counterparties, which are to be reported in columns R and S of items 8.a and 8.b, respectively), if the aggregate carrying value of the bank's equity exposures is greater than 10 percent of total capital. These exposures are subject to a minimum risk weight of 20 percent.
  - For information on the reporting of such assets in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 8, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

- *In columns R and S of item 8.a—Separate Account Bank-Owned Life Insurance*, include the bank's investments in separate account life insurance products, including hybrid separate account life insurance products. Exclude from columns R and S any investment in bank-owned life insurance that is solely a general account insurance product (report such general account insurance products in *column I—100 percent risk weight*). Report in column R the carrying value of the bank's investments in separate account life insurance products, including hybrid separate account products. Report in column S the risk-weighted asset amount of these insurance products. When a bank has a separate account policy, the portion of the carrying value that represents general account claims on the insurer, including items such as deferred acquisition costs (DAC) and mortality reserves realizable as of the balance sheet date, and any portion of the carrying value attributable to a Stable Value Protection (SVP) contract should be risk weighted at the 100 percent risk weight as claims on the insurer or the SVP provider. The remaining portion of the investment in separate account life insurance products is an equity exposure to an investment fund that should be measured under the full look-through approach, the simple modified look-through approach, or the alternative modified look-through approach, all three of which require a minimum risk weight of 20 percent. For further information, refer to the discussion of "Treatment of Equity Exposures" in the General Instructions for Schedule RC-R, Part II.

- *In columns R and S of item 8.b—Default Fund Contributions to Central Counterparties*

  Note: Item 8.b only applies to banks that are clearing members, and therefore will not be applicable to the vast majority of banks. Banks must report the aggregate on-balance sheet amount of default fund contributions to central counterparties (CCPs) in column A. Banks must report the aggregate off-balance sheet amount, if any, of default fund contributions to CCPs as a negative amount in column B of item 8. For information on

**Part II. (cont.)**

**Item No. Caption and Instructions**

**8** (cont.) the reporting of default fund contributions to central counterparties in columns R and S, refer to the instructions for Schedule RC-R, Part II, item 8, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

- For the portions of those exposures described above in the instructions for Schedule RC-R, Part II, item 8, that are exposures to sovereigns or foreign banks reported in Schedule RC, items 6 through 11, that must be risk-weighted according to the Country Risk Classification (CRC) methodology, assign these exposures to risk-weight categories based on the CRC methodology described in the General Instructions for Schedule RC-R, Part II, and the instructions for Schedule RC-R, Part, II, item 8, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**Securitization Exposures: On- and Off-Balance Sheet**

NOTE: Schedule RC-R, Part II, items 9.a through 10, columns A, B, Q, T, and U, are to be completed semiannually in the June and December reports only.

**9** **On-balance sheet securitization exposures.** When determining the amount of risk-weighted assets for securitization exposures, banks that are not subject to the market risk capital rule may elect to use either the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach, as described above and in §.41 to §.45 of the regulatory capital rules. However, such banks must use the SSFA or Gross-Up Approach consistently across all securitization exposures (items 9.a through 10), but banks may risk weight any individual securitization exposure at 1,250 percent in lieu of applying the SSFA or Gross-Up Approach to that individual exposure.

Banks subject to the market risk capital rule must use the SSFA when determining the amount of risk-weighted assets for securitization exposures.

For further information, refer to the discussion of "Risk-Weighted Assets for Securitization Exposures" in the General Instructions for Schedule RC-R, Part II.

**9.a** **Held-to-maturity securities.** Report in column A the amount of held-to-maturity (HTM) securities reported in Schedule RC, item 2.a, that qualify as *securitization exposures* as defined in §.2 of the regulatory capital rules. Refer to the instructions for Schedule RC-R, Part II, item 2.a, for a summary of the reporting locations of HTM securitization exposures.

Exposure amount to be used for purposes of risk weighting – bank has not made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule RC-R, Part I, item 3.a:
For a security classified as HTM where the bank has not made the AOCI opt-out election (i.e., most AOCI is included in regulatory capital), the exposure amount to be risk weighted by the bank is the carrying value of the security, which is the value of the asset reported on the balance sheet of the bank determined in accordance with GAAP and in column A.

Exposure amount to be used for purposes of risk weighting – bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a:
For a security classified as HTM where the bank has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount to be risk weighted by the bank is the carrying value of the security reported on the balance sheet of the bank and in column A, less any unrealized gain on the exposure or plus any unrealized loss on the exposure included in AOCI.

If an HTM securitization exposure will be risk weighted using either the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach, include as part of the exposure amount to be risk weighted in this item any accrued interest receivable on the HTM security

**Part II. (cont.)**

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**9.a (cont.)** that is reported in Schedule RC, item 11, "Other assets," and included in Schedule RC-R, Part II, item 9.d, columns A and B. Do not report this accrued interest receivable in column A or B of this item.

- *In column B:*
  - If an HTM securitization exposure will be risk weighted using the 1,250 percent risk weight approach, report any difference between the carrying value of the HTM securitization exposure reported in column A of this item and the exposure amount of the HTM securitization exposure that is to be risk weighted.
  - If an HTM securitization exposure will be risk weighted using either the SSFA or the Gross-Up Approach, report the carrying value of the HTM securitization exposure reported in column A of this item.
  - Include as a negative number:
    - The portion of Schedule RI-B, Part II, item 7, column B, "Balance end of current period" for HTM debt securities that relates to HTM securitization exposures, less
    - The portion of Schedule RC-R, Part II, Memorandum item 4.b, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for HTM debt securities that relates to purchased credit-deteriorated HTM securitization exposures.

    For example, if an institution reports $100 in Schedule RI-B, Part II, item 7, column B, that relates to HTM securitization exposures and $10 in Schedule RC-R, Part II, Memorandum item 4.b that relates to purchased credit-deteriorated HTM securitization exposures, the institution would report ($90) in this column B.

- *In column Q*, report the exposure amount of those HTM securitization exposures that are assigned a 1,250 percent risk weight (i.e., those HTM securitization exposures for which the risk-weighted asset amount is not calculated using the SSFA or the Gross-Up Approach).

- *In column T,* report the risk-weighted asset amount (not the exposure amount) of those HTM securitization exposures for which the risk-weighted asset amount is calculated using the SSFA, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

- *In column U*, report the risk-weighted asset amount (not the exposure amount) of HTM securitization exposures for which the risk-weighted asset amount is calculated using the Gross-Up Approach, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

**9.b** **Available-for-sale securities.** Report in column A the fair value of those available-for-sale (AFS) securities reported in Schedule RC, item 2.b, that qualify as *securitization exposures* as defined in §.2 of the regulatory capital rules. Refer to the instructions for Schedule RC-R, Part II, item 2.b, for a summary of the reporting locations of AFS securitization exposures.

Exposure amount to be used for purposes of risk weighting – bank that has not made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule RC-R, Part I, item 3.a:
For an AFS debt security that is a securitization exposure where the bank has not made the AOCI opt-out election (i.e., most AOCI is included in regulatory capital), the exposure amount of the AFS securitization exposure to be risk weighted by the bank is the carrying value of the debt security, which is the value of the asset reported on the balance sheet of the bank (Schedule RC, item 2.b) determined in accordance with GAAP (i.e., the fair value of the AFS debt security) and in column A of this item.

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**9.b** (cont.) Exposure amount to be used for purposes of risk weighting – bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a:

For an AFS debt security that is a securitization exposure where the bank has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount of the AFS securitization exposure to be risk weighted by the bank is the carrying value of the debt security, less any unrealized gain on the exposure or plus any unrealized loss on the exposure included in AOCI.

If an AFS securitization exposure will be risk weighted using either the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach, include as part of the exposure amount to be risk weighted in this item any accrued interest receivable on the AFS debt security that is reported in Schedule RC, item 11, "Other assets," and included in Schedule RC-R, Part II, item 9.d, columns A and B. Do not report this accrued interest receivable in column A or B of this item.

- *In column B:*
  - If an AFS securitization exposure will be risk weighted using the 1,250 percent risk weight approach, a bank that has made the AOCI opt-out election should include the difference between the fair value and amortized cost of those AFS debt securities that qualify as securitization exposures. This difference equals the amounts reported in Schedule RC-B, items 4 and 5, column D, minus items 4 and 5, column C, for those AFS debt securities included in these items that are securitization exposures. When fair value exceeds cost, report the difference as a positive number in Schedule RC-R, Part II, item 9.b, column B. When cost exceeds fair value, report the difference as a negative number (i.e., with a minus (-) sign) in Schedule RC-R, Part II, item 9.b, column B.
  - If an AFS securitization exposure will be risk weighted using either the SSFA or the Gross-Up Approach, a bank should report the carrying value of the AFS securitization exposure reported in column A of this item.

- *In column Q*, report the exposure amount of those AFS securitization exposures that are assigned a 1,250 percent risk weight (i.e., those AFS securitization exposures for which the risk-weighted asset amount is not calculated using the SSFA or the Gross-Up Approach).

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**Part II. (cont.)**

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**9.b** (cont.)

- *In column T,* report the risk-weighted asset amount (not the exposure amount) of those AFS securitization exposures for which the risk-weighted asset amount is calculated using the SSFA, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

- *In column U*, report the risk-weighted asset amount (not the exposure amount) of those AFS securitization exposures for which the risk-weighted asset amount is calculated using the Gross-Up Approach, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

Example 1: A bank reports an AFS securitization exposure on its balance sheet in Schedule RC, item 2.b, at a carrying value (i.e., fair value) of $105. The amortized cost of the AFS securitization exposure is $100. The AFS securitization exposure has a $5 unrealized gain that is included in AOCI. The AFS securitization exposure also has $1 of accrued interest receivable that is reported in Schedule RC, item 11, and included in Schedule RC-R, Part II, item 9.d, column A. The bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a. The AFS securitization exposure will be risk weighted using the 1,250 percent risk weight approach. The bank would report in Schedule RC-R, Part II, item 9.b:

- $105 in column A. This is the carrying value of the AFS securitization exposure on the bank's balance sheet.
- $5 in column B. This is the difference between the carrying value (i.e., fair value) of the AFS securitization exposure and its exposure amount that is subject to risk weighting. For a bank that has made the AOCI opt-out election, column B will typically represent the amount of the unrealized gain or unrealized loss on securitization exposure. Gains are reported as positive numbers; losses as negative numbers. (Note: If the bank has not made or cannot make the opt-out election, there will not be an adjustment for the unrealized gain or loss to be reported in column B.)
- $100 is the exposure amount subject to risk weighting in this item (i.e., without regard to the accrued interest receivable on the AFS securitization exposure that is included in Schedule RC-R, Part II, item 9.d). This $100 amount will be reported in item 9.b, column Q–1250% risk weight. For a bank that has made the AOCI opt-out election, the exposure amount typically will be the carrying value (i.e., fair value) of the AFS securitization exposure excluding any unrealized gain or loss.

The bank would also report the $1 of accrued interest receivable on the AFS securitization exposure that is included in Schedule RC-R, Part II, item 9.d, column A, in column Q–1250% risk weight of item 9.d.

Example 2: A bank reports an AFS securitization exposure on its balance sheet in Schedule RC, item 2.b, at a carrying value (i.e., fair value) of $105. The AFS securitization exposure has a $5 unrealized gain that is included in AOCI. The AFS securitization exposure also has $1 of accrued interest receivable that is reported in Schedule RC, item 11, and included in Schedule RC-R, Part II, item 9.d, column A. The bank's AFS securitization exposure provides credit enhancement for an additional $800 in more senior securities. Therefore, the bank will need to risk weight a $900 exposure composed of the carrying value of its AFS securitization exposure, less the unrealized gain, plus the amount of the more senior exposures that it supports. The bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a. The AFS securitization exposure will be risk weighted using the Gross-Up Approach and the weighted-average risk weight of the underlying exposures is 100 percent. The bank would report in Schedule RC-R, Part II, item 9.b:

- $105 in column A. This is the carrying value of the AFS securitization exposure on the bank's balance sheet.

**Part II. (cont.)**

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**9.b (cont.)**

- $105 in column B. When the Gross-Up Approach is being used, the carrying value of the AFS securitization exposure on the bank's balance sheet, as reported in column A, of item 9.b, is to be reported in column B. Because the bank has made the AOCI opt-out election, the exposure amount to be risk weighted at the 100 percent weighted-average risk weight is the $105 carrying value of the AFS securitization exposure, less the $5 unrealized gain on the exposure included in AOCI, plus the $1 accrued interest receivable on the exposure (included in Schedule RC-R, Part II, item 9.d, column A), plus the additional $800 in more senior exposures that the AFS securitization exposure supports, which equals $901.
  - $901 in column U. This is the risk-weighted asset amount of the AFS securitization exposure. This amount ($901) will be reported in item 9.b, column U—Gross-Up. (Note: $901 is the product of the $901 exposure amount multiplied by the 100 percent weighted-average risk weight.)

**9.c** **Trading assets.** Report in column A the fair value of those trading assets reported in Schedule RC, item 5, that qualify as *securitization exposures* as defined in §.2 of the regulatory capital rules.

If the bank is subject to the market risk capital rule, report in column B the fair value of those securitization exposures reported in column A of this item that are covered positions as defined in Schedule RC-R, Part II, item 27. The bank will report its standardized market risk-weighted assets in Schedule RC-R, Part II, item 27. For further information on the market risk capital rule and the meaning of the term "covered position," refer to the discussion of "Banks That Are Subject to the Market Risk Capital Rule" in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

If a trading asset securitization exposure will be risk weighted using either the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach, include as part of the exposure amount to be risk weighted in this item any accrued interest receivable on the trading asset that is reported in Schedule RC, item 11, "Other assets," and included in Schedule RC-R, Part II, item 9.d, columns A and B. Do not report this accrued interest receivable in column A or B of this item.

For banks not subject to the market risk capital rule and for those trading assets held by banks subject to the market risk capital rule that are securitization exposures that do not meet the definition of a covered position:

- *In column B,* report the fair value reported in column A of this item for those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures and will be risk-weighted using either the SSFA or the Gross-Up Approach.

- *In column Q*, report the fair value reported in column A of this item of those trading assets that are securitization exposures that are assigned a 1,250 percent risk weight (i.e., those trading asset securitization exposures for which the risk-weighted asset amount is not calculated using the SSFA or the Gross-Up Approach).

- *In column T*, report the risk-weighted asset amount (not the exposure amount) of those trading assets that are securitization exposures for which the risk-weighted asset amount is calculated using the SSFA, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

**Part II. (cont.)**

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**9.c (cont.)**

- *In column U*, report the risk-weighted asset amount (not the exposure amount) of those trading assets that are securitization exposures for which the risk-weighted asset amount is calculated using the Gross-Up Approach, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

**9.d** **All other on-balance sheet securitization exposures.** Report in column A the amount of all on-balance sheet assets included in Schedule RC that qualify as *securitization exposures* as defined in §.2 of the regulatory capital rules and are not reported in Schedule RC-R, Part II, items 9.a, 9.b, or 9.c. Include in column A the amount reported in Schedule RC, item 11, "Other assets," for accrued interest receivable on on-balance sheet securitization exposures, regardless of where the securitization exposures are reported on the balance sheet in Schedule RC. Refer to the instructions for Schedule RC-R, Part II, items 1, 3, 4, 5, and 8, above for a summary of the reporting locations of other on-balance sheet securitization exposures.

Exposure amount to be used for purposes of risk weighting – bank that has not made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a:
For other on-balance sheet securitization exposures where the bank has not made the AOCI opt-out election (i.e., most AOCI is included in regulatory capital), the exposure amount to be risk weighted by the bank is the exposure's carrying value, which is the value of the exposure reported on the balance sheet of the bank determined in accordance with GAAP and in column A.

Exposure amount to be used for purposes of risk weighting – bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a:
For other on-balance sheet securitization exposures where the bank has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount to be risk weighted by the bank is the exposure's carrying value, less any unrealized gain on the exposure or plus any unrealized loss on the exposure included in AOCI. *In column B*, report any difference between the carrying value and the exposure amount of those other on-balance sheet securitization exposures reported in column A of this item that will be risk weighted by applying the 1,250 percent risk weight.

- *In column B*, all banks should include the amount reported in column A of this item for those other on-balance sheet securitization exposures that will be risk weighted using either the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach, including any accrued interest receivable reported in column A that has been accrued on these other on-balance sheet securitization exposures. Also include in column B any accrued interest receivable reported in column A that has been accrued on securitization exposures reported as held-to-maturity securities, available-for-sale securities, and trading assets in Schedule RC-R, Part II, items 9.a, 9.b, and 9.c, respectively.

- *In column Q*, report the exposure amount of those other on-balance sheet securitization exposures that are assigned a 1,250 percent risk weight (i.e., those other on-balance sheet securitization exposures for which the risk-weighted asset amount is not calculated using the SSFA or the Gross-Up Approach), including any accrued interest receivable reported in column A that has been accrued on these other on-balance sheet securitization exposures. Also include in column Q any accrued interest receivable reported in column A that has been accrued on securitization exposures reported as held-to-maturity securities, available-for-sale securities, and trading assets in Schedule RC-R, Part II, items 9.a, 9.b, and 9.c, respectively, that are assigned a 1,250 percent risk weight.

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**9.d** (cont.)

- *In column T,* report the risk-weighted asset amount (not the exposure amount) of those other on-balance sheet securitization exposures for which the risk-weighted asset amount is calculated using the SSFA, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

- *In column U,* report the risk-weighted asset amount (not the exposure amount) of those other on-balance sheet securitization exposures for which the risk-weighted asset amount is calculated using the Gross-Up Approach, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

**10** **Off-balance sheet securitization exposures.** Report in column A the notional amount of all derivatives and off-balance sheet items reported in Schedule RC-L or Schedule SU that qualify as *securitization exposures* as defined in §.2 of the regulatory capital rules. Refer to the instructions for Schedule RC-R, Part II, items 12 through 21, for a summary of the reporting locations of off-balance sheet securitization exposures.

Exposure amount to be used for purposes of risk weighting
For an off-balance sheet securitization exposure that is not a repo-style transaction or eligible margin loan for which the bank calculates an exposure amount under §.37 of the regulatory capital rules, cleared transaction (other than a credit derivative), or over-the-counter (OTC) derivative contract (other than a credit derivative), the exposure amount is the notional amount of the exposure.

For an off-balance sheet securitization exposure to an asset-backed commercial paper (ABCP) program, such as an eligible ABCP liquidity facility, the notional amount may be reduced to the maximum potential amount that the bank could be required to fund given the ABCP program's current underlying assets (calculated without regard to the current credit quality of those assets).

The exposure amount of an eligible ABCP liquidity facility for which the Simplified Supervisory Formula Approach (SSFA) does not apply is equal to the notional amount of the exposure multiplied by a credit conversion factor (CCF) of 50 percent.

The exposure amount of an eligible ABCP liquidity facility for which the SSFA applies is equal to the notional amount of the exposure multiplied by a CCF of 100 percent.

For an off-balance sheet securitization exposure that is a repo-style transaction or eligible margin loan for which the bank calculates an exposure amount under §.37 of the regulatory capital rules, a cleared transaction (other than a credit derivative), or a derivative contract (other than a credit derivative), the exposure amount is the amount calculated under §.34, §.35, §.37, §.132, or §.133, as applicable, of the regulatory capital rules.

For a credit-enhancing representation and warranty that is an off-balance sheet securitization exposure, see the discussion of "Treatment of Sales of 1-4 Family Residential First Mortgage Loans with Credit-Enhancing Representations and Warranties," which includes an example, in the General Instructions for Schedule RC-R, Part II.

- *In column B*, report the notional amount of those off-balance sheet securitization exposures reported in column A of this item for which the exposure amount (as described above) will be risk weighted using either the SSFA or the Gross-Up Approach. Also include in column B the difference between the notional amount reported in column A of

**Part II. (cont.)**

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**10** (cont.) this item and the exposure amount for those off-balance sheet items that qualify as securitization exposures and will be risk weighted by applying the 1,250 percent risk weight.

- *In column Q*, report the exposure amount of those off-balance sheet securitization exposures that are assigned a 1,250 percent risk weight (i.e., those off-balance sheet securitization exposures for which the risk-weighted asset amount is not calculated using the SSFA or the Gross-Up Approach).

- *In column T,* report the risk-weighted asset amount (not the exposure amount) of those off-balance sheet securitization exposures for which the risk-weighted asset amount is calculated using the SSFA, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

- *In column U,* report the risk-weighted asset amount (not the exposure amount) of those off-balance sheet securitization exposures for which the risk-weighted asset amount is calculated using the Gross-Up Approach, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

**Total Assets**

NOTE: Schedule RC-R, Part II, item 11, columns A through R, are to be completed semiannually in the June and December reports only.

**11** **Total assets.** For columns A through R, report the sum of items 1 through 9. The sum of columns B through R must equal column A. Schedule RC-R, Part II, item 11, column A, must equal Schedule RC, item 12, "Total assets."

**Part II. (cont.)**

**Derivatives, Off-Balance Sheet Items, and Other Items Subject to Risk Weighting (Excluding Securitization Exposures)**

Treatment of Derivatives and Off-Balance Sheet Items that are Securitization Exposures – Any derivatives or off-balance sheet items reported in Schedule RC-L or Schedule SU that qualify as securitization exposures, including liquidity facilities to asset-backed commercial paper programs, are to be reported in Schedule RC-R, Part II, item 10, column A, and excluded from Schedule RC-R, Part II, items 12 through 21 below.

Repo-style Transactions – The regulatory capital rules permit some repo-style transactions to be risk weighted on a netting set basis. Where netting is permitted, a bank will combine both on-balance and off-balance sheet repo-style transactions in order to determine a capital requirement for a netting set to a single counterparty. In such cases, a bank should combine securities purchased under agreements to resell (i.e., reverse repos) and securities sold under agreements to repurchase (i.e., repos) with off-balance sheet repo-style transactions (i.e., securities borrowing and securities lending transactions) in Schedule RC-R, Part II, item 16, and report the netting set exposure to each counterparty under the appropriate risk weight column.

Credit Conversion Factors for Off-Balance Sheet Items – A summary of the credit conversion factors (CCFs) by which the exposure amount of off-balance sheet items are to be multiplied follows. For further information on these factors, refer to the regulatory capital rules.

Off-balance sheet items subject to a zero percent CCF:
(1) Unused portions of commitments that are unconditionally cancelable at any time by the bank.

Off-balance sheet items subject to a 20 percent CCF:
(1) Commercial and similar letters of credit with an original maturity of one year or less, including short-term, self-liquidating, trade-related contingent items that arise from the movement of goods.
(2) Commitments with an original maturity of one year or less that are not unconditionally cancelable.

Off-balance sheet items subject to a 50 percent CCF:
(1) Transaction-related contingent items, including performance standby letters of credit, bid bonds, performance bonds, and warranties.
(2) Commercial and similar letters of credit with an original maturity exceeding one year.
(3) Commitments with an original maturity exceeding one year that are not unconditionally cancelable by the bank, including underwriting commitments and commercial credit lines.

Off-balance sheet items subject to a 100 CCF:
(1) Financial standby letters of credit.
(2) Repo-style transactions, including off-balance sheet securities lending transactions, off-balance sheet securities borrowing transactions, securities purchased under agreements to resell, and securities sold under agreements to repurchase.
(3) Guarantees, certain credit-enhancing representations and warranties, and forward agreements.

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NOTE: Schedule RC-R, Part II, items 12 through 22, columns A through S, as applicable, are to be completed semiannually in the June and December reports only.

**12** **Financial standby letters of credit.** For financial standby letters of credit reported in Schedule RC-L, item 2, that do not meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules, but are credit enhancements for assets, report *in column A:*

(1) The amount outstanding and unused of those letters of credit for which this amount is less than the effective risk-based capital requirement for the assets that are credit-enhanced by the letter of credit multiplied by 12.5.

**Part II. (cont.)**

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**12** (cont.) (2) The full amount of the assets that are credit-enhanced by those letters of credit that are not multiplied by 12.5.

For all other financial standby letters of credit reported in Schedule RC-L, item 2, that do not meet the definition of a *securitization exposure*, report in column A the amount outstanding and unused of these letters of credit.

- *In column B,* report 100 percent of the amount reported in column A.
- *In column C–0% risk weight*, include the credit equivalent amount of the portion of financial standby letters of credit reported in Schedule RC-L, item 2, that are secured by collateral or has a guarantee that qualifies for the zero percent risk weight.
- *In column G–20% risk weight*, include the credit equivalent amount of the portion of financial standby letters of credit reported in Schedule RC-L, item 2, that has been conveyed to U.S. depository institutions. Also include the credit equivalent amount of the portion of financial standby letters of credit reported in Schedule RC-L, item 2, that are secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.
- *In column H–50% risk weight*, include the credit equivalent amount of the portion of financial standby letters of credit reported in Schedule RC-L, item 2, that are secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.
- *In column I–100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J. Also include the credit equivalent amount of the portion of financial standby letters of credit reported in Schedule RC-L, item 2, that are secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.
- For financial standby letters of credit that must be risk weighted according to the Country Risk Classification (CRC) methodology, including those conveyed to foreign banks, assign the credit equivalent amount of the portion of such financial standby letters of credit to risk-weight categories based on the CRC methodology described in the instructions for Schedule RC-R, Part, II, item 12, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**13** **Performance standby letters of credit and transaction-related contingent items.** Report in column A transaction-related contingent items, which includes the face amount of performance standby letters of credit reported in Schedule RC-L, item 3, and any other transaction-related contingent items that do not meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules.

- *In column B*, report 50 percent of the face amount reported in column A.
- *In column C–0% risk weight*, include the credit equivalent amount of the portion of performance standby letters of credit and transaction-related contingent items reported in Schedule RC-L, item 3, that are secured by collateral or has a guarantee that qualifies for the zero percent risk weight.
- *In column G–20% risk weight*, include the credit equivalent amount of the portion of performance standby letters of credit, performance bids, bid bonds, and warranties reported in Schedule RC-L, item 3, that have been conveyed to U.S. depository

**Part II. (cont.)**

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

**13** (cont.) institutions. Also include the credit equivalent amount of the portion of performance standby letters of credit and transaction-related contingent items reported in Schedule RC-L, item 3, that are secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.

- *In column H–50% risk weight*, include the credit equivalent amount of the portion of performance standby letters of credit and transaction-related contingent items reported in Schedule RC-L, item 3, that are secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J. Also include the credit equivalent amount of the portion of performance standby letters of credit and transaction-related contingent items reported in Schedule RC-L, item 3, that are secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- For performance standby letters of credit and transaction-related contingent items that must be risk weighted according to the Country Risk Classification (CRC) methodology, including performance standby letters of credit, performance bids, bid bonds, and warranties conveyed to foreign banks, assign the credit equivalent amount of the portion of such performance standby letters of credit and transaction-related contingent items to risk-weight categories based on the CRC methodology described in the instructions for Schedule RC-R, Part, II, item 13, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**14** **Commercial and similar letters of credit with an original maturity of one year or less.** Report in column A the face amount of those commercial and similar letters of credit, including self-liquidating trade-related contingent items that arise from the movement of goods, reported in Schedule RC-L, item 4, with an original maturity of one year or less that do not meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules. Report those commercial letters of credit with an original maturity exceeding one year that do not meet the definition of a *securitization exposure* in Schedule RC-R, Part II, item 18.b.

- *In column B*, report 20 percent of the face amount reported in column A.

- *In column C–0% risk weight*, include the credit equivalent amount of the portion of commercial or similar letters of credit with an original maturity of one year or less reported in Schedule RC-L, item 4, that are secured by collateral or has a guarantee that qualifies for the zero percent risk weight.

- *In column G–20% risk weight*, include the credit equivalent amount of the portion of commercial and similar letters of credit, including self-liquidating, trade-related contingent items that arise from the movement of goods, with an original maturity of one year or less, reported in Schedule RC-L, item 4, that have been conveyed to U.S. depository institutions. Also include the credit equivalent amount of the portion of commercial or similar letters of credit with an original maturity of one year or less reported in Schedule RC-L, item 4, that are secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.

- *In column H–50% risk weight*, include the credit equivalent amount of the portion of commercial or similar letters of credit with an original maturity of one year or less reported in Schedule RC-L, item 4, that are secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

**Part II. (cont.)**

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**14** (cont.)

- *In column I–100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J. Also include the credit equivalent amount of the portion of commercial or similar letters of credit with an original maturity of one year or less reported in Schedule RC-L, item 4, that are secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- For commercial and similar letters of credit that must be risk weighted according to the Country Risk Classification (CRC) methodology, including commercial and similar letters of credit (and self-liquidating, trade-related contingent items that arise from the movement of goods) with an original maturity of one year or less that have been conveyed to foreign banks, assign the credit equivalent amount of the portion of such letters of credit to risk-weight categories based on the CRC methodology described in the instructions for Schedule RC-R, Part, II, item 14, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**15** **Retained recourse on small business obligations sold with recourse.** Report in column A the amount of retained recourse on small business obligations reported in Schedule SU, items 4 and 5, that do not meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules.

For retained recourse on small business obligations sold with recourse that qualify as securitization exposures, please see §.42(h) of the regulatory capital rule for purposes of risk weighting and report these exposures in Schedule RC-R, Part II, item 10.

Under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994, a "qualifying institution" that transfers small business loans and leases on personal property (small business obligations) with recourse in a transaction that qualifies as a sale under generally accepted accounting principles (GAAP) must maintain risk-based capital only against the amount of recourse retained, provided the institution establishes a recourse liability account that is sufficient under GAAP. Only loans and leases to businesses that meet the criteria for a small business concern established by the Small Business Administration under Section 3(a) of the Small Business Act (15 U.S.C. 632 et seq.) are eligible for this favorable risk-based capital treatment.

In general, a "qualifying institution" is one that is well capitalized without regard to the Section 208 provisions. If a bank ceases to be a qualifying institution or exceeds the retained recourse limit set forth in banking agency regulations implementing Section 208, all new transfers of small business obligations with recourse would not be treated as sales. However, the reporting and risk-based capital treatment described above will continue to apply to any transfers of small business obligations with recourse that were consummated during the time the bank was a "qualifying institution" and did not exceed the limit.

- *In column B*, report 100 percent of the amount reported in column A.

- *In column C–0% risk weight*, include the credit equivalent amount of the portion of retained recourse on small business obligations sold with recourse reported in Schedule SU, items 4 and 5, that are secured by collateral or has a guarantee that qualifies for the zero percent risk weight.

- *In column G–20% risk weight*, include the credit equivalent amount of the portion of retained recourse on small business obligations sold with recourse reported in Schedule SU, items 4 and 5, that are secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
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**15** (cont.)

- *In column H–50% risk weight*, include the credit equivalent amount of the portion of retained recourse on small business obligations sold with recourse reported in Schedule SU, items 4 and 5, that are secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I-100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J. Also include the credit equivalent amount of the portion of retained recourse on small business obligations sold with recourse reported in Schedule SU, items 4 and 5, that are secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

**16** **Repo-style transactions.** Repo-style transactions include:

- Securities lending transactions, including transactions in which the bank acts agent for a customer and indemnifies the customer against loss. Securities lent are reported in Schedule RC-L, item 6.a.
- Securities borrowing transactions. Securities borrowed are reported in Schedule RC-L, item 6.b.
- Securities purchased under agreements to resell (i.e., reverse repos). Securities purchased under agreements to resell are reported in Schedule RC, item 3.b.
- Securities sold under agreements to repurchase (i.e., repos). Securities sold under agreements to repurchase are reported in Schedule RC, item 14.b.[1]

Report in column A the exposure amount of repo-style transactions that do not meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules.

For repo-style transactions to which the bank applies the Simple Approach to recognize the risk-mitigating effects of qualifying financial collateral, as outlined in §.37 of the regulatory capital rules, the exposure amount to be reported in column A is the sum of the fair value as of the report date of securities the bank has lent,[2] the amount of cash or the fair value as of the report date of other collateral the bank has posted for securities borrowed, the amount of cash provided to the counterparty for securities purchased under agreements to resell (as reported in Schedule RC, item 3.b), and the fair value as of the report date of securities sold under agreements to repurchase.

For repo-style transactions to which the bank applies the Collateral Haircut Approach to recognize the risk-mitigating effects of qualifying financial collateral, as outlined in §.37 of the regulatory capital rules, the exposure amount to be reported in column A for a repo-style transaction or a single-product netting set of such transactions is determined by using the exposure amount equation in §.37(c) of the regulatory capital rules.

A bank may apply either the Simple Approach or the Collateral Haircut Approach to repo-style transactions; however, the bank must use the same approach for similar exposures or transactions. For further information, see the discussion of "Treatment of Collateral and Guarantees" in the General Instructions for Schedule RC-R, Part II.

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[1] Although securities purchased under agreements to resell and securities sold under agreements to repurchase are reported on the balance sheet (Schedule RC) as assets and liabilities, respectively, they are included with securities lent and securities borrowed and designated as repo-style transactions that are treated collectively as off-balance sheet items under the regulatory capital rules.

[2] For held-to-maturity securities that have been lent, the amortized cost of these securities is reported in Schedule RC-L, item 6.a, but the fair value of these securities should be reported as the exposure amount in column A of this item.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**16** (cont.)

- *In column B*, report 100 percent of the exposure amount reported in column A.
- *In column C–0% risk weight,* include the credit equivalent amount of repo-style transactions that are supported by the appropriate amount of collateral that qualifies for the zero percent risk weight under the regulatory capital rules (refer to §.37 of the regulatory capital rules).
- *In column D–2% risk weight,* include the credit equivalent amount of centrally cleared repo-style transactions with Qualified Central Counterparties (QCCPs), as defined in §.2 and described in §.35 of the regulatory capital rules.
- *In column E–4% risk weight,* include the credit equivalent amount of centrally cleared repo-style transactions with QCCPs in all other cases that do not meet the criteria of qualification for a 2 percent risk weight, as described in §.35 of the regulatory capital rules.
- *In column G–20% risk weight*, include the credit equivalent amount of repo-style transactions that are supported by the appropriate amount of collateral that qualifies for the 20 percent risk weight under the regulatory capital rules. Also include the credit equivalent amount of repo-style transactions that represents exposures to U.S. depository institutions.
- *In column H–50% risk weight*, include the credit equivalent amount of repo-style transactions that are supported by the appropriate amount of collateral that qualifies for the 50 percent risk weight under the regulatory capital rules.
- *In column I-100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H, J, and R. Also include the credit equivalent amount of repo-style transactions that are supported by the appropriate amount of collateral that qualifies for the 100 percent risk weight under the regulatory capital rules.
- *In column J–150% risk weight*, include the credit equivalent amount of repo-style transactions that are supported by the appropriate amount of collateral that qualifies for the 150 percent risk weight under the regulatory capital rules.
- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of repo-style transactions that 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 collateral under the Simple Approach or the Collateral Haircut Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the repo-style exposure may not be less than 20 percent. For information on the reporting of such repo-style transactions in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 16, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.
- For repo-style transactions that represent exposures to foreign central banks and foreign banks that must be risk weighted according to the Country Risk Classification (CRC) methodology, assign the credit equivalent amount of these exposures to risk-weight categories based on the CRC methodology described in instructions for Schedule RC-R, Part, II, item 16, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**Part II. (cont.)**

**Item No. Caption and Instructions**

**16** (cont.) Examples: Reporting Securities Sold Under Agreements to Repurchase (Repos) under the Simple Approach for Recognizing the Effects of Collateral

§.37 of the regulatory capital rules provides for the recognition of the risk-mitigating effects of collateral when risk weighting assets collateralized by financial collateral (which is defined in §.2 of the regulatory capital rules). The following examples illustrate the calculation of risk-weighted assets and the reporting of securities sold under agreements to repurchase (repos) in Schedule RC-R, Part II, item 16, using the Simple Approach.

Example 1: Security sold under an agreement to repurchase fully collateralized by cash
A bank has transferred an available-for-sale (AFS) debt security to a counterparty in a repo transaction that is accounted for as a secured borrowing on the bank's balance sheet. The bank received $100 in cash from the repo counterparty in this transaction. The amortized cost and the fair value of the AFS debt security are both $100 as of the report date.[1] The debt security is an exposure to a U.S. government-sponsored entity (GSE) that qualifies for a 20 percent risk weight. The repo counterparty is a company that would receive a 100 percent risk weight.

Calculation of risk-weighted assets for the transaction:

1. The bank continues to report the AFS GSE debt security as an asset on its balance sheet and to risk weight the security as an on-balance sheet asset at 20 percent:[2]
   $100 x 20% = $20
2. The bank has a $100 exposure to the repo counterparty (the report date fair value of the security transferred to the counterparty) that is collateralized by the $100 of cash received from the counterparty. The bank risk weights its exposure to the repo counterparty at zero percent in recognition of the cash received in the transaction from the counterparty: $100 x 0% = $0
3. There is no additional exposure to the repo counterparty to risk weight because the exposure to the counterparty is fully collateralized by the cash received.

The total risk-weighted assets arising from the transaction: $20

The bank would report the transaction in Schedule RC-R, Part II, as follows:

1. The bank reports the AFS debt security in item 2.b:
   a. The $100 carrying value (i.e., the fair value) of the AFS debt security on the balance sheet will be reported in column A.[3]
   b. The $100 exposure amount of the AFS debt security will be reported in column G–20% risk weight (which is the applicable risk weight for a U.S. GSE debt security).

2. The bank reports the repurchase agreement in item 16:
   a. The bank's $100 exposure to the repo counterparty, which is the fair value of the debt security transferred in the repo transaction, is the exposure amount to be reported in column A.

[1] In both Example 1 and Example 2, because the fair value carrying value of the AFS GSE debt security equals the amortized cost of the debt security, a bank that has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a, does not need to adjust the carrying value (i.e., the fair value) of the debt security to determine the exposure amount of the security. Thus, for a bank that has made the AOCI opt-out election, the carrying value of the AFS debt security equals its exposure amount in Examples 1 and 2.

[2] See the footnote above in the instructions for this item 16 that addresses Examples 1 and 2.

[3] See the footnote above in the instructions for this item 16 that addresses Examples 1 and 2.

**Part II. (cont.)**

**Item No. Caption and Instructions**

**16** (cont.)

b. The $100 credit equivalent amount of the bank's exposure to the repo counterparty will be reported in column B.
c. Because the bank's exposure to the repo counterparty is fully collateralized by the $100 of cash received from the counterparty, the $100 credit equivalent amount of the repurchase agreement will be reported in column C–0% risk weight (which is the applicable risk weight for cash collateral).

| | | (Column A) Totals From Schedule RC | (Column B) Adjustments | (Column C) Allocation by Risk-Weight Category 0% | (Column G) Allocation by Risk-Weight Category 20% | (Column I) Allocation by Risk-Weight Category 100% | |
|---|---|---|---|---|---|---|---|
| 2.b. | Available-for-sale securities | $100 | | | $100 | | 2.b. |
| | | | | | | | |
| | | (Column A) Face, Notional, or Other Amount | (Column B) Credit Equivalent Amount | (Column C) Allocation by Risk-Weight Category 0% | (Column G) Allocation by Risk-Weight Category 20% | (Column I) Allocation by Risk-Weight Category 100% | |
| 16. | Repo-style transactions | $100 | $100 | $100 | | | 16. |

Example 2: Security sold under an agreement to repurchase (repo) *not* fully collateralized by cash

A bank has transferred an AFS debt security to a counterparty in a repo transaction that is accounted for as a secured borrowing on the bank's balance sheet. The bank received $98 in cash from the repo counterparty in this transaction. The amortized cost and the fair value of the AFS debt security are both $100 as of the report date.[1] The debt security is an exposure to a U.S. GSE that qualifies for a 20 percent risk weight. The repo counterparty is a company that would receive a 100 percent risk weight.

Calculation of risk-weighted assets for the transaction:

1. The bank continues to report the AFS GSE debt security as an asset on its balance sheet and to risk weight the security as an on-balance sheet asset at 20 percent:[2]
   $100 x 20% = $20
2. The bank has a $100 exposure to the repo counterparty (the report date fair value of the security transferred to the counterparty) of which $98 is collateralized by the cash received from the counterparty. The bank risk weights the portion of its exposure to the repo counterparty that is collateralized by the cash received from the counterparty at zero percent: $98 x 0% = $0
3. The bank risk weights its $2 uncollateralized exposure to the repo counterparty using the risk weight applicable to the counterparty: $2 x 100% = $2

The total risk-weighted assets arising from the transaction: $22

The bank would report the transaction in Schedule RC-R, Part II, as follows:

1. The bank reports the AFS debt security in item 2.b:
   a. The $100 carrying value (i.e., the fair value) of the AFS debt security on the balance sheet will be reported in column A.[3]

[1] See the footnote above in the instructions for this item 16 that addresses Examples 1 and 2.

[2] See the footnote above in the instructions for this item 16 that addresses Examples 1 and 2.

[3] See the footnote above in the instructions for this item 16 that addresses Examples 1 and 2.

**Part II. (cont.)**

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

**16** (cont.)

b. The $100 exposure amount of the AFS debt security will be reported in column G–20% risk weight (which is the applicable risk weight for a U.S. GSE debt security).

2. The bank reports the repurchase agreement in item 16:
   a. The bank's $100 exposure to the repo counterparty, which is the fair value of the debt security transferred in the repo transaction, is the exposure amount to be reported in column A.
   b. The $100 credit equivalent amount of the bank's exposure to the repo counterparty will be reported in column B.
   c. Because the bank's exposure to the repo counterparty is collateralized by the $98 of cash received from the counterparty, $98 of the $100 credit equivalent amount of the repurchase agreement will be reported in column C–0% risk weight (which is the applicable risk weight for cash collateral).
   d. The $2 uncollateralized exposure to the repo counterparty will be reported in column I–100% risk weight (which is the applicable risk weight for the repo counterparty).

| | | (Column A) Totals From Schedule RC | (Column B) Adjustments | (Column C) Allocation by Risk-Weight Category 0% | (Column G) Allocation by Risk-Weight Category 20% | (Column I) Allocation by Risk-Weight Category 100% | |
|---|---|---|---|---|---|---|---|
| 2.b. | Available-for-sale securities | $100 | | | $100 | | 2.b. |
| | | | | | | | |
| | | (Column A) Face, Notional, or Other Amount | (Column B) Credit Equivalent Amount | (Column C) Allocation by Risk-Weight Category 0% | (Column G) Allocation by Risk-Weight Category 20% | (Column I) Allocation by Risk-Weight Category 100% | |
| 16. | Repo-style transactions | $100 | $100 | $98 | | $2 | 16. |

**17** **All other off-balance sheet liabilities.** Report in column A:

- The notional amount of all other off-balance sheet liabilities reported in Schedule RC-L, item 9, that are covered by the regulatory capital rules,
- The face amount of risk participations in bankers acceptances that have been acquired by the reporting institution and are outstanding,
- The full amount of loans or other assets sold with credit-enhancing representations and warranties[1] that do not meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules,
- The notional amount of written option contracts that act as financial guarantees that do not meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules, and
- The notional amount of all forward agreements, which are defined as legally binding contractual obligations to purchase assets with certain drawdown at a specified future date, not including commitments to make residential mortgage loans or forward foreign exchange contracts.

[1] The definition of *credit-enhancing representations and warranties* in §.2 of the regulatory capital rules states that such representations and warranties obligate an institution "to protect another party from losses arising from the credit risk of the underlying exposures" and "include provisions to protect a party from losses resulting from the default or nonperformance of the counterparties of the underlying exposures or from an insufficiency in the value of the collateral backing the underlying exposures." Thus, when loans or other assets are sold "with recourse" and the recourse arrangement provides protection from losses as described in the preceding definition, the recourse arrangement constitutes a credit-enhancing representation and warranty.

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

**17** (cont.)

However, exclude from column A:

- The amount of credit derivatives classified as trading assets that are subject to the market risk capital rule (report in Schedule RC-R, Part II, items 20 and 21, as appropriate),
- Credit derivatives purchased by the bank that are recognized as guarantees of an asset or off-balance sheet exposure under the regulatory capital rules, i.e., credit derivatives on which the bank is the beneficiary (report the guaranteed asset or exposure in Schedule RC-R, Part II, in the appropriate balance sheet or off-balance sheet category – e.g., item 5, "Loans and leases held for investment" – and in the risk-weight category applicable to the derivative counterparty – e.g., column G–20% risk weight – rather than the risk-weight category applicable to the obligor of the guaranteed asset), and
- The notional amount of standby letters of credit issued by another depository institution, a Federal Home Loan Bank, or any other entity on behalf of the reporting bank that are reported in Schedule RC-L, item 9, because these letters of credit are not covered by the regulatory capital rules.

- *In column B*, report 100 percent of the face amount, notional amount, or other amount reported in column A.

- *In column C–0% risk weight*, include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column G–20% risk weight*, include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column H–50% risk weight*, include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column I–100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through J. Include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 100 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column J–150% risk weight*, include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 150 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- For all other off-balance sheet liabilities that represent exposures to foreign central banks and foreign banks that must be risk weighted according to the Country Risk Classification (CRC) methodology, assign the credit equivalent amount of these exposures to risk-weight categories based on the CRC methodology described in instructions for Schedule RC-R, Part, II, item 17, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

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| Item No. | Caption and Instructions |
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**18** **Unused commitments (exclude unused commitments to asset-backed commercial paper conduits).** Report in items 18.a and 18.b the amounts of unused commitments that are subject to the regulatory capital rules, excluding those that are unconditionally cancelable, which are to be reported in Schedule RC-R, Part II, item 19. Where a bank provides a commitment structured as a syndication or participation, the bank is only required to calculate the exposure amount for its pro rata share of the commitment.

Exclude from items 18.a and 18.b any unused commitments that qualify as securitization exposures, as defined in §.2 of the regulatory capital rules, including eligible asset-backed commercial paper (ABCP) liquidity facilities. Unused commitments that are securitization exposures must be reported in Schedule RC-R, Part II, item 10, column A. Also exclude default fund contributions in the form of commitments made by a clearing member to a central counterparty's mutualized loss-sharing arrangement. Such default fund contributions must be reported (as a negative number) in Schedule RC-R, Part II, item 8, column B.

**18.a** **Original maturity of one year or less.** Report in column A the unused portion of those unused commitments reported in Schedule RC-L, item 1, with an original maturity of one year or less that are subject to the regulatory capital rules.

Under the regulatory capital rules, the unused portion of commitments (facilities) that are unconditionally cancelable (without cause) at any time by the bank have a zero percent credit conversion factor. The unused portion of such unconditionally cancelable commitments should be excluded from this item and reported in Schedule RC-R, Part II, item 19. For further information, see the instructions for item 19.

"Original maturity" is defined as the length of time between the date a commitment is issued and the date of maturity, or the earliest date on which the bank (1) is scheduled to (and as a normal practice actually does) review the facility to determine whether or not it should be extended and (2) can unconditionally cancel the commitment.

- *In column B,* report 20 percent of the amount of unused commitments reported in column A.

- *In column C–0% risk weight*, include the credit equivalent amount of unused commitments to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column G–20% risk weight*, include the credit equivalent amount of unused commitments to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column H–50% risk weight*, include the credit equivalent amount of unused commitments to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column I–100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H, J, and R. Include the credit equivalent amount of unused commitments to counterparties who meet, or

**Part II. (cont.)**

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

**18.a** (cont.) that have guarantees or collateral that meets, the criteria for the 100 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column J–150% risk weight,* include the credit equivalent amount of unused commitments to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 150 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of unused commitments that 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 an unused commitment may not be less than 20 percent. For information on the reporting of such unused commitments in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 18.a, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

- For unused commitments with an original maturity of one year or less that represent exposures to foreign banks that must be risk weighted according to the Country Risk Classification (CRC) methodology, assign credit equivalent amount of these exposures to risk-weight categories based on the CRC methodology described in instructions for Schedule RC-R, Part, II, item 18.a, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**18.b** **Original maturity exceeding one year.** Report in column A the unused portion of those commitments to make or purchase extensions of credit in the form of loans or participations in loans, lease financing receivables, or similar transactions reported in Schedule RC-L, item 1, that have an original maturity exceeding one year and are subject to the regulatory capital rules. Also report in column A the face amount of those commercial and similar letters of credit reported in Schedule RC-L, item 4, with an original maturity exceeding one year that do not meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules.

Under the regulatory capital rules, the unused portion of commitments (facilities) which are unconditionally cancelable (without cause) at any time by the bank (to the extent permitted under applicable law) have a zero percent credit conversion factor. The unused portion of such unconditionally cancelable commitments should be excluded from this item and reported in Schedule RC-R, Part II, item 19. For further information, see the instructions for item 19.

Also include in column A the unused portion of all revolving underwriting facilities and note issuance facilities, regardless of maturity.

In the case of consumer home equity or mortgage lines of credit secured by liens on 1-4 family residential properties, a bank is deemed able to unconditionally cancel the commitment if, at its option, it can prohibit additional extensions of credit, reduce the credit line, and terminate the commitment to the full extent permitted by relevant federal law. Retail credit cards and related plans, including overdraft checking plans and overdraft protection

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**18.b (cont.)** programs, are defined to be short-term commitments that should be converted at zero percent and excluded from this item 18.b if the bank has the unconditional right to cancel the line of credit at any time in accordance with applicable law.

For commitments providing for increases in the dollar amount of the commitment, the amount to be converted to an on-balance sheet credit equivalent amount and risk weighted is the maximum dollar amount that the bank is obligated to advance at any time during the life of the commitment. This includes seasonal commitments where the dollar amount of the commitment increases during the customer's peak business period. In addition, this risk-based capital treatment applies to long-term commitments that contain short-term options which, for a fee, allow the customer to increase the dollar amount of the commitment. Until the short-term option has expired, the reporting bank must convert and risk weight the amount which it is obligated to lend if the option is exercised. After the expiration of a short-term option which has not been exercised, the unused portion of the original amount of the commitment is to be used in the credit conversion process.

- *In column B*, report 50 percent of the amount of unused commitments and the face amount of commercial and similar letters of credit reported in column A. Note that unused commitments that qualify as securitization exposures as defined in §.2 of the regulatory capital rules should be reported as securitization exposures in Schedule RC-R, Part II, item 10.

- *In column C–0% risk weight,* include the credit equivalent amount of unused commitments and commercial and similar letters of credit to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column G–20% risk weight,* include the credit equivalent amount of unused commitments and commercial and similar letters of credit to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above. Include the credit equivalent amount of commitments that have been conveyed to U.S. depository institutions. Include the credit equivalent amount of those commercial and similar letters of credit reported in Schedule RC-L, item 4, with an original maturity exceeding one year that have been conveyed to U.S. depository institutions.

- *In column H–50% risk weight,* include the credit equivalent amount of unused commitments and commercial and similar letters of credit to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column I–100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H, J, and R. Also include the credit equivalent amount of unused commitments and commercial and similar letters of credit to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 100 percent risk-weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

**Part II. (cont.)**

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**18.b (cont.)**

- *In column J–150% risk weight,* include the credit equivalent amount of unused commitments and commercial and similar letters of credit to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 150 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of unused commitments that 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 an unused commitment may not be less than 20 percent. For information on the reporting of such unused commitments in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 18.b, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

- For unused commitments with an original maturity exceeding one year that represent exposures to foreign banks, and commercial and similar letters of credit with an original maturity exceeding one year that have been conveyed to foreign banks, that must be risk weighted according to the Country Risk Classification (CRC) methodology, assign the credit equivalent amount of these exposures to risk-weight categories based on the CRC methodology described in instructions for Schedule RC-R, Part, II, item 18.a, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**19** **Unconditionally cancelable commitments.** Report the unused portion of those unconditionally cancelable commitments reported in Schedule RC-L, item 1, that are subject to the regulatory capital rules. The unused portion of commitments (facilities) that are unconditionally cancelable (without cause) at any time by the bank (to the extent permitted by applicable law) have a zero percent credit conversion factor. The bank should report the unused portion of such commitments in column A of this item and zero in column B of this item.

In the case of consumer home equity or mortgage lines of credit secured by liens on 1-4 family residential properties, a bank is deemed able to unconditionally cancel the commitment if, at its option, it can prohibit additional extensions of credit, reduce the credit line, and terminate the commitment to the full extent permitted by relevant federal law. Retail credit cards and related plans, including overdraft checking plans and overdraft protection programs, are defined to be short-term commitments that should be converted at zero percent and included in this item if the bank has the unconditional right to cancel the line of credit at any time in accordance with applicable law.

**20** **Over-the-counter derivatives.** Report in column B the credit equivalent amount of over-the-counter derivative contracts covered by the regulatory capital rules. As defined in §.2 of the regulatory capital rules, an *over-the-counter (OTC) derivative contract* is a derivative contract that is not a cleared transaction.[1] Include OTC credit derivative contracts held for trading

[1] An OTC derivative includes a transaction:
(1) Between an institution that is a clearing member and a counterparty where the institution is acting as a financial intermediary and enters into a cleared transaction with a central counterparty (CCP) that offsets the transaction with the counterparty; or
(2) In which an institution that is a clearing member provides a CCP a guarantee on the performance of the counterparty to the transaction.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**20** (cont.)

purposes and subject to the market risk capital rule. Include the client-facing leg of a derivative contract cleared through a central counterparty or a qualified central counterparty, which is to be reported as an over-the-counter derivative. Otherwise, do not include the credit equivalent amount of centrally cleared derivative contracts, which must be reported in Schedule RC-R, Part II, item 21. Do not include OTC derivative contracts that meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Schedule RC-R, Part II, item 10.

The credit equivalent amount of an OTC derivative contract to be reported in column B is determined under one of two methods, the current exposure method (CEM), as described in §.34(b) of the regulatory capital rules, or the standardized approach for counterparty credit risk (SA-CCR), as described in §.132(c) of the regulatory capital rules. Under the regulatory capital rules, a non-advanced approaches institution may elect to use CEM or SA-CCR to determine the credit equivalent amount of an OTC derivative contract, as of April 1, 2020. A non-advanced approaches institution must notify its appropriate federal banking supervisor before using SA-CCR. A non-advanced approaches institution must use the same methodology – CEM or SA-CCR – to calculate the exposure amount for all its derivative contracts, including centrally cleared derivative transactions, and may change its election only with the prior approval of its appropriate federal banking supervisor.

For further information on the use of SA-CCR in relation to OTC derivative contracts, refer to the instructions for Schedule RC-R, Part II, item 20, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

When using CEM, the credit equivalent amount of an OTC derivative contract to be reported in column B is the sum of its current credit exposure (as reported in Schedule RC-R, Part II, Memorandum item 1) plus the potential future exposure (PFE) over the remaining life of the derivative contract (regardless of its current credit exposure, if any), as described in §.34 of the regulatory capital rules. The current credit exposure of a derivative contract is (1) the fair value of the contract when that fair value is positive and (2) zero when the fair value of the contract is negative or zero. The PFE of a derivative contract, which is based on the type of contract and the contract's remaining maturity, is determined by multiplying the notional principal amount of the contract by the appropriate conversion factor from the following chart.

The notional principal amounts of the reporting bank's OTC derivatives that are subject to the risk-based capital requirements are reported by remaining maturity in Schedule RC-R, Part II, Memorandum items 2.a through 2.g.

| Remaining Maturity | Interest Rate | Foreign exchange rate and gold | Credit (investment grade reference assets) | Credit (non-investment grade reference assets) | Equity | Precious metals (except gold) | Other |
|---|---|---|---|---|---|---|---|
| One year or less | 0.0% | 1.0% | 5.0% | 10.0% | 6.0% | 7.0% | 10.0% |
| Greater than one year & less than or equal to five years | 0.5% | 5.0% | 5.0% | 10.0% | 8.0% | 7.0% | 12.0% |
| Greater than five years | 1.5% | 7.5% | 5.0% | 10.0% | 10.0% | 8.0% | 15.0% |

**Part II. (cont.)**

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

**20** (cont.) Under the banking agencies' regulatory capital rules and for purposes of Schedule RC-R, Part II, the existence of a legally enforceable bilateral netting agreement between the reporting bank and a counterparty may be taken into consideration when determining both the current credit exposure and the potential future exposure of derivative contracts. For further information on the treatment of bilateral netting agreements covering derivative contracts, refer to the instructions for Schedule RC-R, Part II, Memorandum item 1, and §.34 of the regulatory capital rules.

When assigning OTC derivative exposures to risk-weight categories, banks can recognize the risk-mitigating effects of financial collateral by using either the Simple Approach or the Collateral Haircut Approach, as described in §.37 of the regulatory capital rules.

- *In column C–0% risk weight,* include the credit equivalent amount of OTC derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above. This includes OTC derivative contracts that are marked-to-market on a daily basis and subject to a daily margin maintenance requirement, to the extent the contracts are collateralized by cash on deposit at the reporting institution.

- *In column F–10% risk weight,* include the credit equivalent amount of OTC derivative contracts that are marked-to-market on a daily basis and subject to a daily margin maintenance requirement, to the extent the contracts are collateralized by a sovereign exposure that qualifies for a zero percent risk weight under §.32 of the regulatory capital rules.

- *In column G–20% risk weight,* include the credit equivalent amount of OTC derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column H–50% risk weight,* include the credit equivalent amount of OTC derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column I–100% risk weight,* include the credit equivalent amount of OTC derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 100 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above. Also include the portion of the credit equivalent amount reported in column B that is not included in columns C through H, J, and R.

- *In column J–150% risk weight,* include the credit equivalent amount of OTC derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 150 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of OTC derivative contracts that 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

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| **20** (cont.) | fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach or the Collateral Haircut Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the OTC derivative exposure may not be less than 20 percent. For information on the reporting of such OTC derivative exposures in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 20, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports. |
| **21** | **Centrally cleared derivatives.** Report in column B the credit equivalent amount of centrally cleared derivative contracts covered by the regulatory capital rules. As described in §.2 of the regulatory capital rules, a centrally cleared derivative contract is an exposure associated with an outstanding derivative contract that an institution, or an institution that is a clearing member has entered into with a central counterparty (CCP), that is, a transaction that a CCP has accepted. Include centrally cleared credit derivative contracts held for trading purposes that are subject to the market risk capital rule and meet the operational requirements for counterparty credit risk in §.3 of the regulatory capital rules. However, do not include the client-facing leg of a derivative contract cleared through a CCP or a qualified CCP, which is to be reported as an over-the-counter derivative in Schedule RC-R, Part II, item 20. For information on the regulatory capital treatment of settled-to-market contracts, see the discussion of "Treatment of Certain Centrally Cleared Derivative Contracts" in the General Instructions for Schedule RC-R, Part II.<br><br>Do not include the credit equivalent amount of over-the-counter derivative contracts, which must be reported in Schedule RC-R, Part II, item 20. Do not include centrally cleared derivative contracts that meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Schedule RC-R, Part II, item 10.<br><br>The credit equivalent amount of a centrally cleared derivative contract to be reported in column B is determined under either §.35 or §.133 of the regulatory capital rules. Under the regulatory capital rules, a non-advanced approaches institution that elects to calculate the exposure amount for its OTC derivative contracts using the standardized approach for counterparty credit risk (SA-CCR), as described in §.132(c), must apply the treatment of cleared transactions under §.133 to its derivative contracts that are cleared transactions and to all default fund contributions associated with such derivative contracts, rather than applying §.35. A non-advanced approaches institution must use the same methodology – the current exposure method (CEM) or SA-CCR – to calculate the exposure amount for all its derivative contracts and may change its election only with the prior approval of its appropriate federal banking supervisor.<br><br>For further information on the use of SA-CCR in relation to centrally cleared derivative contracts, refer to the instructions for Schedule RC-R, Part II, item 21, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.<br><br>When using CEM, the credit equivalent amount of a centrally cleared derivative contract is the sum of its current credit exposure (as reported in Schedule RC-R, Memorandum item 1), plus the potential future exposure (PFE) over the remaining life of the derivative contract, plus the fair value of collateral posted by the clearing member client bank and held by the CCP or a clearing member in a manner that is not bankruptcy remote. The current credit exposure of a derivative contract is (1) the fair value of the contract when that fair value is positive and (2) zero when the fair value of the contract is negative or zero. The PFE of a derivative |

**Part II. (cont.)**

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

**21** (cont.) contract, which is based on the type of contract and the contract's remaining maturity, is determined by multiplying the notional principal amount of the contract by the appropriate conversion factor from the following chart.

The notional principal amounts of the reporting bank's centrally cleared derivatives that are subject to the risk-based capital requirements are reported by remaining maturity in Schedule RC-R, Part II, Memorandum items 3.a through 3.g.

| Remaining Maturity | Interest Rate | Foreign exchange rate and gold | Credit (investment grade reference assets) | Credit (non-investment grade reference assets) | Equity | Precious metals (except gold) | Other |
|---|---|---|---|---|---|---|---|
| One year or less | 0.0% | 1.0% | 5.0% | 10.0% | 6.0% | 7.0% | 10.0% |
| Greater than one year & less than or equal to five years | 0.5% | 5.0% | 5.0% | 10.0% | 8.0% | 7.0% | 12.0% |
| Greater than five years | 1.5% | 7.5% | 5.0% | 10.0% | 10.0% | 8.0% | 15.0% |

- *In column C–0% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with CCPs and other counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk-weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column D–2% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with Qualified Central Counterparties (QCCPs) where the collateral posted by the bank to the QCCP or clearing member is subject to an arrangement that prevents any losses to the clearing member client due to the joint default or a concurrent insolvency, liquidation, or receivership proceeding of the clearing member and any other clearing member clients of the clearing member; and the clearing member client bank has conducted sufficient legal review to conclude with a well-founded basis (and maintains sufficient written documentation of that legal review) that in the event of a legal challenge (including one resulting from default or from liquidation, insolvency, or receivership proceeding) the relevant court and administrative authorities would find the arrangements to be legal, valid, binding, and enforceable under the law of the relevant jurisdictions. See the definition of QCCP in §.2 of the regulatory capital rules.

- *In column E–4% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with QCCPs in all other cases that do not meet the qualification criteria for a 2 percent risk weight, as described in §.2 of the regulatory capital rules.

- *In column G–20% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with CCPs and other counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk-weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column H–50% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with CCPs and other counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk-weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**21**

- *In column I–100% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with CCPs and other counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 100 percent risk-weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above. Also include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J.

- *In column J–150% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with CCPs and other counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 150 percent risk-weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

**22** **Unsettled transactions (failed trades).** NOTE: This item includes unsettled transactions in the reporting bank's trading book and in its banking book. Report as unsettled transactions all on- and off-balance sheet transactions involving securities, foreign exchange instruments, and commodities that have a risk of delayed settlement or delivery, or are already delayed, and against which the reporting bank must hold risk-based capital as described in §.38 of the regulatory capital rules.

For delivery-versus-payment (DvP) transactions[1] and payment-versus-payment (PvP) transactions,[2] report in column A the positive current exposure of those unsettled transactions with a normal settlement period in which the reporting bank's counterparty has not made delivery or payment within five business days after the settlement date, which are the DvP and PvP transactions subject to risk weighting under §.38 of the regulatory capital rules. Positive current exposure is equal to the difference between the transaction value at the agreed settlement price and the current market price of the transaction, if the difference results in a credit exposure of the bank to the counterparty.

For delayed non-DvP/non-PvP transactions,[3] also include in column A the current fair value of the deliverables owed to the bank by the counterparty in those transactions with a normal settlement period in which the reporting bank has delivered cash, securities, commodities, or currencies to its counterparty, but has not received its corresponding deliverables, which are the non-DvP/non-PvP transactions subject to risk weighting under §.38 of the regulatory capital rules.

For further information on the reporting of unsettled transactions, including assigning these exposures to risk-weight categories, refer to the instructions for Schedule RC-R, Part, II, item 22, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

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[1] DvP transaction means a securities or commodities transaction in which the buyer is obligated to make payment only if the seller has made delivery of the securities or commodities and the seller is obligated to deliver the securities or commodities only if the buyer has made payment.

[2] PvP transaction means a foreign exchange transaction in which each counterparty is obligated to make a final transfer of one or more currencies only if the other counterparty has made a final transfer of one or more currencies.

[3] Non-DvP/non-PvP transaction means any other delayed or unsettled transaction that does not meet the definition of a DvP or a PvP transaction.

**Part II. (cont.)**

**Item No. Caption and Instructions**

**Totals**

NOTE: Schedule RC-R, Part II, items 23 and 25, columns C through Q, as applicable, are to be completed semiannually in the June and December reports only. Items 26 through 31 are to be completed quarterly.

**23** **Total assets, derivatives, off-balance sheet items, and other items subject to risk weighting by risk weight category.** For each of columns C through P, report the sum of items 11 through 22. For column Q, report the sum of items 10 through 22.

**24** **Risk weight factor.**

**25** **Risk-weighted assets by risk weight category.** For each of columns C through Q, multiply the amount in item 23 by the risk weight factor specified for that column in item 24.

**26** **Risk-weighted assets base for purposes of calculating the adjusted allowances for credit losses (AACL) 1.25 percent threshold.** In the reports for March and September, report the amount of the risk-weighted assets base for purposes of calculating the adjusted allowances for credit losses (AACL) 1.25 percent threshold. In the reports for June and December, report the sum of:

- Schedule RC-R, Part II:
  - Items 2.b through 20, column S,
  - Items 9.a, 9.b, 9.c, 9.d, and 10, columns T and U, and
  - Item 25, columns C through Q
- Schedule RC-R, Part I:
  - The portion of item 10.b composed of "Investments in the institution's own shares to the extent not excluded as part of treasury stock,"
  - The portion of item 10.b composed of "Reciprocal cross-holdings in the capital of financial institutions in the form of common stock,"
  - Items 13 through 15,
  - Item 24, excluding the portion of item 24 composed of tier 2 capital deductions reported in Part I, item 45, for which the institution does not have a sufficient amount of tier 2 capital before deductions reported in Part I, item 44, to absorb these deductions, and
  - Item 45.

NOTE: Item 27 is applicable only to banks that are subject to the market risk capital rule.

**27** **Standardized market risk-weighted assets.** Report the amount of the bank's standardized market risk-weighted assets. This item is applicable only to those banks covered by Subpart F of the regulatory capital rules (i.e., the market risk capital rule), as provided in §.201 of the regulatory capital rules and in the discussion of "Banks That Are Subject to the Market Risk Capital Rule" in the General Instructions for Schedule RC-R, Part II.

A bank's measure for market risk for its covered positions is the sum of its value-at-risk (VaR)-based, stressed VaR-based, incremental risk, and comprehensive risk capital requirements plus its specific risk add-ons and any capital requirement for de minimis exposures. A bank's standardized market risk-weighted assets equal its measure for market risk multiplied by 12.5 (the reciprocal of the minimum 8.0 percent capital ratio).

For further information on the meaning of the term "covered position," refer to the discussion of "Banks That Are Subject to the Market Risk Capital Rule" in the General Instructions for Schedule RC-R, Part II.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| 28 | **Risk-weighted assets before deductions for excess AACL and allocated transfer risk reserve.** In the reports for March and September, report the amount of risk-weighted assets before deductions for excess adjusted allowances for credit losses (AACL) and allocated transfer risk reserve. In the reports for June and December, report the sum of items 2.b through 20, column S; items 9.a, 9.b, 9.c, 9.d, and 10, columns T and U; item 25, columns C through Q; and, if applicable, item 27. (Item 27 is applicable only to banks that are subject to the market risk capital rule.) |
| 29 | **LESS: Excess AACL.** Report the amount, if any, by which the bank's adjusted allowances for credit losses (AACL) for regulatory capital purposes exceeds 1.25 percent of the bank's risk-weighted assets base reported in Schedule RC-R, Part II, item 26.<br><br>An institution's AACL for regulatory capital purposes equals Schedule RI-B, Part II, item 7, columns A and B, "Balance end of current period" for loans and leases held for investment and held-to-maturity debt securities, respectively; plus Schedule RI-B, Part II, Memorandum item 6, "Allowance for credit losses on other financial assets measured at amortized cost (not included in item 7, above)"; less Schedule RC-R, Part II, sum of Memorandum items 4.a, 4.b, and 4.c, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for loans and leases held for investment, held-to-maturity debt securities, and other financial assets measured at amortized cost, respectively; less any allocated transfer risk reserve included in Schedule RI-B, Part II, item 7, columns A and B, and Memorandum item 6; plus Schedule RC-G, item 3, ''Allowance for credit losses on off-balance sheet credit exposures.'' |
| 30 | **LESS: Allocated transfer risk reserve.** Report the entire amount of any allocated transfer risk reserve (ATRR) the reporting bank is required to establish and maintain as specified in Section 905(a) of the International Lending Supervision Act of 1983, in the agency regulations implementing the Act (Subpart D of Federal Reserve Regulation K, Part 347 of the FDIC's Rules and Regulations, and 12 CFR Part 28, Subpart C (OCC)), and in any guidelines, letters, or instructions issued by the agencies. The entire amount of the ATRR equals the ATRR related to loans and leases held for investment (which is included in Schedule RC, item 4,c, "Allowance for credit losses on loans and leases") plus the ATRR for assets other than loans and leases held for investment. |
| 31 | **Total risk-weighted assets.** Report the amount derived by subtracting items 29 and 30 from item 28. |

**Part II. (cont.)**

**Memoranda**

**Item No. Caption and Instructions**

NOTE: Schedule RC-R, Part II, Memorandum items 1 through 3.g, are to be completed semiannually in the June and December reports only.

**1** **Current credit exposure across all derivative contracts covered by the regulatory capital rules.** Report the total current credit exposure amount when using the current exposure method (CEM) or replacement cost amount when using the standardized approach for counterparty credit risk (SA-CCR) after considering applicable legally enforceable bilateral netting agreements for all derivative contracts that are over-the-counter derivative contracts (as defined in §.2 of the regulatory capital rules) and all derivative contracts that are cleared transactions (as described in §.2 of the regulatory capital rules) and are covered by §.34, §.35, §.132, and §.133 of the regulatory capital rules, as applicable. Banks that are subject to the market risk capital rule should exclude all covered positions subject to that rule, except for foreign exchange derivatives that are outside of the trading account.[1] Foreign exchange derivatives that are outside of the trading account and all over-the-counter derivatives continue to have a counterparty credit risk capital charge and, therefore, a current credit exposure amount for these derivatives should be reported in this item.

Include the current credit exposure arising from credit derivative contracts where the bank is the protection purchaser (beneficiary) and the credit derivative contract is either (a) defined as a covered position under the market risk capital rule or (b) not defined as a covered position under the market risk capital rule and not recognized as a guarantee for regulatory capital purposes.

As discussed further below, current credit exposure (sometimes referred to as the replacement cost) is the fair value of a derivative contract when that fair value is positive. The current credit exposure is zero when the fair value is negative or zero.

Exclude the positive fair value of derivative contracts that are neither over-the-counter derivative contracts nor derivative contracts that are cleared transactions under §.2 of the regulatory capital rules. Such derivative contracts include written option contracts, including so-called “derivative loan commitments,” i.e., a lender’s commitment to originate a mortgage loan that will be held for resale. Written option contracts that are, in substance, financial guarantees, are discussed below. For “derivative loan commitments,” which are reported as over-the-counter written option contracts in Schedule RC-L, if the fair value of such a commitment is positive and reported as an asset in Schedule RC, item 11, this positive fair value should be reported in the appropriate risk-weight category in Schedule RC-R, Part II, item 8, and not as a component of the current credit exposure to be reported in this item.

Purchased options held by the reporting bank that are traded on an exchange are covered by the regulatory capital rules unless such options are subject to a daily variation margin. Variation margin is defined as the gain or loss on open positions, calculated by marking to market at the end of each trading day. Such gain or loss is credited or debited by the clearing house to each clearing member's account, and by members to their customers' accounts.

[1] For further information on the market risk capital rule and the meaning of the term “covered position,” refer to the discussion of “Banks That Are Subject to the Market Risk Capital Rule” in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

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**Part II. (cont.)**

**Memoranda**

| Item No. | Caption and Instructions |
|---|---|
| 1 (cont.) | If a written option contract acts as a financial guarantee that does not meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules, then for risk-based capital purposes the notional amount of the option should be included in Schedule RC-R, Part II, item 17, column A, as part of "All other off-balance sheet liabilities." An example of such a contract occurs when the reporting bank writes a put option to a second bank that has a loan to a third party. The strike price would be the equivalent of the par value of the loan. If the credit quality of the loan deteriorates, thereby reducing the value of the loan to the second bank, the reporting bank would be required by the second bank to take the loan onto its books.<br><br>Do not include derivative contracts that meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Schedule RC-R, Part II, item 10.<br><br>Current credit exposure, when using CEM, or replacement cost, when using SA-CCR, should be derived as follows: Determine whether a qualifying master netting agreement, as defined in §.2 of the regulatory capital rules, is in place between the reporting bank and a counterparty. If such an agreement is in place, the fair values of all applicable derivative contracts with that counterparty that are included in the netting agreement are netted to a single amount.<br><br>Next, for all other derivative contracts covered by the regulatory capital rules that have positive fair values, the total of the positive fair values is determined. Then, report in this item the sum of (i) the net positive fair values of applicable derivative contracts subject to qualifying master netting agreements and (ii) the total positive fair values of all other contracts covered by the regulatory capital rules for both OTC and centrally cleared contracts. The current credit exposure reported in this item is a component of the credit equivalent amount of derivative contracts that is to be reported in Schedule RC-R, items 20 or 21, column B, depending on whether the contracts are centrally cleared. |
| 2 | **Notional principal amounts of over-the-counter derivative contracts.** Report in the appropriate subitem and column the notional amount or par value of all over-the-counter (OTC) derivative contracts, including credit derivatives, that are subject to §.34 or §.132 of the regulatory capital rules.[1] Such contracts include swaps, forwards, and purchased options. Do not include OTC derivative contracts that meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Schedule RC-R, Part II, item 10. Report notional amounts and par values in the column corresponding to the OTC derivative contract's remaining term to maturity from the report date. Remaining maturities are to be reported as (1) one year or less in column A, (2) over one year through five years in column B, or (3) over five years in column C.<br><br>Regardless of whether an institution uses the standardized approach for counterparty credit risk (SA-CCR) or the current exposure methodology (CEM) to calculate exposure amounts for its derivative contracts, report in Memorandum items 2.a through 2.g the notional amounts of the contracts, as this term is defined in U.S. generally accepted accounting principles, unless a derivative contract has a multiplier component as discussed in the following paragraph. |

[1] See the instructions for Schedule RC-R, Part II, item 20, for the definition of an OTC derivative contract.

**Part II. (cont.)**

**Memoranda**

| Item No. | Caption and Instructions |
|---|---|
| 2 (cont.) | The notional amount or par value to be reported under SA-CCR and CEM for an OTC derivative contract with a multiplier component is the contract's effective notional amount or par value. (For example, a swap contract with a stated notional amount of $1,000,000 whose terms call for quarterly settlement of the difference between 5 percent and LIBOR multiplied by 10 has an effective notional amount of $10,000,000.)<br><br>The notional amount to be reported under SA-CCR and CEM for an amortizing OTC derivative contract is the contract's current (or, if appropriate, effective) notional amount. This notional amount should be reported in the column corresponding to the contract's remaining term to final maturity.<br><br>For descriptions of "interest rate derivative contracts," "foreign exchange contracts," "equity derivative contracts," "commodity contracts" (including gold and precious metals), and "credit derivative contracts," refer to the instructions for Schedule SU, item 1.<br><br>Exclude from this item the notional amount of OTC written option contracts, including so-called "derivative loan commitments," which are not subject to §.34 of the regulatory capital rules.<br><br>For information on reporting the remaining maturities of over-the-counter derivative contracts when using SA-CCR, refer to the instructions for Schedule RC-R, Part II, Memorandum item 2, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports. |
| 3 | **Notional principal amounts of centrally cleared derivative contracts.** Report in the appropriate subitem and column the notional amount or par value of all derivative contracts, including credit derivatives, that are cleared transactions (as described in §.2 of the regulatory capital rules) and are subject to §.35 or §.133 of the regulatory capital rules.[1] Such centrally cleared derivative contracts include swaps, forwards, and purchased options. Do not include centrally cleared derivative contracts that meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Schedule RC-R, Part II, item 10. Report notional amounts and par values in the column corresponding to the centrally cleared derivative contract's remaining term to maturity from the report date. Remaining maturities are to be reported as (1) one year or less in column A, (2) over one year through five years in column B, or (3) over five years in column C.<br><br>Regardless of whether an institution uses the standardized approach for counterparty credit risk (SA-CCR) or the current exposure methodology (CEM) to calculate exposure amounts for its derivative contracts, report in Memorandum items 3.a through 3.g the notional amounts of the contracts, as this term is defined in U.S. generally accepted accounting principles, unless a derivative contract has a multiplier component as discussed in the following paragraph.<br><br>The notional amount or par value to be reported under SA-CCR and CEM for a centrally cleared derivative contract with a multiplier component is the contract's effective notional amount or par value. (For example, a swap contract with a stated notional amount of $1,000,000 whose terms call for quarterly settlement of the difference between 5 percent and LIBOR multiplied by 10 has an effective notional amount of $10,000,000.) |

[1] See the instructions for Schedule RC-R, Part II, item 21, for the description of derivative contracts that are cleared transactions, referred to hereafter as centrally cleared derivative contracts.

**Part II. (cont.)**

**Memoranda**

| Item No. | Caption and Instructions |
|---|---|
| **3** (cont.) | The notional amount to be reported under SA-CCR and CEM for an amortizing centrally cleared derivative contract is the contract's current (or, if appropriate, effective) notional amount. This notional amount should be reported in the column corresponding to the contract's remaining term to final maturity.<br><br>For descriptions of "interest rate derivative contracts," "foreign exchange contracts," "equity derivative contracts," "commodity contracts" (including gold and precious metals), and "credit derivative contracts," refer to the instructions for Schedule SU, item 1.<br><br>For information on reporting the remaining maturities of centrally cleared derivative contracts, including settled-to-market cleared derivatives, when using the SA-CCR, refer to the instructions for Schedule RC-R, Part II, Memorandum item 3, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports. |
| **2.a and 3.a** | **Interest rate.** Report the remaining maturities of interest rate contracts that are subject to the regulatory capital rules. |
| **2.b and 3.b** | **Foreign exchange rate and gold.** Report the remaining maturities of foreign exchange contracts and the remaining maturities of gold contracts that are subject to the regulatory capital rules. |
| **2.c and 3.c** | **Credit (investment grade reference asset).** Report the remaining maturities of those credit derivative contracts where the reference entity meets the definition of investment grade as described in §.2 of the regulatory capital rules. |
| **2.d and 3.d** | **Credit (non-investment grade reference asset).** Report the remaining maturities of those credit derivative contracts where the reference entity does not meet the definition of investment grade as described in §.2 of the regulatory capital rules. |
| **2.e and 3.e** | **Equity.** Report the remaining maturities of equity derivative contracts that are subject to the regulatory capital rules. |
| **2.f and 3.f** | **Precious metals (except gold).** Report the remaining maturities of other precious metals contracts that are subject to the regulatory capital rules. Report all silver, platinum, and palladium contracts. |
| **2.g and 3.g** | **Other.** Report the remaining maturities of other derivative contracts that are subject to the regulatory capital rules. For contracts with multiple exchanges of principal, notional amount is determined by multiplying the contractual amount by the number of remaining payments (i.e., exchanges of principal) in the derivative contract. |

**Part II. (cont.)**

**Memoranda**

| Item No. | Caption and Instructions |
|---|---|
| 4 | **Amount of allowances for credit losses on purchased credit-deteriorated assets.** "Purchased credit-deteriorated assets" are acquired individual financial assets (or acquired groups of financial assets with similar risk characteristics) accounted for in accordance with ASC Topic 326, Financial Instruments–Credit Losses, that, as of the date of acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination, as determined by the acquiring institution's assessment.<br><br>Institutions are required to estimate and record a credit loss allowance for a PCD asset at the time of purchase. The credit loss allowance is then added to the purchase price to determine the amortized cost basis of the asset for financial reporting purposes. Post-acquisition increases in credit loss allowances on PCD assets will be established through a charge to earnings. |
| 4.a | **Loans and leases held for investment.** Report all allowances for credit losses on PCD loans and leases held for investment. |
| 4.b | **Held-to-maturity debt securities.** Report all allowances for credit losses on PCD held-to-maturity debt securities. |
| 4.c | **Other financial assets measured at amortized cost.** Report all allowances for credit losses on all other PCD financial assets, excluding PCD loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities. |

# 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.”

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

**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:

Institutions with total fiduciary assets (item 10, sum of columns A and B) greater than $1 billion (as of the preceding December 31) or with gross fiduciary and related services

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

**3** (cont.) income greater than 10 percent of revenue (net interest income plus noninterest income) for the preceding calendar year must complete:

- Items 4 through 22 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) greater than $250 million but less than or equal to $1 billion (as of the preceding December 31) that do not meet the fiduciary income test for quarterly reporting must complete:

- Items 4 through 22 semiannually with the June and December reports;
- Items 23 through 26 annually with the December report;
- Memorandum item 3 semiannually with the June and December reports; 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, if appropriate, cash surrender values of certain life insurance policies, 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 (e.g., 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 from reporting in Schedule RC-T any arrangements representing potential future fiduciary accounts, such as testamentary executor appointments.

**Fiduciary and Related Assets (cont.)**

Also exclude from Schedule RC-T, assets for which the institution is only providing operational, or back-office services, and the accounts or assets are not held by the institution.

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 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.

**Fiduciary and Related Assets (cont.)**

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.

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.

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

**4** **Personal trust and agency accounts.** Report the market value and number of accounts for all testamentary trusts, revocable and irrevocable living trusts, (including life insurance trusts, except for term life insurance policies that have nominal value), 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. Include those accounts in which the institution serves as either trustee or agent and provides investment management services or provides investment advice for a fee. Employee benefit accounts for which the institution serves as a directed trustee or provides investment advice for a fee 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.

**Fiduciary and Related Assets (cont.)**

**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. Include those accounts in which the institution provides investment management services or provides investment advice for a fee. Employee benefit accounts for which the institution serves as a directed trustee or provides investment advice for a fee 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 either trustee or agent. Include those accounts in which the institution provides investment management services or provides investment advice for a fee. Include Keogh Plan accounts, Individual Retirement Accounts, Health Savings Accounts, Medical Savings Accounts, and other 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 or provides investment advice for a fee 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.

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| Item No. | Caption and Instructions |
|---|---|

**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 unpresented 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. Exclude investment management and investment advisory agency accounts maintained for employee benefit and retirement-related accounts, which should be reported in Schedule RC-T, item 5. 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 reported in Schedule RC-T, item 5. Accounts that are solely custodial or safekeeping should 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.

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

**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 either trustee or agent in addition to being custodian should be reported in the category of the primary relationship. An account with both a fiduciary and custodial relationship should be reported under the fiduciary capacity as 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.

**12** Not applicable.

**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 (cont.)**

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.)

| Item No. | Caption and Instructions |
|---|---|
| 14 | **Personal trust and agency accounts.** Report gross income generated from personal trust and agency accounts as defined for item 4 of this schedule. |
| 15 | **Employee benefit and retirement-related trust and agency accounts:** |
| 15.a | **Employee benefit – defined contribution.** Report gross income generated from defined contribution employee benefit trust and agency accounts as defined for item 5.a of this schedule. |
| 15.b | **Employee benefit – defined benefit.** Report gross income generated from defined benefit employee benefit trust and agency accounts as defined for item 5.b of this schedule. |
| 15.c | **Other employee benefit and retirement-related accounts.** Report gross income generated from other employee benefit and retirement-related accounts as defined for item 5.c of this schedule. |
| 16 | **Corporate trust and agency accounts.** Report gross income generated from corporate trust and agency relationships as defined for item 6 of this schedule. |
| 17 | **Investment management and investment advisory agency accounts.** Report gross income generated from investment management and investment advisory agency accounts as defined for item 7 of this schedule. Also include income generated from investment advisory activities when the assets are not held by the institution. |
| 18 | **Foundation and endowment trust and agency accounts.** Report gross income generated from foundation and endowment trust and agency accounts as defined for item 8 of this schedule. |
| 19 | **Other fiduciary accounts.** Report gross income generated from other trust and agency accounts as defined for item 9 of this schedule. |
| 20 | **Custody and safekeeping accounts.** Report gross income generated from custody and safekeeping agency accounts as defined for item 11 of this schedule. |

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

**21** **Other fiduciary and related services income.** Report all other gross fiduciary related income that cannot properly be reported in Schedule RC-T, items 14 through item 20, above. Include income received from others (including affiliates) for fiduciary and related services provided by the institution. Income received from investment advisory services in which the account assets are held in a custody or safekeeping account at the reporting institution should be reported in item 17 of this schedule. Also include net income generated from securities lending activities (i.e., after broker rebates and income paid to lending accounts). Include income from custodial activities for land trusts and mortgage-backed securities. Exclude allocations of income to the trust department from other areas of the institution such as credits for fiduciary cash held as a deposit in the commercial bank.

**22** **Total gross fiduciary and related services income.** Report the sum of items 14 through 21. This item must equal Schedule RI, item 5.a, "Income from fiduciary activities."

**23** **Less: Expenses.** Report total direct and indirect expenses attributable to the fiduciary and related services reported in this schedule. Include salaries, wages, bonuses, incentive pay, and employee benefits for employees assigned to reportable activities. If only a portion of their time is allocated to reportable activities, report that proportional share of their salaries and employee benefits. Include direct expenses related to the use of premises, furniture, fixtures, and equipment, as well as depreciation/amortization, ordinary repairs and maintenance, service or maintenance contracts, utilities, lease or rental payments, insurance coverage, and real estate and other property taxes if they are directly chargeable to the reportable activities. Income taxes attributable to reportable activity earnings should not be included. Also exclude settlements, surcharges, and other losses, which are to be reported in Schedule RC-T, item 24.

Include indirect expenses charged to the department or function offering reportable activities by other departments or functions of the institution as reflected in the institution's internal management accounting system. Include proportional shares of corporate expenses that cannot be directly charged to particular departments or functions. Examples of indirect expenses include such items as audit and examination fees, marketing, charitable contributions, customer parking, holding company overhead, proportional share of building rent or depreciation, utilities, real estate taxes, insurance, human resources, corporate planning, and corporate financial staff. Reporting methods for indirect expenses should remain consistent from period to period.

**24** **Less: Net losses from fiduciary and related services.** Report net losses resulting from fiduciary and related services. Net losses are gross losses less recoveries. Gross losses include settlements, surcharges, and other losses arising from errors, misfeasance, or malfeasance on fiduciary and related services accounts and should reflect losses recognized on an accrual basis. Recoveries may be for current or prior years' losses and should be reported when payment is actually realized. This item must equal Schedule RC-T, Memorandum item 4.e, sum of columns A and B minus column C. For further information, see the instruction to Schedule RC-T, Memorandum item 4.

**25** **Plus: Intracompany income credits for fiduciary and related services.** If applicable to the reporting institution, report credits from other areas of the institution for activities reportable in this schedule. Include intracompany income credit made available to the fiduciary area for fiduciary account holdings of own-bank deposits. Also include credits for other intracompany services and transactions.

**26** **Net fiduciary and related services income.** Report the total from item 22 less the amounts reported in item 23 and item 24 plus the amount reported in item 25.

## Memoranda

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

**1** **Managed assets held in fiduciary accounts.**

**Column Instructions for Memorandum items 1.a through 1.p:**

***Column A, Personal Trust and Agency and Investment Management Agency Accounts:*** Report the market value of managed assets held in (a) personal trust and agency accounts as defined for item 4 of this schedule and (b) investment management agency accounts as defined for item 7 of this schedule.

***Column B, Employee Benefit and Retirement-Related Trust and Agency Accounts:*** Report the market value of managed assets held in employee benefit and retirement-related trust and agency accounts as defined for items 5.a, 5.b, and 5.c of this schedule.

***Column C, All Other Accounts:*** Report the market value of managed assets held in (a) corporate trust and agency accounts as defined for item 6 of this schedule, (b) foundation and endowment trust and agency accounts as defined for item 8 of this schedule, and (c) other fiduciary accounts as defined for item 9 of this schedule.

Report in the appropriate column and in the appropriate subitem the market value of all managed assets held in the fiduciary accounts included in Schedule RC-T, items 4 through 9, column A. For units in common trust funds and collective investment funds that are held by a managed fiduciary account, report the market value of the units in Schedule RC-T, Memorandum item 1.h. Do not allocate the underlying assets of each common trust fund and collective investment fund attributable to managed accounts to the individual subitems for the various types of assets reported in Schedule RC-T, Memorandum item 1.

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.

**1.a** **Noninterest-bearing deposits.** Report all noninterest-bearing deposits. Report noninterest-bearing deposits of both principal and income cash.

**1.b** **Interest-bearing deposits.** Report all interest-bearing savings and time deposits. Include NOW accounts, MMDA accounts, "BICs" (bank investment contracts) that are insured by the FDIC, and certificates of deposit. Report interest-bearing deposits of both principal and income cash.

**1.c** **U.S. Treasury and U.S. Government agency obligations.** Report all securities of and/or loans to the U.S. Government and U.S. Government corporations and agencies. Include certificates or other obligations, however named, that represent pass-through participations in pools of real estate loans when the participation instruments: (1) are issued by FHA-approved mortgagees and guaranteed by the Government National Mortgage Association, or (2) are issued, insured, or guaranteed by a U.S. Government agency or corporation (e.g., the Federal Home Loan Mortgage Corporation's Mortgage Participation Certificates). Collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMICs) issued by the Federal National Mortgage Association (FNMA) ("Fannie Mae") and the Federal Home Loan Mortgage Corporation (FHLMC) ("Freddie Mac") should be included.

## Memoranda

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**1.d** **State, county, and municipal obligations.** Report all short- and long-term obligations of state and local governments, and political subdivisions of the United States. Include obligations of U.S. territories and insular possessions and their political subdivisions and all Federal income tax-exempt obligations of authorities such as local housing and industrial development authorities that derive their tax-exempt status from relationships with State or local governments. Tax-exempt money market mutual funds should be reported with money market mutual funds in Schedule RC-T, Memorandum item 1.e.

**1.e** **Money market mutual funds.** Report all holdings of mutual funds registered under the Investment Company Act of 1940 that attempt to maintain net asset values at $1.00 per share. Include taxable and tax-exempt money market mutual funds. Exclude short-term collective investment funds.

**1.f** **Equity mutual funds.** Report all holdings of mutual funds registered under the Investment Company Act of 1940, exchange traded funds (ETFs), and unit investment trusts (UITs) that invest primarily in equity securities. For purposes of Memorandum item 1, institutions should categorize these investments on the basis of either the fund's investment objective as stated in its prospectus or the fund's classification by a company that tracks information on these funds such as Morningstar and Lipper. An institution's methodology for categorizing mutual fund, ETF, and UIT investments should be consistently applied.

**1.g** **Other mutual funds.** Report all holdings of all other mutual funds registered under the Investment Company Act of 1940, ETFs, and UITs. For purposes of Memorandum item 1, institutions should categorize these investments on the basis of either the fund's investment objective as stated in its prospectus or the fund's classification by a company that tracks information on these funds such as Morningstar and Lipper. An institution's methodology for categorizing mutual fund, ETF, and UIT investments should be consistently applied.

**1.h** **Common trust funds and collective investment funds.** Report all holdings of all common trust funds and collective investment funds. Common trust funds and collective investment funds 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.

**1.i** **Other short-term obligations.** Report all other short-term obligations (i.e., original maturities of less than 1 year, or 13 months in the case of the time portion of master notes). In addition to short-term notes, include in this item such money market instruments as master note arrangements, commercial paper, bankers acceptances, securities repurchase agreements, and other short-term liquidity investments. Exclude state, county, and municipal obligations.

**1.j** **Other notes and bonds.** Report all other bonds, notes (except personal notes), and debentures. Include corporate debt, insurance annuity contracts, "GICs" (guaranteed investment contracts), "BICs" (bank investment contracts) that are not insured by the FDIC, and obligations of foreign governments. Also include certificates or other obligations, however named, representing pass-through participations in pools of real estate loans when the participation instruments are issued by financial institutions and guaranteed in whole or in part by private guarantors. Collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMICs) that are *not* issued by the Federal National Mortgage Association (FNMA) ("Fannie Mae") and the Federal Home Loan Mortgage

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| 1.j (cont.) | 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.<br><br>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. |

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**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 unpresented 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.

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**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.

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**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.

## Memoranda

| Item No. | Caption and Instructions |
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| 4.c | **Investment management and investment advisory agency accounts.** Report gross losses and recoveries for investment management and investment advisory agency accounts as defined for item 7 of this schedule. |
| 4.d | **Other fiduciary accounts and related services.** Report gross losses and recoveries for all other fiduciary accounts and related services that are not included in Schedule RC-T, Memorandum items 4.a, 4.b, and 4.c, above. Include losses and recoveries from corporate trust and agency accounts, foundation and endowment trust and agency accounts, other fiduciary accounts, custody and safekeeping accounts, and other fiduciary related services. |
| 4.e | **Total fiduciary settlements, surcharges, and other losses.** Report the sum of Memorandum items 4.a through 4.d. The sum of columns A and B minus column C must equal Schedule RC-T, item 24, above. |

## Example of "Fee Reduction" or "Fee Waiver" Agreement

**Facts:**

- An institution has a two-year fiduciary services agreement with a client. It charges the client's demand deposit account the $36,000 quarterly fee for the fiduciary services on the final business day of each calendar quarter.
- Near the end of the first calendar quarter, the institution inadvertently processes a transaction for its client one day later than it should have, causing a $12,000 loss to the client because of the delay in processing.
- The delayed transaction and loss are discovered immediately before the end of the first calendar quarter.
- The institution is responsible for this loss and must reimburse its client.
- Shortly after the end of the first calendar quarter, the institution enters into a "fee reduction" or "fee waiver" agreement with its client that calls for the institution to reduce the quarterly fee it will charge its client for the second calendar quarter from $36,000 to $24,000.
- The Call Report instructions state that fiduciary and related services income must be reported ***gross*** in Schedule RC-T, items 14 through 22, and Schedule RI, item 5.a.

**Question:**

*How and when should the institution report the $12,000 loss and the "fee reduction" or "fee waiver" for this amount?*

**Response:**

The institution should include the $12,000 loss in the net total fiduciary settlements, surcharges, and other losses reported in Schedule RI, item 7.d, "Other noninterest expense," in the first calendar quarter and each subsequent quarter of the calendar year and, if applicable, in Schedule RC-T, item 24, and in the appropriate subitem and column of Schedule RC-T, Memorandum item 4, in the December Call Report. [If the $12,000 loss had been discovered in the second calendar quarter, but before the Call Report for the first calendar quarter was submitted (rather than immediately before the end of the first calendar), the institution should report the $12,000 loss in the Call Report for the first calendar quarter (and each subsequent quarter of the calendar year) as described above. This reporting treatment is applicable because information available prior to the submission of the first quarter Call Report indicates that it is probable that a loss had been incurred as of the end of the first calendar quarter and the amount of the loss can be reasonably estimated.]

**Example of "Fee Reduction" or "Fee Waiver" Agreement (cont.)**

In the first and second calendar quarters, the institution should include $36,000 and $72,000, respectively, in quarterly fees in the gross fiduciary and related services income reported in Schedule RI, item 5.a, "Income from fiduciary activities," and, if applicable, in the appropriate category of income in Schedule RC-T, items 14 through 21, and in item 22.

***Illustrative Journal Entries for This Example***

Date of discovery of the loss immediately before the end of the first calendar quarter:

DR Fiduciary losses $12,000*
CR Fiduciary reimbursements payable $12,000**

To record the $12,000 fiduciary loss in the period incurred and the reimbursement payable to the client (which will be affected through a "fee reduction" or "fee waiver").

* In the first quarter Call Report, the fiduciary loss would be included in Schedule RI, item 7.d.
** In the first quarter Call Report, this unpaid reimbursement payable would be included in Schedule RC-G, item 4.

Final business day of the first calendar quarter:

DR Demand deposit accounts $36,000
CR Fiduciary services income $36,000***

To record the collection of the $36,000 gross fee for fiduciary services for the first calendar quarter.

*** In the first quarter Call Report, this income would be included in Schedule RI, item 5.a.

Final business day of the second calendar quarter:

DR Demand deposit accounts $24,000
DR Fiduciary reimbursements payable $12,000
CR Fiduciary services income $36,000****

To record the earning of the $36,000 gross fee for fiduciary services for the second calendar quarter, the reimbursement of the client for the $12,000 fiduciary loss, and the collection of the $24,000 net fee from the client.

**** In the second quarter Call Report, this income would be included in Schedule RI, item 5.a (as would the $36,000 gross fee for fiduciary services from the first calendar quarter).

# LINE ITEM INSTRUCTIONS FOR SCHEDULE SU

The line item instructions should be read in conjunction with the Glossary and other sections of these instructions. See the discussion of the Organization of the Instruction Books in the General Instructions. For purposes of these Supplemental Information instructions, the Financial Accounting Standards Board (FASB) Accounting Standards Codification is referred to as the "ASC."

# SCHEDULE SU – SUPPLEMENTAL INFORMATION

## General Instructions

Schedule SU should be completed on a fully consolidated basis.

## Item Instructions

***Derivatives***

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

**1** **Does the institution have any derivative contracts?**

If your institution has derivative contracts, place an "X" in the box marked "Yes" and complete items 1.a through 1.d, below.

If your institution has no derivative contracts, place an "X" in the box marked "No," skip items 1.a through 1.d, and go to item 2.

For purposes of this item and items 1.a through 1.d, derivative contracts include all contracts that meet the definition of a derivative and must be accounted for in accordance with ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended). Include both freestanding derivative contracts and those embedded derivatives that have been bifurcated from their host contracts and are accounted for separately under ASC Topic 815. For further information, see the Glossary entry for "Derivative Contracts."

Exclude spot foreign exchange contracts, which are agreements for the immediate delivery, usually within two business days or less (depending on market convention), of a foreign currency at the prevailing cash market rate. Report spot foreign exchange contracts as "Other off-balance sheet liabilities" in Schedule RC-L, item 9, subject to the existing reporting threshold for this item.

Also exclude notional amounts for derivative contracts that have matured, but have associated unsettled receivables or payables that are reported as assets or liabilities, respectively, on the balance sheet as of the quarter-end report date.

In items 1.a through 1.d, an institution should report the notional amount (stated in U.S. dollars) of each derivative contract according to *both* its underlying risk exposure – either as "interest rate," as defined below, or as "other" – *and* its designation as held for trading or for purposes other than trading, also defined below. All notional amounts to be reported in Schedule SU, items 1.a through 1.d, should be based on the notional amount definition in U.S. generally accepted accounting principles, which states that this amount is the number of currency units, shares, bushels, pounds, or other units specified in a derivative contract.

A contract with multiple risk characteristics should be classified based upon its predominant risk characteristic at the origination of the derivative.

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

**1** (cont.) For purposes of reporting the gross notional amount of derivative contracts in Schedule SU, items 1.a through 1.d:

(1) For futures and forward contracts, report the aggregate par value of the contracts that have been entered into by the reporting institutions and are outstanding (i.e., open contracts) as of the report date. Do not report the par value of financial instruments intended to be delivered under such contracts if this par value differs from the par value of the contracts themselves.

Contracts are outstanding (i.e., open) until they have been cancelled by acquisition or delivery of the underlying financial instruments, offset (for futures contracts), or settled in cash (for forward contracts). Offset is the liquidating of a purchase of futures through the sale of an equal number of contracts of the same delivery month on the same underlying instrument on the same exchange, or the covering of a short sale of futures through the purchase of an equal number of contracts of the same delivery month on the same underlying instrument on the same exchange. Forward contracts can only be terminated, other than by receipt of the underlying asset, by agreement of both buyer and seller.

(2) For written and purchased option contracts, report the aggregate par value of the financial instruments or commodities that the option seller (writer) has, for compensation (such as a fee or premium), obligated itself to either purchase from or sell to the option buyer (purchaser) under option contracts that are outstanding as of the report date. Report the aggregate notional amount for written and purchased caps, floors, and swaptions. For collars and corridors, report the aggregate notional amount for the purchased portion of the contract plus the aggregate notional amount for the written portion of the contract.

(3) For swaps, the notional amount is the underlying principal amount upon which the exchange of interest, foreign exchange, or other income or expense is based. In those cases where the reporting institution is acting as an intermediary, both sides of the transaction are to be reported.

In reporting Schedule SU, items 1.a through 1.d, the notional amount or par value to be reported for a derivative contract with a multiplier component is the contract's effective notional amount or par value. For example, a swap contract with a stated notional amount of $1,000,000 whose terms called for quarterly settlement of the difference between 5% and LIBOR multiplied by 10 has an effective notional amount of $10,000,000.

All transactions within the consolidated institution should be reported on a net basis, i.e., intrabank transactions should not be reported in this item. No other netting of contracts is permitted for purposes of these derivatives items. Therefore, do not net:

(1) Obligations of the reporting institution to purchase from third parties against the institution's obligations to sell to third parties;
(2) Written options against purchased options; or
(3) Contracts subject to bilateral netting agreements.

**Definitions**

**Futures contracts.** Futures contracts represent agreements for delayed delivery of financial instruments or commodities in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified instrument at a specified price or yield. Futures contracts are standardized and are traded on organized exchanges that act as the counterparty to each contract.

**Forward contracts.** Forward contracts represent agreements for delayed delivery of financial instruments or commodities in which the buyer agrees to purchase and the seller

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

**1** (cont.) agrees to deliver, at a specified future date, a specified instrument or commodity at a specified price or yield. Forward contracts are not traded on organized exchanges and their contractual terms are not standardized.

Forward contracts include contracts for the purchase and sale of when-issued securities that are not excluded from the requirements of ASC Topic 815. Report contracts for the purchase of when-issued securities that are excluded from the requirements of ASC Topic 815 and accounted for on a settlement-date basis as "Other off-balance sheet liabilities" in Schedule RC-L, item 9, and contracts for the sale of when-issued securities that are excluded from the requirements of ASC Topic 815 and accounted for on a settlement-date basis as "Other off-balance sheet assets" in Schedule RC-L, item 10, subject to the existing reporting thresholds for these two items.

**Option contracts.** Option contracts convey either the right or the obligation, depending upon whether the reporting institution is the purchaser or the writer, respectively, to buy or sell a financial instrument or commodity at a specified price by a specified future date. Some options are traded on organized exchanges and are known as exchange-traded options. Other options are written to meet the specialized needs of the counterparties to the transaction. These customized option contracts are known as over-the- counter (OTC) options. Thus, OTC options include all option contracts not traded on an organized exchange.

The buyer (purchaser) of an option contract has, for compensation (such as a fee or premium), acquired the right (or option) to sell to, or purchase from, another party some financial instrument or commodity at a stated price on a specified future date. The seller (writer) of the option contract has, for such compensation, become obligated to purchase or sell the financial instrument or commodity at the option of the buyer of the contract. A put option contract obligates the seller of the contract to purchase some financial instrument or commodity at the option of the buyer of the contract. A call option contract obligates the seller of the contract to sell some financial instrument or commodity at the option of the buyer of the contract.

Option contracts also include swaptions, i.e., options to enter into a swap contract, and contracts known as caps, floors, collars, and corridors. In addition, a reporting institution’s commitments to lend that meet the definition of a derivative and must be accounted for in accordance with ASC Topic 815, Derivatives and Hedging, are considered written options and should be reported in Schedule SU, items 1.a through 1.d. All other commitments to lend should be reported in Schedule RC-L, item 1.

**Swaps.** Swaps, including forward-starting swap contracts, are transactions in which two parties agree to exchange payment streams based on a specified notional amount for a specified period. For purposes of these reports, a swap that has an embedded early termination option that may be exercised either at a specified date or dates before the maturity date of the swap or during a specified period, which may be until the maturity date of the swap, should be reported as a swap and not as an option contract.

**Interest Rate Derivative Contracts.** Interest rate derivative contracts are contracts whose predominant risk characteristic is interest rate risk and are related to an interest-bearing financial instrument or whose cash flows are determined by referencing interest rates or another interest rate contract (e.g., an option on a futures contract to purchase a Treasury bill). These contracts are generally used to adjust the institution's interest rate exposure or, if the institution is an intermediary, the interest rate exposure of others. Interest rate derivative contracts include interest rate futures, single currency interest rate swaps, basis swaps, interest rate forwards, forward rate agreements, and interest rate options, including caps, floors, collars, and corridors.

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

**1** (cont.)

Interest rate derivative contracts also include:

(1) A reporting institution's commitments (i.e., commitments that have a specific interest rate or price, selling date, and dollar amount) to sell loans secured by 1-to-4 family residential properties that meet the definition of a derivative contract under ASC Topic 815.
(2) A reporting institution's commitments to lend that meet the definition of a derivative and must be accounted for in accordance with ASC Topic 815 are considered written options for purposes of Schedule SU, items 1.a through 1.d. All other commitments to lend should be reported in Schedule RC-L, item 1.

Interest rate derivative contracts exclude contracts involving the exchange of one or more foreign currencies (e.g., cross-currency swaps and currency options), which are to be reported as foreign exchange contracts in Schedule SU, item 1.b or 1.d, as appropriate. In addition, interest rate derivative contracts exclude contracts not involving the exchange of foreign currency whose predominant risk characteristic is foreign exchange risk, which are also to be reported as foreign exchange contracts in Schedule SU, item 1.b or 1.d, as appropriate.

Examples of interest rate derivative contracts to be reported in Schedule SU, items 1.a and 1.c, include Chicago Board Options Exchange options on the 13-week Treasury bill rate and futures on 90-day U.S. Treasury bills, 12-year GNMA pass-through securities, and 2-, 4-, 6-, and 10-year U.S. Treasury notes.

**Other Derivative Contracts.** Other derivative contracts include foreign exchange contracts, equity derivative contracts, commodity contracts, credit derivative contracts, and any other derivative contracts not reportable as interest rate derivative contracts.

The following types of derivative contracts are to be included in Schedule SU, items 1.b and 1.d:

(1) **Foreign Exchange Contracts.** Foreign exchange contracts are contracts to purchase foreign (non-U.S.) currencies and U.S. dollar exchange in the forward market, i.e., on an organized exchange or in an over-the-counter market, whose predominant risk characteristic is foreign exchange risk. A purchase of U.S. dollar exchange is equivalent to a sale of foreign currency. Foreign exchange contracts include cross-currency interest rate swaps where there is an exchange of principal, forward foreign exchange contracts (usually settling three or more business days from trade date), and currency futures and currency options. All amounts are to be reported in U.S. dollar equivalent values.

Only one side of a foreign currency transaction is to be reported. In those transactions where foreign (non-U.S.) currencies are bought or sold against U.S. dollars, report only that side of the transaction that involves the foreign (non-U.S.) currency. For example, if the reporting institution enters into a futures contract which obligates the institution to purchase U.S. dollar exchange against which it sells Japanese yen, then the institution would report (in U.S. dollar equivalent values) the amount of Japanese yen sold. In cross-currency transactions, which involve the purchase and sale of two non-U.S. currencies, only the purchase side is to be reported (in U.S. dollar equivalent values).

Examples of foreign exchange contracts to be reported in Schedule SU, items 1.b and 1.d, include exchange-traded options on major currencies such as the Euro, Japanese Yen, and British Pound Sterling, options on futures contracts of major currencies, and cross-currency interest rate swaps. A cross-currency interest rate swap is a transaction in which two parties agree to exchange principal amounts of different currencies, usually at the prevailing spot rate, at the inception of an agreement that lasts for a certain

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**1** (cont.) number of years. At defined intervals over the life of the swap, the counterparties exchange payments in the different currencies based on specified rates of interest. When the agreement matures, the principal amounts will be re-exchanged at the same spot rate. The notional amount of a cross-currency interest rate swap is generally the underlying principal amount upon which the exchange is based.

(2) **Equity Derivative Contracts.** Equity derivative contracts are contracts that have a return, or a portion of their return, linked to the price of a particular equity or to an index of equity prices. Examples of equity derivative contracts to be reported in Schedule SU, items 1.b and 1.d, include futures contracts committing the reporting institution to purchase or sell equity securities or instruments based on equity indexes such as the Standard and Poor's 500 or the Nikkei.

The amount to be reported as the notional amount for equity derivative contracts is the quantity, e.g., number of units, of the equity instrument or equity index contracted for purchase or sale multiplied by the contract price of a unit.

(3) **Commodity Contracts.** Commodity contracts are contracts that have a return, or a portion of their return, linked to the price of or to an index of precious metals, petroleum, lumber, agricultural products, etc. Examples of commodity contracts to be reported in Schedule SU, items 1.b and 1.d, include futures and forward contracts committing the reporting institution to purchase or sell commodities such as agricultural products (e.g., wheat, coffee), precious metals (e.g., gold, platinum), and non-ferrous metals (e.g., copper, zinc).

The amount to be reported as the notional amount for commodity contracts is the quantity, e.g., number of units, of the commodity or product contracted for purchase or sale multiplied by the contract price of a unit.

The notional amount to be reported for commodity contracts with multiple exchanges of principal is the contractual amount multiplied by the number of remaining payments (i.e., exchanges of principal) in the contract.

(4) **Credit Derivative Contracts.** In general, credit derivatives are arrangements that allow one party (the “protection purchaser” or "beneficiary") to transfer the credit risk of a "reference asset" or “reference entity” to another party (the “protection seller” or "guarantor"). Report credit derivatives for which the reporting institution is the protection seller as well as those for which the institution is the protection purchaser. Do not net the notional amounts of credit derivatives with third parties on which the reporting institution is the protection purchaser against credit derivatives with third parties on which the reporting institution is the protection seller.

Credit linked notes are cash securities and should not be reported as credit derivatives in Schedule SU, items 1.b and 1.d.

For tranched credit derivative transactions that relate to an index, e.g., the Dow Jones CDX NA index, report as the notional amount the dollar amount of the tranche upon which the reporting institution’s credit derivative cash flows are based.

Credit derivative contracts to be reported in Schedule SU, items 1.b and 1.d, include:

(a) Credit default swaps, which are contracts in which a protection seller or guarantor (risk taker), for a fee, agrees to reimburse a protection purchaser or beneficiary (risk hedger) for any losses that occur due to a credit event on a particular entity, called the “reference entity.” If there is no credit default event (as defined by the derivative contract), then the protection seller makes no payments to the protection purchaser

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**1** (cont.) and receives only the contractually specified fee. Under standard industry definitions, a credit event is normally defined to include bankruptcy, failure to pay, and restructuring. Other potential credit events include obligation acceleration, obligation default, and repudiation/moratorium.

(b) Total return swaps, which are contracts that transfer the total economic performance of a reference asset, which includes all associated cash flows, as well as capital appreciation or depreciation. The protection purchaser (beneficiary) receives a floating rate of interest and any depreciation on the reference asset from the protection seller. The protection seller (guarantor) has the opposite profile. The protection seller receives cash flows on the reference asset, plus any appreciation, and it pays any depreciation to the protection purchaser, plus a floating interest rate. A total return swap may terminate upon a default of the reference asset.

(c) Credit options, which are a structure that allows investors to trade or hedge changes in the credit quality of the reference asset. For example, in a credit spread option, the option writer (protection seller or guarantor) assumes the obligation to purchase or sell the reference asset at a specified "strike" spread level. The option purchaser (protection purchaser or beneficiary) buys the right to sell the reference asset to, or purchase it from, the option writer at the strike spread level.

(d) Any other credit derivatives not considered credit default swaps, total return swaps, or credit options.

**Designation as Held for Trading.** As noted above, report each derivative contract according to its designation as held for trading or held for purposes other than trading in items 1.a through 1.d. Derivative contracts held for trading purposes include those used in dealing and other trading activities. Derivative contracts used to hedge trading activities should also be reported as held for trading.

Derivative trading activities include (a) regularly dealing in interest rate contracts, foreign exchange contracts, equity derivative contracts, commodity contracts, credit derivative contracts, and any other contract meeting the definition of a "derivative instrument" in, and accounted for in accordance with, ASC Topic 815; (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 (or repurchase) 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 definitions of "trading" and "trading purposes" in ASC Topic 815. Derivative positions acquired or taken as accommodations to customers not meeting the definitions of "trading" and "trading purposes" in ASC Topic 815 should be reported as derivatives not held for trading.

The reporting institution's trading department may have entered into a derivative contract with another department or business unit within the consolidated institution. If the trading department has also entered into a matching contract with a counterparty outside the consolidated institution, the contract with the outside counterparty should be designated as held for trading or as held for purposes other than trading consistent with the contract's designation for other financial reporting purposes.

**1.a** **Total gross notional amount of interest rate derivatives held for trading.** Report the total notional amount or par value of those interest rate derivative contracts that are held for trading purposes.

**1.b** **Total gross notional amount of all other derivatives held for trading.** Report the total notional amount or par value of all other derivative contracts that are held for trading purposes.

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**1.c** **Total gross notional amount of interest rate derivatives not held for trading.** Report the total notional amount or par value of those interest rate derivative contracts held for purposes other than trading.

**1.d** **Total gross notional amount of all other derivatives not held for trading.** Report the total notional amount or par value of all other derivative contracts held for purposes other than trading.

***1-4 Family Residential Mortgage Banking Activities***

**2** **For the two calendar quarters preceding the current calendar quarter, have either the institution's sales of 1-4 family residential mortgage loans during the quarter or its 1-4 family residential mortgage loans held for sale or trading as of quarter-end exceeded $10 million?**

For the two calendar quarters preceding the current calendar quarter, if your institution had either sales of 1-4 family residential mortgage loans during the quarter or 1-4 family residential mortgage loans held for sale or trading as of quarter-end that exceeded $10 million, place an "X" in the box marked "Yes" and complete items 2.a and 2.b, below.

For the two calendar quarters preceding the current calendar quarter, if your institution did not have either sales of 1-4 family residential mortgage loans during the quarter or 1-4 family residential mortgage loans held for sale or trading as of quarter-end that exceeded $10 million, place an "X" in the box marked "No," skip items 2.a and 2.b, and go to item 3.

For purposes of measuring and reporting on 1-4 family residential mortgage banking activities, 1-4 family residential mortgage loans are loans that meet the definition of loans "Secured by 1-4 family residential properties" in Schedule RC-C, Part I, item 1.c. Institutions should include those 1-4 family residential mortgage loans that would be reportable as held for sale in Schedule RC, item 4.a, "Loans and leases held for sale," as well as those that would be reportable as held for trading in Schedule RC, item 5, "Trading assets." Open-end 1-4 family residential mortgage banking activities should be measured using the "total commitment under the lines of credit," which is the total amount of the lines of credit granted to customers at the time the open-end credits were originated, not the "principal amount funded under the lines of credit," which is the principal balance outstanding of loans extended under lines of credit at the sale date for loans sold during the quarter or at quarter-end for loans held for sale or trading.

An institution must complete items 2.a and 2.b beginning with the quarter-end report date after the second quarter in which the $10 million threshold is exceeded. For example, if the institution's sales of closed-end and open-end first and junior lien 1-4 family residential mortgage loans exceeded $10 million during the quarter ended September 30, 2016, and the institution's closed-end and open-end first and junior lien 1-4 family residential mortgage loans held for sale or trading exceeded $10 million as of December 31, 2016, the institution would be required to complete items 2.a and 2.b in its March 31, 2017, Call Report.

**2.a** **1-4 family residential mortgage loans sold during the quarter.** Report 1-4 family residential mortgage loans sold during the calendar quarter ending on the report date. For closed-end first and junior lien mortgage loans, report the principal amount of the 1-4 family residential mortgage loans sold during the quarter. For open-end lines of credit secured by 1-4 family residential properties, report the total amount of open-end commitments under the lines of credit sold during the calendar quarter.

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

**2.a** (cont.) Include transfers of 1-4 family residential mortgage loans originated or purchased for resale from retail or wholesale sources that have been accounted for as sales in accordance with ASC Topic 860, Transfers and Servicing, i.e., those transfers where the loans are no longer included in the institution's consolidated total assets.

Also include all sales during the quarter of 1-4 family residential mortgage loans directly from the institution's loan portfolio. For further information, see the Glossary entry for "transfers of financial assets."

**2.b** **Quarter-end amount of 1-4 family residential mortgage loans held for sale or trading.** Report 1-4 family residential mortgages held for sale or trading as of the quarter-end report date and included in Schedule RC, item 4.a, "Loans and leases held for sale," and in Schedule RC, item 5, "Trading assets." Loans held for sale should be reported (a) at the lower of cost or fair value or (b) if a fair value option has been elected, at fair value, consistent with their presentation in Schedule RC, item 4.a. Loans held for trading should be reported at fair value consistent with their presentation in Schedule RC, item 5. However, for open-end lines of credit secured by 1-4 family residential properties held for sale or trading as of quarter-end, report the total amount of open-end commitments under the lines of credit. 1-4 family residential mortgage loans held for sale or trading at quarter-end include any mortgage loans transferred at any time from the institution's held-for-investment loan portfolio to a held-for-sale account or a trading account that have not been sold by quarter-end.

***Fair Value Option Assets and Liabilities***

**3** **Does the institution use a fair value option to measure any of its assets or liabilities?**

If your institution has elected to report any financial instruments or servicing assets and liabilities at fair value under a fair value option with changes in fair value recognized in earnings, place an "X" in the box marked "Yes" and complete items 3.a through 3.d, below.

If your institution has no financial instruments or servicing assets and liabilities that it has elected to report at fair value under a fair value option with changes in fair value recognized in earnings, place an "X" in the box marked "No," skip items 3.a through 3.d below, and go to item 4.

Your institution should answer "No" if the only financial instruments that your institution measures at fair value in the financial statements on a recurring basis are available-for-sale securities, equity securities not held for trading and other equity investments, trading assets, trading liabilities, and derivative contracts because applicable accounting standards and these instructions require these financial instruments to be measured at fair value in the balance sheet at the end of each reporting period.

If your institution answered "Yes" to item 3, exclude from the amounts reported in items 3.a through 3.d, below, the fair value of, and the net gains (losses) recognized in earnings on, the assets and liabilities described in the preceding paragraph.

**3.a** **Aggregate amount of fair value option assets.** Report the total fair value, as defined by ASC Topic 820, Fair Value Measurement, of those financial and servicing assets your institution has elected to report

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**3.a** (cont.) on Schedule RC, Balance Sheet, at fair value under a fair value option with changes in fair value recognized in earnings.

**3.b** **Aggregate amount of fair value option liabilities.** Report the total fair value, as defined by ASC Topic 820, Fair Value Measurement, of those financial and servicing liabilities your institution has elected to report on Schedule RC, Balance Sheet, at fair value under a fair value option with changes in fair value recognized in earnings.

**3.c** **Year-to-date net gains (losses) recognized in earnings on fair value option assets.** Report the total amount of pretax gains (losses) from fair value changes included in earnings during the calendar year to date for all assets your institution has elected to account for at fair value under a fair value option. If the amount to be reported is a net loss, report it with a minus (-) sign. Disclosure of such gains (losses) is also required by ASC Subtopic 825-10, Financial Instruments – Overall and ASC Subtopic 860-50, Transfers and Servicing – Servicing Assets and Liabilities.

**3.d** **Year-to-date net gains (losses) recognized in earnings on fair value option liabilities.** Report the total amount of pretax gains (losses) from fair value changes included in earnings during the calendar year to date for all liabilities accounted for at fair value under a fair value option. If the amount to be reported is a net loss, report it with a minus (-) sign. Disclosure of such gains (losses) is also required by ASC Subtopic 825-10, Financial Instruments – Overall and ASC Subtopic 860-50, Transfers and Servicing – Servicing Assets and Liabilities.

***Servicing, Securitization, and Asset Sale Activities***

**4 and 5 General Instructions**

For purposes of items 4 and 5 in this schedule, the following definition is applicable.

***Recourse or other seller-provided credit enhancement*** means an arrangement in which the reporting institution retains, in form or in substance, any risk of credit loss directly or indirectly associated with a transferred (sold) asset that exceeds its pro rata claim on the asset. It also includes a representation or warranty extended by the reporting institution when it transfers an asset, or assumed by the institution when it services a transferred asset, that obligates the institution to absorb credit losses on the transferred asset. Such an arrangement typically exists when an institution transfers assets and agrees to protect purchasers or some other party, e.g., investors in securitized assets, from losses due to default by or nonperformance of the obligor on the transferred assets or some other party. The institution provides this protection by retaining:

(1) an interest in the transferred assets, e.g., credit-enhancing interest-only strips, “spread” accounts, subordinated interests or securities, collateral invested amounts, and cash collateral accounts, that absorbs losses, or
(2) an obligation to repurchase the transferred assets

in the event of a default of principal or interest on the transferred assets or any other deficiency in the performance of the underlying obligor or some other party. *Subordinated interests and subordinated securities* retained by an institution when it securitizes assets expose the institution to more than its pro rata share of loss and thus are considered a form of credit enhancement to the securitization structure.

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

**4** **Does the institution have any assets it has sold and securitized with servicing retained or with recourse or other seller-provided credit enhancements?**

If your institution has any assets currently outstanding that it has sold and securitized with servicing retained or with recourse or other seller-provided credit enhancements, place an "X" in the box marked "Yes" and complete item 4.a, below.

If your institution has no assets currently outstanding that it has sold and securitized with servicing retained or with recourse or other seller-provided credit enhancements, place an "X" in the box marked "No," skip item 4.a, and go to item 5.

**4.a** **Total outstanding principal balance of assets sold and securitized by the reporting institution with servicing retained or with recourse or other seller-provided credit enhancements.** Report the total principal balance outstanding as of the report date of loans, leases, and other assets which the reporting institution has sold and securitized while:

(1) retaining the right to service these assets, or

(2) when servicing has not been retained, retaining recourse or providing other seller-provided credit enhancements to the securitization structure.

Include the amount outstanding of any credit card fees and finance charges that the reporting institution has securitized and sold in connection with its securitization and sale of credit card receivable balances.

Include the principal balance outstanding of loans the reporting institution has (1) pooled into securities that have been guaranteed by the Government National Mortgage Association (Ginnie Mae) and (2) sold with servicing rights retained.

Also include the principal balance outstanding of securitizations of small business obligations transferred with recourse under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994.

Exclude the principal balance of loans underlying seller's interests owned by the reporting institution. Seller's interest means the reporting institution's ownership interest in loans that have been securitized, except an interest that is a form of recourse or other seller-provided credit enhancement.

Do ***not*** report in this item the outstanding balance of 1-4 family residential mortgages sold to the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac) that the government-sponsored agency in turn securitizes. Do ***not*** report in this item the outstanding balance of 1-4 family residential mortgages sold to a Federal Home Loan Bank (FHLB) through a Mortgage Partnership Finance Program that the FHLB in turn securitizes. Report 1-4 family residential mortgages sold to Fannie Mae, Freddie Mac, or FHLB with recourse or other seller-provided credit enhancements in Schedule SU, item 5.a. If servicing has been retained on closed-end 1-4 family residential mortgages sold to Fannie Mae, Freddie Mac, or FHLB, report the outstanding principal balance of the mortgages in Schedule SU, item 6.a.

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

**4.a** (cont.) Exclude securitizations that the reporting institution has accounted for as secured borrowings because the transactions do not meet the criteria for sale accounting under generally accepted accounting principles. The securitized loans, leases, and other assets should continue to be carried as assets on the reporting institution's balance sheet.

**5** **Does the institution have any assets it has sold with recourse or other seller-provided credit enhancements but has not securitized?**

If your institution has any assets currently outstanding that it has sold with recourse or other seller-provided credit enhancements but has not securitized, place an "X" in the box marked "Yes" and complete item 5.a, below.

If your institution has no assets currently outstanding that it has sold and securitized with recourse or other seller-provided credit enhancements, place an "X" in the box marked "No," skip item 5.a, and go to item 6.

**5.a** **Total outstanding principal balance of assets sold by the reporting institution with recourse or other seller-provided credit enhancements, but not securitized by the reporting institution.** Report the unpaid principal balance as of the report date of loans, leases, and other assets, which the reporting institution has sold with recourse or other seller-provided credit enhancements, but which were not securitized by the reporting institution. Include loans, leases, and other assets that the reporting institution has sold with recourse or other seller-provided credit enhancements to other institutions or entities, whether or not the purchaser has securitized the loans and leases purchased from the reporting institution. Include 1-4 family residential mortgages that the reporting institution has sold to the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac) with recourse or other seller-provided credit enhancements.

Include the unpaid principal balance of small business obligations the reporting institution has transferred with recourse under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994, but which were not securitized by the reporting institution.

**6** **Does the institution service any closed-end 1-4 family residential mortgage loans for others or does it service more than $10 million of other financial assets for others?**

If your institution either (1) services any closed-end 1-4 family residential mortgage loans for others or (2) services more than $10 million of other financial assets for others, place an "X" in the box marked "Yes" and complete item 6.a, below.

If your institution (1) does not service any closed-end 1-4 family residential mortgage loans for others and (2) does not service more than $10 million of other financial assets for others, place an "X" in the box marked "No," skip item 6.a, and go to item 7.

**6.a** **Total outstanding principal balance of closed-end 1-4 family residential mortgage loans serviced for others plus the total outstanding principal balance of other financial assets serviced for others if more than $10 million.** Report the sum of (1) the outstanding principal balance of closed-end 1-to-4 family residential mortgage loans the reporting institution services for others, regardless of amount, plus (2) the outstanding principal balance of all other financial assets the reporting institution services for others, provided this balance is more than $10 million. For purposes of reporting the outstanding principal balance of loans serviced for others in accordance with the preceding sentence, include the servicing of whole loans and other financial assets or only portions thereof, as is typically the case with

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**6.a** (cont.) loan participations. An institution should report the outstanding principal balance of assets for which it is the contractual servicer of record without regard to any subservicing agreements applicable to the assets.

Include (1) the principal balance of loans and other financial assets owned by others for which the reporting institution has purchased the servicing (i.e., purchased servicing) and (2) the principal balance of loans and other financial assets that the reporting institution has either originated or purchased and subsequently sold, whether or not securitized, but for which it has retained the servicing duties and responsibilities (i.e., retained servicing). If the institution services a portion of a loan or other financial asset for one or more other parties and owns the remaining portion of the loan or other financial asset, report only the principal balance of the portion of the asset serviced for others.

Include the outstanding principal balance of all closed-end 1-to-4 family residential mortgage loans (as defined for Schedule RC-C, Part I, item 1.c.(2)) that the reporting institution services for others regardless of whether the reporting institution provides recourse or other service-provided credit enhancements. For example, the reporting institution should include closed-end 1-to-4 family residential mortgages serviced under regular option contracts (i.e., with recourse) with the Federal National Mortgage Association, serviced with recourse for the Federal Home Loan Mortgage Corporation, and serviced with recourse under other servicing contracts.

Other serviced financial assets may include, but are not limited to, home equity lines, credit cards, automobile loans, and loans guaranteed by the Small Business Administration.

**Variable Interest Entities**

**7** **Does the institution have any consolidated variable interest entities?**

If your institution has any consolidated variable interest entities, place an "X" in the box marked "Yes" and complete items 7.a and 7.b, below.

If your institution does not have any consolidated variable interest entities, place an "X" in the box marked "No," skip item items 7.a and 7.b, and go to item 8.

**General Instructions**

A variable interest entity (VIE), as described in ASC Topic 810, Consolidation (formerly FASB Interpretation No.46 (revised December 2003), "Consolidation of Variable Interest Entities," as amended by FASB Statement No. 167, "Amendments to FASB Interpretation No. 46(R)"), is an entity in which equity investors do not have sufficient equity at risk for that entity to finance its activities without additional subordinated financial support or, as a group, the holders of the equity investment at risk lack one or more of the following three characteristics: (a) the power, through voting rights or similar rights, to direct the activities of an entity that most significantly impact the entity's economic performance, (b) the obligation to absorb the expected losses of the entity, or (c) the right to receive the expected residual returns of the entity.

Variable interests in a VIE are contractual, ownership, or other pecuniary interests in an entity that change with changes in the fair value of the entity's net assets exclusive of variable interests. When an institution or other company has a variable interest or interests in a VIE, ASC Topic 810 provides guidance for determining whether the institution or other company must consolidate the VIE. If an institution or other company has a controlling financial interest in a VIE, it is deemed to be the primary beneficiary of the VIE and, therefore, must

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**7** (cont.) consolidate the VIE. For further information, see the Glossary entry for "Variable Interest Entity."

VIEs include, but are not limited to, securitization vehicles that have been created to pool and repackage mortgages, other assets, or other credit exposures into securities that can be transferred to investors and asset-backed commercial paper conduits that primarily issue externally rated commercial paper backed by assets or other exposures.

Schedule SU, items 7.a and 7.b, collect aggregate information on VIEs that have been consolidated by the reporting institution for purposes of the Consolidated Reports of Condition and Income because the institution (or a consolidated subsidiary of the institution) is the primary beneficiary of the VIE. Schedule SU, items 7.a and 7.b, should be completed on a fully consolidated basis, i.e., after eliminating intercompany transactions. The asset and liability amounts included in the total assets and total liabilities reported in Schedule SU, items 7.a and 7.b, respectively, should be the same amounts at which these assets and liabilities are reported on Schedule RC, Balance Sheet, e.g., held-to-maturity securities should be reported at amortized cost and available-for-sale securities should be reported at fair value.

**7.a** **Total assets of consolidated variable interest entities.** Report the total amount of assets of consolidated variable interest entities reported in Schedule RC, items 1 through 11. Assets should be reported net of any applicable allowances for credit losses included in the asset amounts reported in Schedule RC.

**7.b** **Total liabilities of consolidated variable interest entities.** Report the total amount of liabilities of consolidated variable interest entities reported in Schedule RC, items 14 through 20.

**Credit Card Lending Specialized Items**

**8** **Does the institution, together with affiliated institutions, have outstanding credit card receivables that exceed $500 million as of the report date or is the institution a credit card specialty institution as defined for Uniform Institution Performance Report purposes?**

If your institution, together with affiliated institutions, has outstanding credit card receivables that exceed $500 million as of the report date or if it is a credit card specialty institution as defined for Uniform Institution Performance Report purposes, place an "X" in the box marked "Yes" and complete items 8.a through 8.d, below.

If your institution, together with affiliated institutions, does not have outstanding credit card receivables that exceed $500 million as of the report date and it is not a credit card specialty institution as defined for Uniform Institution Performance Report purposes, place an "X" in the box marked "No," skip item items 8.a through 8.d, and go to item 9.

Note: To answer item 8 with a "Yes," an institution must meet the following criteria:

(1) Either individually or on a combined basis with its affiliated depository institutions, the institution reports outstanding credit card receivables that exceed, in the aggregate, $500 million as of the report date. Outstanding credit card receivables are the sum of:
(a) Schedule RC-C, Part I, item 6.a;

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**8** (cont.)

(b) Credit card receivables sold and securitized by the reporting institution with servicing retained or with recourse or other seller-provided credit enhancements included in Schedule SU, item 4.a; and

(c) The reporting institution's seller's interests in credit card receivables included as assets in Schedule RC if not reported in Schedule RC-C, Part I, item 6.a.

(Include comparable data on credit card receivables for any affiliated depository institutions.)

OR

(2) The institution is a credit card specialty institution as defined for purposes of the Uniform Bank Performance Report (UBPR). According to the UBPR Users Guide, credit card specialty institutions are currently defined as those institutions that exceed 50 percent for the following two criteria:

(a) Credit Cards plus Securitized and Sold Credit Cards divided by Total Loans plus Securitized and Sold Credit Cards.

(b) Total Loans plus Securitized and Sold Credit Cards divided by Total Assets plus Securitized and Sold Credit Cards.

**8.a** **Outstanding credit card fees and finance charges included in credit cards to individuals for household, family, and other personal expenditures (retail credit cards).** Report the amount of fees and finance charges included in the amount of credit card receivables reported in Schedule RC-C, Part I, item 6.a.

**8.b** **Separate valuation allowance for uncollectible retail credit card fees and finance charges.** Report the amount of any valuation allowance or contra-asset account that the institution maintains separate from the allowance for credit losses on loans and leases to account for uncollectible fees and finance charges on credit cards (as defined for Schedule RC-C, Part I, item 6.a). This item is only applicable to those institutions that maintain an allowance or contra-asset account separate from the allowance for credit losses on loans and leases. Do not include in this item the amount of any valuation allowance established for impairment in retained interests in accrued interest receivable related to securitized credit cards.

**8.c** **Amount of allowance for credit losses on loans and leases attributable to retail credit card fees and finance charges.** Report in this item the amount of the allowance for credit losses on loans and leases that is attributable to outstanding fees and finance charges on credit cards (as defined for Schedule RC-C, Part I, item 6.a). This amount is a component of the amount reported in Schedule RC, item 4.c, and Schedule RI-B, Part II, item 7. Do not include in this item the amount of any valuation allowance established for impairment in retained interests in accrued interest receivable related to securitized credit cards.

**8.d** **Uncollectible retail credit card fees and finance charges reversed against year-to-date income.** Report the amount of fees and finance charges on credit cards (as defined for Schedule RC-C, Part I, item 6.a) that the institution reversed against either interest and fee income or a separate contra-asset account during the calendar year-to-date. Report the amount of fees and finance charges that have been reversed on a gross basis, i.e., do not reduce the amount of reversed fees and finance charges by recoveries of these reversed fees and finance charges.

Institutions should exclude from this item credit card fees and finance charges reported as charge-offs against the allowance for credit losses on loans and leases in Schedule RI-B, Part I, item 5.a, column A.

# OPTIONAL NARRATIVE STATEMENT CONCERNING THE AMOUNTS REPORTED IN THE CONSOLIDATED REPORTS OF CONDITION AND INCOME

The management of the reporting bank may, if it wishes, submit a brief narrative statement on the amounts reported in the Consolidated Reports of Condition and Income. This optional statement will be made available to the public, along with the publicly available data in the Consolidated Reports of Condition and Income, in response to any request for individual bank report data. However, the information reported in Schedule RI-E, item 2.g, and Schedule RC-C, Part I, Memorandum items 17.a and 17.b, is regarded as confidential and will not be made available to the public on an individual institution basis. BANKS CHOOSING TO SUBMIT THE NARRATIVE STATEMENT SHOULD ENSURE THAT THE STATEMENT DOES NOT CONTAIN THE NAMES OR OTHER IDENTIFICATIONS OF INDIVIDUAL BANK CUSTOMERS, REFERENCES TO THE AMOUNTS REPORTED IN THE CONFIDENTIAL ITEMS IDENTIFIED ABOVE, OR ANY OTHER INFORMATION THAT THEY ARE NOT WILLING TO HAVE MADE PUBLIC OR THAT WOULD COMPROMISE THE PRIVACY OF THEIR CUSTOMERS. Banks choosing not to make a statement may check the "No comment" box and should make no entries of any kind in the space provided for the narrative statement; i.e., DO NOT enter in this space such phrases as "No statement," "Not applicable," "N/A," "No comment," and "None."

The optional statement must be entered on the sheet provided by the agencies. The statement should not exceed 100 words. Further, regardless of the number of words, the statement must not exceed 750 characters, including punctuation, indentation, and standard spacing between words and sentences. If any submission should exceed 750 characters, as defined, it will be truncated at 750 characters with no notice to the submitting bank and the truncated statement will appear as the bank's statement both on agency computerized records and in computer-file releases to the public.

All information furnished by the bank in the narrative statement must be accurate and not misleading. Appropriate efforts shall be taken by the submitting bank to ensure the statement's accuracy.

If, subsequent to the original submission, material changes are submitted for the data reported in the Consolidated Reports of Condition and Income, the existing narrative statement will be deleted from the files, and from disclosure; the bank, at its option, may replace it with a statement appropriate to the amended data.

The optional narrative statement will appear in agency records and in release to the public exactly as submitted (or amended as described in the preceding paragraph) by the management of the bank (except for the truncation of statements exceeding the 750-character limit described above). THE STATEMENT WILL NOT BE EDITED OR SCREENED IN ANY WAY BY THE SUPERVISORY AGENCIES FOR ACCURACY OR RELEVANCE. DISCLOSURE OF THE STATEMENT SHALL NOT SIGNIFY THAT ANY FEDERAL SUPERVISORY AGENCY HAS VERIFIED OR CONFIRMED THE ACCURACY OF THE INFORMATION CONTAINED THEREIN. A STATEMENT TO THIS EFFECT WILL APPEAR ON ANY PUBLIC RELEASE OF THE OPTIONAL STATEMENT SUBMITTED BY THE MANAGEMENT OF THE REPORTING BANK.

# GLOSSARY

The definitions in this Glossary apply to the Consolidated Reports of Condition and Income and are not necessarily applicable for other regulatory or legal purposes. Similarly, the accounting discussions in this Glossary are those relevant to the preparation of these reports and are not intended to constitute a comprehensive presentation on bank accounting. For purposes of this Glossary, the Financial Accounting Standards Board (FASB) Accounting Standards Codification is referred to as the "ASC."

**Acceptances:** See "bankers acceptances."

**Accounting Changes:** Changes in accounting principles – The accounting principles that banks have adopted for the preparation of their Consolidated Reports of Condition and Income should be changed only if (a) the change is required by a newly issued accounting pronouncement or (b) the bank can justify the use of an allowable alternative accounting principle on the basis that it is preferable when there are two or more generally accepted accounting principles for a type of event or transaction. If a bank changes from the use of one acceptable accounting principle to one that is more preferable at any time during the calendar year, it must report the income or expense item(s) affected by the change for the entire year on the basis of the newly adopted accounting principle regardless of the date when the change is actually made. However, a change from an accounting principle that is neither accepted nor sanctioned by bank supervisors to one that is acceptable to supervisors is to be reported as a correction of an error as discussed below.

New accounting pronouncements that are adopted by the FASB (or such other body officially designated to establish accounting principles) generally include transition guidance on how to initially apply the pronouncement. In general, the pronouncements require (or allow) a bank to use one of the following approaches, collectively referred to as "retrospective application":

- Apply a different accounting principle to one or more previously issued financial statements; or
- Make a cumulative-effect adjustment to retained earnings, assets, and/or liabilities at the beginning of the period as if that principle had always been used.

Because each Consolidated Report of Income covers a single discrete period, only the second approach under retrospective application is permitted in the Consolidated Reports of Condition and Income. Therefore, when an accounting pronouncement requires the application of either of the approaches under retrospective application, banks must report the effect on the amount of retained earnings at the beginning of the year in which the new pronouncement is first adopted for purposes of the Consolidated Reports of Condition and Income (net of applicable income taxes, if any) as a direct adjustment to equity capital in Schedule RI-A, item 2, and describe the adjustment in Schedule RI-E, item 4.

In the Consolidated Reports of Condition and Income in which a change in accounting principle is first reflected, the bank is encouraged to include an explanation of the nature and reason for the change in accounting principle in Schedule RI-E, item 7, "Other explanations," or in the "Optional Narrative Statement Concerning the Amounts Reported in the Consolidated Reports of Condition and Income."

Changes in accounting estimates – Accounting and the preparation of financial statements involve the use of estimates. As more current information becomes known, estimates may be changed. In particular, accruals are derived from estimates based on judgments about the outcome of future events and changes in these estimates are an inherent part of accrual accounting.

Reasonable changes in accounting estimates do not require the restatement of amounts of income and expenses and assets, liabilities, and capital reported in previously submitted Consolidated Reports of Condition and Income.

**Accounting Changes (cont.):**

Computation of the cumulative effect of these changes is also not ordinarily necessary. Rather, the effect of such changes is handled on a prospective basis. That is, beginning in the period when an accounting estimate is revised, the related item of income or expense for that period is adjusted accordingly. For example, if the bank's estimate of the remaining useful life of certain bank equipment is increased, the remaining undepreciated cost of the equipment would be spread over its revised remaining useful life. Similarly, immaterial accrual adjustments to items of income and expenses, including provisions for credit losses and income taxes, are considered changes in accounting estimates and would be taken into account by adjusting the affected income and expense accounts for the year in which the adjustments were found to be appropriate.

However, large and unusual changes in accounting estimates may be more properly treated as constituting accounting errors, and if so, must be reported accordingly as described below.

Corrections of accounting errors – A bank may become aware of an error in a Consolidated Report of Condition or Consolidated Report of Income after it has been submitted to the appropriate federal bank regulatory agency through either its own or its regulator's discovery of the error. An error in the recognition, measurement, or presentation of an event or transaction included in a report for a prior period may result from:

- A mathematical mistake;
- A mistake in applying accounting principles; or
- The oversight or misuse of facts that existed when the Consolidated Reports of Condition and Income for prior periods were prepared.

According to SEC Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* (SAB 108) (Topic 1.N. in the Codification of Staff Accounting Bulletins), the effects of prior year errors or misstatements ("carryover effects") should be considered when quantifying misstatements identified in current year financial statements. SAB 108 describes two methods for accumulating and quantifying misstatements. These methods are referred to as the "rollover" and "iron curtain" approaches:

- The rollover approach "quantifies a misstatement based on the amount of the error originating in the current year income statement" only and ignores the "carryover effects" of any related prior year misstatements. The primary weakness of the rollover approach is that it fails to consider the effects of correcting the portion of the current year balance sheet misstatement that originated in prior years.

- The iron curtain approach "quantifies a misstatement based on the effects of correcting the misstatement existing in the balance sheet at the end of the current year, irrespective of the misstatement's year(s) of origination." The primary weakness of the iron curtain approach is that it does not consider the correction of prior year misstatements in the current year financial statements to be errors because the prior year misstatements were considered immaterial in the year(s) of origination. Thus, there could be a material misstatement in the current year income statement because the correction of the accumulated immaterial amounts from prior years is not evaluated as an error.

Because of the weaknesses in these two approaches, SAB 108 states that the impact of correcting all misstatements on current year financial statements should be accomplished by quantifying an error under both the rollover and iron curtain approaches and by evaluating the error measured under each approach. When either approach results in a misstatement that is material, after considering all relevant quantitative and qualitative factors, an adjustment to the financial statements would be required. Guidance on the consideration of all relevant factors when assessing the materiality of misstatements is provided in SEC Staff Accounting Bulletin No. 99, *Materiality* (SAB 99) (Topic 1.M. in the Codification of Staff Accounting Bulletins).

**Accounting Changes (cont.):**

For purposes of the Consolidated Reports of Condition and Income, all banks should follow the sound accounting practices described in SAB 108 and SAB 99. Accordingly, banks should quantify the impact of correcting misstatements, including both the carryover and reversing effects of prior year misstatements, on their current year reports by applying both the "rollover" and "iron curtain" approaches and evaluating the impact of the error measured under each approach. When the misstatement that exists after recording the adjustment in the current year Consolidated Reports of Condition and Income is material (considering all relevant quantitative and qualitative factors), the appropriate prior year report(s) should be amended, even though such revision previously was and continues to be immaterial to the prior year report(s). If the misstatement that exists after recording the adjustment in the current year Consolidated Reports of Condition and Income is not material, then amending the immaterial errors in prior year reports would not be necessary.

When a bank's primary federal bank regulatory agency determines that the bank's Consolidated Reports of Condition and Income contain a material accounting error, the bank may be directed to file amended condition and/or income report data for each prior period that was significantly affected by the error. Normally, such refilings will not result in restatements of reports for periods exceeding five years. If amended reports are not required, the bank should report the effect of such corrections on retained earnings at the beginning of the year, net of applicable income taxes, in Schedule RI-A, item 2, "Cumulative effect of changes in accounting principles and corrections of material accounting errors," and in Schedule RI-E, item 4. The effect of such corrections on income and expenses since the beginning of the year in which the error is discovered should be reflected in each affected income and expense account on a year-to-date basis in the next quarterly Consolidated Report of Income to be filed and not as a direct adjustment to retained earnings.

In addition, a change from an accounting principle that is neither accepted nor sanctioned by bank supervisors to one that is acceptable to supervisors is to be reported as a correction of an error. When such a change is implemented, the cumulative effect that applies to prior periods, calculated in the same manner as described above for other changes in accounting principles, should be reported in Schedule RI-A, item 2, "Cumulative effect of changes in accounting principles and corrections of material accounting errors," and in Schedule RI-E, item 4. In most cases of this kind undertaken voluntarily by the reporting bank in order to adopt more acceptable accounting practices, such a change will not result in a request for amended reports for prior periods unless substantial distortions in the bank's previously reported results are in evidence.

In the Consolidated Reports of Condition and Income in which the correction of an error is first reflected, the bank is encouraged to include an explanation of the nature and reason for the correction in Schedule RI-E, item 7, "Other explanations," or in the "Optional Narrative Statement Concerning the Amounts Reported in the Consolidated Reports of Condition and Income."

For further information on these three topics, see ASC Topic 250, Accounting Changes and Error Corrections.

**Accounting Errors, Corrections of:** See "accounting changes."

**Accounting Estimates, Changes in:** See "accounting changes."

**Accounting Principles, Changes in:** See "accounting changes."

**Accrued Interest Receivable:** Accrued interest receivable is the recorded amount of interest that has been earned in current or prior periods on interest-bearing assets that has not yet been collected.

**Accrued Interest Receivable (cont.):**

ASC Topic 326, Financial Instruments–Credit Losses (ASC Topic 326), permits a series of accounting policy elections related to accrued interest receivable. These elections are made upon adoption of ASC Topic 326 and may differ by class of financing receivable or major security type. The available accounting policy elections are:

(1) Institutions may elect to present accrued interest receivable separately from the related financial asset. The accrued interest receivable is presented net of an allowance for credit losses (ACL), if any. An institution that elects to present accrued interest receivable separately from the amount reported for the related financial asset (e.g., loans, leases, debt securities, and other interest-bearing assets) on Schedule RC, Balance Sheet (rather than as a component of the balance sheet amount reported for the related financial asset), should report the accrued interest receivable in Schedule RC-F, item 1, "Accrued interest receivable."

(2) Institutions that charge off uncollectible accrued interest receivable in a timely manner, i.e., in accordance with the Glossary entry for "Nonaccrual Status," may elect, at the class of financing receivable or the major security-type level, not to measure an ACL for accrued interest receivable. If an institution does not make this policy election for a particular class of financing receivable or major security type, the institution should measure an ACL on accrued interest receivable for that class of financing receivable or major security type.

(3) An institution may make a separate policy election, at the class of financing receivable or major security-type level, to charge off any uncollectible accrued interest receivable by reversing interest income, recognizing credit loss expense (i.e., provision expense), or a combination of both. If an institution reverses interest income, the institution should debit (i.e., reduce) the appropriate category of interest income on Schedule RI, Income Statement, for the amount of uncollectible accrued interest receivable being charged off. Furthermore, for purposes of these reports, an institution may charge off uncollectible accrued interest receivable against an ACL by debiting (i.e., reducing) the ACL.

See also the Glossary entries for "Allowances for Credit Losses," "Amortized Cost Basis," and "Nonaccrual Status."

**Accrued Interest Receivable Related to Credit Card Securitizations:** In a typical credit card securitization, an institution transfers a pool of receivables and the right to receive the future collections of principal (credit card purchases and cash advances), finance charges, and fees on the receivables to a trust. If a securitization transaction qualifies as a sale under ASC Topic 860, Transfers and Servicing, the selling institution removes the receivables that were sold from its reported assets and continues to carry any retained interests in the transferred receivables on its balance sheet. The "accrued interest receivable" (AIR) asset typically consists of the seller's retained interest in the investor's portion of (1) the accrued fees and finance charges that have been billed to customer accounts, but have not yet been collected ("billed but uncollected"), and (2) the right to finance charges that have been accrued on cardholder accounts, but have not yet been billed ("accrued but unbilled").

While the selling institution retains a right to the excess cash flows generated from the fees and finance charges collected on the transferred receivables, the institution generally subordinates its right to these cash flows to the investors in the securitization. If and when cash payments on the accrued fees and finance charges are collected, they flow through the trust, where they are available to satisfy more senior obligations before any excess amount is remitted to the seller. Only after trust expenses (such as servicing fees, investor certificate interest, and investor principal charge-offs) have been paid will the trustee distribute any excess fee and finance charge cash flow back to the seller. Since investors are paid from these cash collections before the selling institution receives the amount of AIR that is due, the seller may or may not realize the full amount of its AIR asset.

For further information on the accounting and reporting for the AIR asset, refer to the Glossary entry for "accrued interest receivable related to credit card securitizations" in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**Acquisition, Development, or Construction (ADC) Arrangements:** An ADC arrangement is an arrangement in which a bank provides financing for real estate acquisition, development, or construction purposes and participates in the expected residual profit resulting from the ultimate sale or other use of the property. ADC arrangements should be reported as loans, real estate joint ventures, or direct investments in real estate in accordance with ASC Subtopic 310-10, Receivables – Overall.

12 USC 29 limits the authority of national banks to hold real estate. National banks should review real estate ADC arrangements carefully for compliance. State member banks are not authorized to invest in real estate except with the prior approval of the Federal Reserve Board under Federal Reserve Regulation H (12 CFR Part 208). In certain states, nonmember banks may invest in real estate.

Under the agencies' regulatory capital rules, the term high volatility commercial real estate (HVCRE) exposure is defined, in part, to mean a credit facility that, prior to conversion to permanent financing, finances or has financed the acquisition, development, or construction of real property. (See §.2 of the regulatory capital rules and the instructions for Schedule RC-R, Part II, item 4.b.) Institutions should note that the meaning of the term ADC as used in the definition of HVCRE exposure in the regulatory capital rules differs from the meaning of ADC arrangement for accounting purposes in ASC Subtopic 310-10 as described above in this Glossary entry. For example, an institution's participation in the expected residual profit from a property is part of the accounting definition of an ADC arrangement, but whether the institution participates in the expected residual profit is not a consideration for purposes of determining whether a credit facility is an HVCRE exposure for regulatory capital purposes. Thus, a loan can be treated as an HVCRE exposure for regulatory capital purposes even though it does not provide for the institution to participate in the property's expected residual profit.

**Agreement Corporation:** See "Edge and Agreement corporation."

**Allowances for Credit Losses:** For more information on the allowances for credit losses (ACL), institutions should also refer to the Interagency Policy Statement on Allowances for Credit Losses (Revised April 2023).

Standards for accounting for an ACL for financial assets measured at amortized cost and net investments in leases (hereafter referred to collectively as financial assets measured at amortized cost), as well as certain off-balance sheet credit exposures, are set forth in ASC Subtopic 326-20, Financial Instruments–Credit Losses–Measured at Amortized Cost. For financial assets measured at amortized cost, the ACL is a valuation account that is deducted from, or added to, the amortized cost basis of financial assets to present the net amount expected to be collected over the contractual term of the financial assets.

Standards for measuring credit losses on available-for-sale (AFS) debt securities are set forth in ASC Subtopic 326-30, Financial Instruments—Credit Losses—Available-for-Sale Debt Securities. See the Glossary entry for "Securities Activities" for guidance on allowances for credit losses on AFS debt securities.

The following sections of this Glossary entry apply to financial assets measured at amortized cost and also to off-balance sheet credit exposures within the scope of ASC Subtopic 326-20.

Measurement – An ACL shall be established upon the origination or acquisition of a financial asset(s) measured at amortized cost. A separate ACL shall be reported for each type of financial asset measured at amortized cost (e.g., loans and leases held for investment, held-to-maturity (HTM) debt securities, and receivables that relate to repurchase agreements and securities lending agreements) as of the end of each reporting period.

As of the end of each quarter, or more frequently if warranted, each institution must evaluate the collectability of its financial assets measured at amortized cost, including, if applicable, any recorded accrued interest receivable (i.e., not already reversed or charged off, as applicable), and make

**Allowances for Credit Losses (cont.):**

adjusting entries to maintain the balance of each of the separate ACLs reported on the balance sheet at an appropriate level.

An institution shall measure expected credit losses on a collective or pool basis when financial assets share similar risk characteristics. If a financial asset does not share similar risk characteristics with other assets, expected credit losses for that asset should be evaluated individually. Individually evaluated assets should not be included in a collective assessment of expected credit losses. If a financial asset ceases to share similar risk characteristics with other assets in its pool, it should be moved to a different pool with assets sharing similar risk characteristics, if such a pool exists.

ASC Subtopic 326-20 generally does not require the use of a specific loss estimation method for purposes of determining ACLs. Various methods may be used to estimate the expected collectibility of financial assets measured at amortized cost, with those methods generally applied consistently over time. The same loss estimation method does not need to be applied to all financial assets. An institution is not precluded from selecting a different method when it determines the method will result in a better estimate of ACLs.

ASC Subtopic 326-20 requires an institution to measure estimated expected credit losses over the contractual term of its financial assets, considering expected prepayments. Renewals, extensions, and modifications are excluded from the contractual term of a financial asset for purposes of estimating the ACL unless the renewal and extension options are part of the original or modified contract and are not unconditionally cancellable by the institution. If such renewal or extension options are present, an institution must evaluate the likelihood of a borrower exercising those options when determining the contractual term.

In estimating the net amount expected to be collected on financial assets measured at amortized cost, an institution should consider the effects of past events, current conditions, and reasonable and supportable forecasts on the collectibility of the institution's financial assets. Under ASC Subtopic 326-20, an institution is required to use relevant forward-looking information and expectations drawn from reasonable and supportable forecasts when estimating expected credit losses.

Expected recoveries, prior to collection, are a component of management's estimate of the net amount expected to be collected for a financial asset. Expected recoveries of amounts previously charged off or expected to be charged off that are included in ACLs may not exceed the aggregate amounts previously charged off or expected to be charged off. All assumptions related to expected recoveries should be appropriately documented and supported. When estimating expected recoveries, management may conclude that amounts previously charged off are not collectible.

Changes in the ACL – Additions to, or reductions of, the ACL to adjust its level to management's current estimate of expected credit losses are to be made through charges or credits to the "provisions for credit losses" in item 4 of Schedule RI, Income Statement, including changes to adjust the level of the ACL for off-balance-sheet credit exposures. When available information confirms that specific financial assets measured at amortized cost, or portions thereof, are uncollectible, these amounts should be promptly charged off against the related ACL in the period in which the financial assets are deemed uncollectible. Under no circumstances can amounts determined to be uncollectible on specific financial assets measured at amortized cost be charged directly to "Retained earnings."

Recoveries on financial assets measured at amortized cost represent collections on amounts that were previously charged off against the related ACL. Recoveries shall be credited to the ACL, provided that the total amount credited to the ACL as recoveries on a financial asset (which may include amounts representing principal, interest, and fees) is limited to the amount previously charged off against the ACL on that financial asset. Any amounts collected in excess of this limit should generally be recognized as noninterest income upon collection.

Charge-Offs and Establishment of a New Amortized Cost Basis – When an institution makes a full or partial charge-off of a financial asset measured at amortized cost that is deemed uncollectible, the institution establishes a new cost basis for that financial asset. Consequently, once a new cost basis

**Allowances for Credit Losses (cont.):**
has been established for a financial asset through a charge-off, this amortized cost basis may not be directly "written up" at a later date. Reversing the previous charge-off and "re-booking" the charged-off asset after the institution concludes that the prospects for recovering the charge-off have improved, regardless of whether the institution assigns a new account number to the asset or the borrower signs a new note, is not an acceptable accounting practice. Nevertheless, as stated above, management's estimate of the net amount expected to be collected for a financial asset, as reflected in the related ACL, considers expected recoveries.

If losses charged off against an ACL exceed the amount of the ACL, a provision expense sufficient to restore the ACL to an appropriate level must be charged to a provision for credit losses on the income statement during the reporting period in which the charge-off is recorded. An institution shall not increase an ACL by transferring an amount from retained earnings or any segregation thereof to the ACL.

Collateral-Dependent Financial Assets – A collateral-dependent financial asset is a financial asset for which repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower, based on management's assessment, is experiencing financial difficulty as of the reporting date.

For purposes of these reports, the ACL for a collateral-dependent loan is measured using the fair value of collateral, regardless of whether foreclosure is probable. This application of this requirement for purposes of these reports is limited to collateral-dependent loans; it does not apply to other financial assets such as held-to-maturity debt securities that are collateral dependent.

When estimating the ACL for a collateral-dependent loan, the fair value of collateral should be adjusted to consider estimated costs to sell if repayment or satisfaction of the loan depends on the sale of the collateral. ACL adjustments for estimated costs to sell are not appropriate when the repayment of a collateral-dependent loan is expected from the operation of the collateral.

The fair value of collateral securing a collateral-dependent loan may change over time. If the fair value of the collateral as of the ACL evaluation date has decreased since the previous ACL evaluation date, the ACL should be increased to reflect the additional decrease in the fair value of the collateral. Likewise, if the fair value of the collateral has increased as of the ACL evaluation date, the increase in the fair value of the collateral is reflected through a reduction in the ACL. Any negative ACL that results is capped at the amount previously charged off. In general, any portion of the amortized cost basis in excess of the fair value of collateral less estimated costs to sell, if applicable, that can be identified as uncollectible should be promptly charged off against the ACL.

Financial Assets with Collateral Maintenance Agreements – Institutions may have financial assets that are secured by collateral (such as debt securities) and are subject to collateral maintenance agreements requiring the borrower to continuously replenish the amount of collateral securing the asset. If the fair value of the collateral declines, the borrower is required to provide additional collateral as specified by the agreement.

ASC Topic 326 includes a practical expedient for financial assets with collateral maintenance agreements where the borrower is required to provide collateral greater than or equal to the amortized cost basis of the asset and is expected to continuously replenish the collateral. In those cases, the institution may elect the collateral maintenance practical expedient and measure expected credit losses for these qualifying assets based on the fair value of the collateral. If the fair value of the collateral is greater than the amortized cost basis of the financial asset and the institution expects the borrower to replenish collateral as needed, the institution may record an ACL of zero for the financial asset when the collateral maintenance practical expedient is applied. Similarly, if the fair value of the collateral is less than the amortized cost basis of the financial asset and the institution expects the borrower to replenish collateral as needed, the ACL is limited to the difference between the fair value of the collateral and the amortized cost basis of the asset as of the reporting date when applying the collateral maintenance practical expedient.

**Allowances for Credit Losses (cont.):**

Loan Modifications – An institution should measure any expected credit losses on loans whose terms have been modified in accordance with ASC Topic 326. ASC Topic 326 allows an institution to use any appropriate loss estimation method to estimate allowances for credit losses. However, there are circumstances when specific measurement methods are required. For Call Report purposes, the ACL of a collateral dependent loan must be estimated using the fair value of collateral, less cost to sell, as appropriate. An institution measuring the allowance using the present value of expected future cash flow method (i.e., discounted cash flow method) should use the post-modification effective interest rate as the discount rate.

If an institution adopted ASU 2022-02, "Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures," using the prospective method (versus the modified retrospective method), loans previously identified as troubled debt restructurings should retain the existing method for measurement purposes. As such, unless the loan is collateral-dependent, an institution should continue to apply a discounted cash flow method, discounted at the loan's original effective interest rate, to estimate expected credit losses until the loan is subsequently modified or settled.

Off-Balance-Sheet Credit Exposures – Each institution should also estimate, as a separate liability account, expected credit losses for off-balance-sheet credit exposures not accounted for as insurance, over the contractual period during which the institution is exposed to credit risk. The estimate of expected credit losses should take into consideration the likelihood that funding will occur as well as the amount expected to be funded over the estimated remaining contractual term of the off-balance-sheet credit exposures. Off-balance sheet credit exposures include loan commitments, financial standby letters of credit, and financial guarantees not accounted for as insurance, and other similar instruments except for those within the scope of ASC Topic 815 on derivatives and hedging. This separate allowance should be reported in Schedule RC-G, item 3, "Allowance for credit losses on off-balance-sheet credit exposures," not as part of the "Allowance for credit losses on loans and leases" in Schedule RC, item 4.c. Additions to, or reductions of, the allowance for credit losses on off-balance sheet credit exposures to adjust the balance of the allowance to an appropriate level should be reported in Schedule RI, item 4, "Provisions for credit losses."

Institutions should not record an estimate of expected credit losses for off-balance-sheet credit exposures that are unconditionally cancellable by the issuer. For example, for an institution that has unfunded commitments (i.e., available credit) on credit cards, the institution should not record an allowance for expected credit losses for unfunded commitments for which the institution has the ability to unconditionally cancel the available line of credit. In contrast, home equity lines of credit may be deemed unconditionally cancellable for regulatory capital purposes. However, unfunded commitments under home equity lines of credit are not considered unconditionally cancellable by the issuer for purposes of estimating expected credit losses under ASC Topic 326, because the lender may not unilaterally refuse to extend credit under the commitment.

Recourse Liability Accounts – Recourse liability accounts that arise from recourse obligations for any transfers of financial assets that are reported as sales should not be included in an ACL. These accounts are considered separate and distinct from ACLs and from the allowance for credit losses on off-balance sheet credit exposures. Recourse liability accounts should be reported in Schedule RC-G, item 4, "All other liabilities."

See also the Glossary entries for "Accrued Interest Receivable," "Amortized Cost Basis," "Business Combinations," "Foreclosed Assets," "Loan," "Loan Fees," "Loan Modifications to Borrowers Experiencing Financial Difficulty," "Nonaccrual Status," "Purchased Credit-Deteriorated Assets," "Securities Activities," and "Transfers of Financial Assets."

**Amortized Cost Basis:** The amortized cost basis is the amount at which a financing receivable or investment is originated or acquired, adjusted for applicable accrued interest, accretion, or amortization of premium, discount and net deferred fees or costs, collection of cash, write-offs,[1] foreign exchange, and fair hedge accounting adjustments.

See also the Glossary entries for “Accrued Interest Receivable,” “Loan,” “Loan Fees,” “Nonaccrual Status,” and “Securities Activities.”

**Applicable Income Taxes:** See "Income Taxes."

**Associated Company:** See "Subsidiaries."

**ATS Account:** See "Deposits."

**Bankers Acceptances:** A banker's acceptance, for purposes of these reports, is a draft or bill of exchange that has been drawn on and accepted by a banking institution (the "accepting bank") or its agent for payment by that institution at a future date that is specified in the instrument. Funds are advanced to the drawer of the acceptance by the discounting of the accepted draft either by the accepting bank or by

**Bankers Acceptances (cont.):**

others; the accepted draft is negotiable and may be sold and resold subsequent to its original discounting. At the maturity date specified, the holder or owner of the acceptance at that date, who has advanced funds either by initial discount or subsequent purchase, presents the accepted draft to the accepting bank for payment.

The accepting bank has an unconditional obligation to put the holder in funds (to pay the holder the face amount of the draft) on presentation on the specified date. The account party (customer) has an unconditional obligation to put the accepting bank in funds at or before the maturity date specified in the instrument.

The following paragraphs address the reporting of bankers acceptances in the Consolidated Report of Condition in three situations: (1) acceptances that have been executed by the reporting bank, that is, those drafts that have been drawn on and accepted by it; (2) "participations" in acceptances, that is, "participations" in the accepting bank's obligation to put the holder of the acceptance in funds at maturity, or participations in the accepting bank's risk of loss in the event of default by the account party; and (3) acceptances owned by the reporting bank, that is, those acceptances – whether executed by the reporting bank or by others – that the bank has discounted or purchased.

(1) Acceptances executed by the reporting bank – With certain exceptions, the accepting bank must report on its balance sheet the full amount of the acceptance in both (1) the liability item, "Other liabilities" (Schedule RC, item 20), reflecting the accepting bank's obligation to put the holder of the acceptance in funds at maturity, and (2) the asset item, "Other assets" (Schedule RC, item 11), reflecting the account party's liability to put the accepting bank in funds at or before maturity. The acceptance liability and acceptance asset must also be reported in both Schedule RC-G, item 4, “All other liabilities,” and Schedule RC-F, item 6, “All other assets,” respectively. For further information, including a description of the exceptions, refer to the section of the Glossary entry for “bankers acceptances” on “Acceptances executed by the reporting bank” in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

(2) "Participations" in acceptances[1] – The existence of a participation or other agreement does not reduce the accepting bank's obligation to honor the full amount of the acceptance at maturity nor change the requirement for the accepting bank to report the full amount of the acceptance in the liability and asset items described above.

The existence of such participations is not to be recorded on the balance sheet (Schedule RC) of the accepting bank that conveys shares in its obligation, and similarly is not to be recorded on the balance sheets (Schedule RC) of the other banks that are party to, or acquire, such participations. However, in such cases of agreements to participate, the nonaccepting bank acquiring the participation will report the participation in Schedule RC-R, Part II, item 17, “All other off-balance sheet liabilities.” For further information, refer to the section of the Glossary entry for “bankers acceptances” on “’Participations’ in acceptances” in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

(3) Acceptances owned by the reporting bank – The treatment of acceptances owned or held by the reporting bank (whether acquired by initial discount or subsequent purchase) depends upon whether the acceptances are held for trading, for sale, or in portfolio and upon whether the acceptances held have been accepted by the reporting bank or by other banks.

All acceptances held for trading by the reporting bank (whether acceptances of the reporting bank or of other banks) are to be reported in Schedule RC, item 5, "Trading assets."

[1] This discussion does not deal with participations in holdings of bankers acceptances, which are reportable as loans. Such participations are treated like any participations in loans as described in the Glossary entry for "transfers of financial assets."

**Bankers Acceptances (cont.):**

The reporting bank's holdings of acceptances other than those held for trading (whether acceptances of the reporting bank or of other banks) are to be reported in Schedule RC, item 4.a, "Loans and leases held for sale," or in item 4.b, "Loans and leases held for investment," as appropriate, and in Schedule RC-C, Part I, "Loans and Leases."

In Schedule RC-C, Part I, the reporting bank's holdings of other banks' acceptances, other than those held for trading, are to be reported in "Loans to depository institutions and acceptances of other banks" (item 2). On the other hand, the bank's holdings of its own acceptances, other than those held for trading, are to be reported in Schedule RC-C, Part I, according to the account party of the draft. Thus, holdings of own acceptances for which the account parties are commercial or industrial enterprises are to be reported in Schedule RC-C, Part I, in "Commercial and industrial loans" (item 4); holdings of own acceptances for which the account parties are other banks (e.g., in connection with the refinancing of another acceptance or for the financing of dollar exchange) are to be reported in Schedule RC-C, Part I, in "Loans to depository institutions and acceptances of other banks" (item 2); and holdings of own acceptances for which the account parties are foreign governments or official institutions (e.g., for the financing of dollar exchange) are to be reported in Schedule RC-C, Part I, "Other loans" (item 9.b).

The difference in treatment between holdings of own acceptances and holdings of other banks' acceptances reflects the fact that, for other banks' acceptances, the holding bank's immediate claim is on the accepting bank, regardless of the account party or of the purpose of the loan. On the other hand, for its holdings of its own acceptances, the bank's immediate claim is on the account party named in the accepted draft.

If the account party prepays its acceptance liability on an acceptance of the reporting bank that is held by the reporting bank (in the held-for-sale account, in the loan portfolio, or as trading assets) so as to immediately reduce its indebtedness to the reporting bank, the recording of the holding – in "Commercial and industrial loans," "Loans to depository institutions and acceptances of other banks," or "Trading assets," as appropriate – is reduced by the prepayment.

**Bank-Owned Life Insurance:** ASC Subtopic 325-30, Investments-Other – Investments in Insurance Contracts (formerly FASB Technical Bulletin No. 85-4, *Accounting for Purchases of Life Insurance*, and Emerging Issues Task Force (EITF) Issue No. 06-5, *Accounting for Purchases of Life Insurance–Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4)* addresses the accounting for bank-owned life insurance. According to ASC Subtopic 325-30, only the amount that could be realized under the insurance contract as of the balance sheet date should be reported as an asset. In general, this amount is the cash surrender value reported to the institution by the insurance carrier less any applicable surrender charges not reflected by the insurance carrier in the reported cash surrender value, i.e., the net cash surrender value. An institution should also consider any additional amounts included in the contractual terms of the policy in determining the amount that could be realized under the insurance contract in accordance with ASC Subtopic 325-30.

Because there is no right of offset, an investment in bank-owned life insurance should be reported as an asset separately from any related deferred compensation liability.

Banks that have entered into split-dollar life insurance arrangements should follow the guidance on the accounting for the deferred compensation and postretirement benefit aspects of such arrangements in ASC Subtopic 715-60, Compensation-Retirement Benefits – Defined Benefit Plans-Other Postretirement (formerly EITF Issue No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements," and EITF Issue No. 06-10, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Collateral Assignment Split-Dollar Life Insurance Arrangements"). In general, in an endorsement split-dollar arrangement, a bank owns and controls the insurance policy on the employee, whereas in a

**Bank-Owned Life Insurance (cont.):**

collateral assignment split-dollar arrangement, the employee owns and controls the insurance policy. According to ASC Subtopic 715-60, a bank should recognize a liability for the postretirement benefit related to a split-dollar life insurance arrangement if, based on the substantive agreement with the employee, the bank has agreed to maintain a life insurance policy during the employee's retirement or provide the employee with a death benefit. This liability should be measured in accordance with either ASC Topic 715, Compensation-Retirement Benefits (formerly FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions") (if, in substance, a postretirement benefit plan exists) or ASC Subtopic 710-10, Compensation-General – Overall (formerly Accounting Principles Board Opinion No. 12, "Omnibus Opinion – 1967," as amended by FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions") (if the arrangement is, in substance, an individual deferred compensation contract), and reported on the balance sheet in Schedule RC, item 20, "Other liabilities," and in Schedule RC-G, item 4, "All other liabilities." In addition, for a collateral assignment split-dollar arrangement, ASC Subtopic 715-60 states that an employer such as a bank should recognize and measure an insurance asset based on the nature and substance of the arrangement.

The amount that could be realized under bank-owned life insurance policies as of the report date should be reported on the balance sheet in Schedule RC, item 11, "Other assets," and in Schedule RC-F, item 5, "Life insurance assets." The net earnings (losses) on or the net increases (decreases) in the bank's life insurance assets should be reported in the income statement in Schedule RI, item 5.l, "Other noninterest income." Alternatively, the gross earnings (losses) on or increases (decreases) in these life insurance assets may be reported in Schedule RI, item 5.l, and the life insurance policy expenses may be reported in Schedule RI, Item 7.d, "Other noninterest expense." In the December report only, if the absolute value of the earnings (losses) on, or the increases (decreases) in, the bank's life insurance assets reported in Schedule RI, item 5.l, "Other noninterest income," is greater than $100,000 and exceeds 7 percent of "Other noninterest income," this amount should be reported in Schedule RI-E, item 1.b.

**Banks, U.S. and Foreign:** In the classification of banks as customers of the reporting bank, distinctions are drawn for purposes of the Consolidated Reports of Condition and Income between "U.S. banks" and "commercial banks in the U.S." and between "foreign banks" and "banks in foreign countries." Some report items call for one set of these categories and other items call for the other set. The distinctions center around the inclusion or exclusion of foreign branches of U.S. banks and U.S. branches and agencies of foreign banks. For purposes of describing the office location of banks as customers of the reporting bank, the term "United States" covers the 50 states of the United States, the District of Columbia, Puerto Rico, and U.S. territories and possessions. (This is in contrast to the usage with respect to the offices of the reporting bank, where U.S.-domiciled Edge and Agreement subsidiaries and IBFs are included in "foreign" offices. Furthermore, for banks chartered and headquartered in the 50 states of the United States and the District of Columbia, offices of the reporting bank in Puerto Rico and U.S. territories and possessions are also included in "foreign" offices, but, for banks chartered and headquartered in Puerto Rico and U.S. territories and possessions, offices of the reporting bank in Puerto Rico and U.S. territories and possessions are included in "domestic" offices.)

U.S. banks – The term "U.S. banks" covers both the U.S. and foreign branches of banks chartered and headquartered in the U.S. (including U.S.-chartered banks owned by foreigners), but excluding U.S. branches and agencies of foreign banks. On the other hand, the term "banks in the U.S." or "commercial banks in the U.S." (the institutional coverage of which is described in detail later in this entry) covers the U.S. offices of U.S. banks (including their IBFs) and the U.S. branches and agencies of foreign banks, but excludes the foreign branches of U.S. banks.

Foreign banks – Similarly, the term "foreign banks" covers all branches of banks chartered and headquartered in foreign countries (including foreign banks owned by U.S. nationals and institutions), including their U.S.-domiciled branches and agencies, but excluding the foreign branches of U.S. banks. In contrast, the term "banks in foreign countries" covers foreign-domiciled branches of banks, including the foreign branches of U.S. banks, but excluding the U.S. branches and agencies of foreign banks.

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

The following table summarizes these contrasting categories of banks considered as customers as used in the Consolidated Reports of Condition and Income ("X" indicates inclusion; no entry indicates exclusion.)

| | "U.S. banks" | "Commercial banks in the U.S." | "Foreign banks" | "Banks in foreign countries" |
|---|---|---|---|---|
| U.S. branches of U.S. banks (including IBFs) | X | X | | |
| Foreign branches of U.S. banks | X | | | X |
| Foreign branches of foreign banks | | | X | X |
| U.S. branches and agencies of foreign banks | | X | X | |

Commercial banks in the U.S. – The detailed institutional composition of "commercial banks in the U.S." includes:

(1) the U.S.-domiciled head offices and branches of:

(a) national banks;
(b) state-chartered commercial banks;
(c) trust companies that perform a commercial banking business;
(d) industrial banks;
(e) private or unincorporated banks;
(f) International Banking Facilities (IBFs) of U.S. banks;
(g) Edge and Agreement corporations; and

(2) the U.S.-domiciled branches and agencies of foreign banks (as defined below).

This coverage includes the U.S. institutions listed above that are owned by foreigners. Excluded from commercial banks in the U.S. are branches located in foreign countries of U.S. banks.

U.S. savings and loan associations and savings banks are treated as "other depository institutions in the U.S." for purposes of the Consolidated Reports of Condition and Income.

U.S. branches and agencies of foreign banks – U.S. branches of foreign banks include any offices or places of business of foreign banks that are located in the United States at which deposits are accepted. U.S. agencies of foreign banks include any offices or places of business of foreign banks that are located in the United States at which credit balances are maintained incidental to or arising out of the exercise of banking powers but at which deposits may not be accepted from citizens or residents of the United States.

**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."

**Brokered Deposits:** As defined in Section 337.6(a) of the FDIC's regulations, the term "brokered deposit" means "any deposit that is obtained, directly or indirectly, from or through the mediation or assistance of a deposit broker." 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.

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

**Brokered Deposits (cont.):**

(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
(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.

**Brokered Deposits (cont.):**

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 in Section 337.6(a)(5)(I)(1)(i) through (xiv) as meeting the primary purpose exception, subject to applicable notice and reporting requirements set forth in Section 303.243(b)(3), where, 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;
- 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

**Brokered Deposits (cont.):**

- 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.

    - The FDIC has specifically identified the following additional business relationship as meeting the primary purpose exception:[1] The agent or nominee places, or assists in placing, customer funds at insured depository institutions, in a custodial capacity, based upon instructions received from a depositor or depositor's agent specific to each insured depository institution and deposit account, and the agent or nominee neither plays any role in determining at which insured depository institution(s) to place any customers' funds, nor negotiates or sets rates, terms, fees, or conditions, for the deposit account.
        (1) A custodial agent that plays any role in determining at which IDI(s) to place any customers' funds will not be eligible for this designated exception. As an example, a custodial agent that plays any role in creating, operating, or using an algorithm that is used to determine or recommend at which IDI(s) any customer funds are placed would be viewed as playing a role in determining at which banks the depositor's funds are to be placed and thus not eligible for the designated exception.
        (2) The involvement of the non-discretionary custodial agent does not change the classification of deposits placed by, or through the facilitation of, an entity that otherwise meets the deposit broker definition.

An agent or nominee that does not rely on a designated business exception described above 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 until the FDIC approves such application.

An insured depository institution that receives deposits from an entity with a primary purpose exception (e.g., sweep deposits received from an unaffiliated broker-dealer) should be aware whether there are any additional third parties involved in the deposit placement arrangement, and if so, must determine whether that third party qualifies as a deposit broker. Although an entity with a primary purpose exception that otherwise meets the deposit broker definition is not a deposit broker under 12 CFR 337.6(a)(5)(v)(I), a brokered deposit is any deposit that is obtained, directly or indirectly, from or through the mediation or assistance of a deposit broker under 12 CFR 337.6(a)(2). Therefore, an insured depository institution that receives deposits from an entity with a primary purpose exception must report the deposits as brokered if an additional third party that qualifies as a deposit broker is involved (e.g., a third party engaged in matchmaking activities as described in 12 CFR 337.6(a)(5)(iii)(C)).

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

[1] See 87 FR 1065 (Jan. 10, 2022).

**Brokered Deposits (cont.):**

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 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 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, 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."

**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 (formerly FASB Statement No. 141 (revised 2007), "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.

**Business Combinations (cont.):**

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 (formerly FASB Statement No. 157, "Fair Value Measurements"). 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.

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 "Allowances 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,[1] 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 as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. Topic 805 further requires an acquirer to recognize adjustments to provisional amounts identified during the measurement period in the reporting period in which adjustment amounts are determined. The acquirer also must recognize in the income statement for the same reporting period the effect on earnings, if any, resulting from the adjustments to the provisional

[1] In general, the measurement period in a business combination is the period after the acquisition date during which the acquirer may adjust provisional amounts recognized for a business combination. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

**Business Combinations (cont.):**

amounts as if the accounting for the business combination had been completed as of the acquisition date. See ASC Topic 805 for additional guidance on the measurement period and adjustments to provisional amounts during this period.

ASC Topic 805 provides guidance for recognizing particular assets acquired and liabilities assumed in a business combination. Acquired assets may be tangible (such as securities or fixed assets) or intangible, as discussed in the following paragraph. An acquiring entity must not recognize the goodwill, if any, or the deferred income taxes recorded by an acquired entity before the business combination. However, a deferred tax liability or asset must be recognized for differences between the carrying values assigned in the business combination and the tax bases of the recognized assets acquired and liabilities assumed, in accordance with ASC Topic 740, Income Taxes (formerly FASB Statement No. 109, "Accounting for Income Taxes," and FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes"). (For further information, see the Glossary entry for "income taxes.")

Under ASC Topic 805, an intangible asset must be recognized separately from goodwill if it arises from contractual or other legal rights, regardless of whether the rights are transferable or separable. Otherwise, an intangible asset must be recognized separately from goodwill only if it is capable of being separated or divided from the entity and sold, transferred, licensed, rented, or exchanged individually or together with a related contract, identifiable asset, or liability. Examples of intangible assets that must be recognized separately from goodwill are core deposit intangibles, purchased credit card relationships, servicing assets, favorable leasehold rights, trademarks, trade names, internet domain names, and noncompetition agreements. However, an institution that is a private company, as defined in U.S. GAAP, may elect the private company accounting alternative for the recognition of certain identifiable intangible assets acquired in a business combination provided by ASC Subtopic 805-20, Business Combinations – Identifiable Assets and Liabilities, and Any Noncontrolling Interest, if it also has adopted the private company goodwill accounting alternative provided by ASC Subtopic 350-20, Intangibles–Goodwill and Other – Goodwill. Intangible assets that are recognized separately from goodwill must be reported in Schedule RC, item 10, "Intangible assets," and in Schedule RC-M, item 2.a or 2.c, as appropriate. Refer to the Glossary entry for "goodwill" for further information on the private company accounting alternative for identifiable intangible assets. See also the Glossary entries for "private company" and "public business entity."

In general, the amount recognized as goodwill in a business combination is the excess of the sum of the consideration transferred and the fair value of any noncontrolling interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is reported in Schedule RC, item 10, and in Schedule RC-M, item 2.b. An acquired intangible asset that does not meet the criteria described in the preceding paragraph must be treated as goodwill. After initial recognition, goodwill must be accounted for in accordance with ASC Topic 350, Intangibles-Goodwill and Other (formerly FASB Statement No. 142, "Goodwill and Other Intangible Assets") and the Glossary entry for "goodwill."

In contrast, if the total acquisition-date amount of the identifiable net assets acquired exceeds the consideration transferred plus the fair value of any noncontrolling interest in the acquiree (i.e., a bargain purchase), the acquirer shall reassess whether it has correctly identified all of the assets acquired and all the liabilities assumed and shall recognize any additional assets or liabilities that are identified in that review. If that excess remains after the review, the acquirer shall recognize that excess in earnings as a gain attributable to the acquirer on the acquisition date and report the amount in Schedule RI, item 5.l, "Other noninterest income."

Under the acquisition method, the historical equity capital balances of the acquired business are *not* to be carried forward to the acquirer's consolidated balance sheet. The operating results of the acquiree are to be included in the income and expenses of the acquirer only from the acquisition date. In addition, if the ownership interests in the acquiree were obtained in a series of purchase transactions, the equity interest in the acquiree previously held by the acquirer is remeasured at its acquisition-date fair value and any resulting gain or loss is recognized in the acquirer's earnings.

**Business Combinations (cont.):**

Pushdown accounting – Pushdown accounting is an acquiree's establishment of a new accounting basis in its separate financial statements when an acquirer obtains control of the acquired entity. On November 18, 2014, the FASB issued ASU No. 2014-17, "Pushdown Accounting," which amended ASC Subtopic 805-50, Business Combinations–Related Issues, and took effect upon issuance. Under ASU 2014-17, an acquiree (e.g., an acquired institution) that retains its separate corporate existence may apply pushdown accounting upon a change-in-control event. A change-in-control event occurs when an acquirer obtains a controlling financial interest, as defined by ASC Subtopic 810-10, Consolidation–Overall (formerly Accounting Research Bulletin No. 51, "Consolidated Financial Statements"), in the acquiree. A controlling financial interest typically requires ownership of more than 50 percent of the voting rights in an acquired entity.

An acquired institution that retains its separate corporate existence may, for purposes of its Call Report, elect pushdown accounting in accordance with ASU 2014-17 if the change-in-control event for the business combination occurred on or after October 1, 2014. Prior to the issuance of ASU 2014-17, pushdown accounting for business combinations, including those involving collaborative groups, was permitted for Call Report purposes when 80 percent or more voting control was obtained and required when voting control was 95 percent or more. An institution acquired in a business combination before October 1, 2014, that retained its separate legal existence should not change the pushdown treatment applied to the acquisition because of the issuance of ASU 2014-17. It should be noted that after a parent obtains a controlling financial interest in an entity through a business combination, any subsequent increase in the parent's ownership interest in the acquiree is not a change in control. However, if a parent's ownership becomes a noncontrolling interest and the parent later regains control of the acquiree, the latter transaction would be a change-in-control event at which a new pushdown election could be made in accordance with ASC Subtopic 805-50.

When an acquired institution that retains its separate corporate existence elects pushdown accounting, it must report in its Call Report the new basis of accounting established by the acquirer under which the acquired institution's identifiable assets, liabilities, and noncontrolling interests are restated to their acquisition-date fair values (with limited exceptions specified in ASC Topic 805) using the definition of fair value in ASC Topic 820. The assets acquired, including goodwill, and liabilities assumed, measured at their acquisition-date fair values, are reported in the Call Report balance sheet (Schedule RC) of the acquired institution and the consolidated financial statements of the institution's parent.

In addition, the pushdown adjusting entries must zero out the acquired institution's retained earnings account (Schedule RC, item 26.a). Therefore, the retained earnings of the acquired institution before the change-in-control event will not be available for the payment of dividends after the change-in-control event. When recording the pushdown adjusting entries, the acquired institution's common stock account should reflect the par value of its issued common shares. The acquired institution's surplus (additional paid-in capital) account should represent the difference between the restated amount of the institution's net assets (i.e., its assets less its liabilities) and the sum of the par value of its issued common shares and the amount of any perpetual preferred stock outstanding. The effect of 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

**Business Combinations (cont.):**

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 acquiree, 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 (formerly FASB Statement No. 154, "Accounting Changes and Error Corrections"), 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 (formerly EITF Issue No. 85-1, "Classifying Notes Received for Capital Stock") and SEC Staff Accounting Bulletin No. 107 (Topic 4.E., Receivables from Sale of Stock, in the Codification of Staff Accounting Bulletins). 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]

[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.

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

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.

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

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.[1] 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.

To be reported as an asset, rather than a reduction of equity capital, as of a quarter-end report date, a note received as a capital contribution (that is collected in cash as described above) must meet the definition of an asset under generally accepted accounting principles by satisfying all of the following existence criteria:

(1) There must be written documentation providing evidence that the note was contributed to the institution prior to the quarter-end report date by those with authority to make such a capital contribution on behalf of the issuer of the note (e.g., if the contribution is by the institution's parent holding company, those in authority would be the holding company's board of directors or its chief executive officer or chief financial officer);
(2) The note must be a legally binding obligation of the issuer to fund a fixed and stated dollar amount by a specified date; and
(3) The note must be executed and enforceable before quarter-end.

Although an institution's parent holding company may have a general intent to, or may have entered into a capital maintenance agreement with the institution that calls for it to, maintain the institution's capital at a specified level, this general intent or agreement alone would not constitute evidence that a note receivable existed at quarter-end. Furthermore, if a note receivable for a capital contribution obligates the note issuer to pay an amount that is variable or otherwise not specifically stated, the institution must offset the note and equity capital. Similarly, an obligor's issuance of several notes having fixed face amounts, taken together, would be considered a single note receivable having a variable payment amount, which would require all the notes to be offset in equity capital as of the quarter-end report date.

**Capitalization of Interest Costs:** Interest costs associated with the construction of a building shall, if material, be capitalized as part of the cost of the building. Such interest costs include both the actual interest incurred when the construction funds are borrowed and the interest costs imputed to internal financing of a construction project.

[1] For example, for national banks, 12 U.S.C. § 57 and 12 CFR § 5.46.

**Capitalization of Interest Costs (cont.):**

The interest rate utilized to capitalize interest on internally financed projects in a reporting period shall be the rate(s) applicable to the bank's borrowings outstanding during the period. For this purpose, a bank's borrowings include interest-bearing deposits and other interest-bearing liabilities.

The interest capitalized shall not exceed the total amount of interest cost incurred by the bank during the reporting period.

For further information, see ASC Subtopic 835-20, Interest – Capitalization of Interest (formerly FASB Statement No. 34, "Capitalization of Interest Costs," as amended).

**Carrybacks and Carryforwards:** See "income taxes."

**Cash Management Arrangements:** A cash management arrangement is a group of related transaction accounts of a single type maintained in the same right and capacity by a customer (a single legal entity), whereby the customer and the financial institution understand that payments from one account will be honored so long as a net credit balance exists in the group of related transaction accounts taken as a whole. Such accounts function as, and will be regarded for reporting and deposit insurance assessment purposes as, one account rather than separate accounts, provided adequate documentation of the arrangement is maintained as discussed below. (Note: For reporting and deposit insurance assessment purposes, transaction accounts of affiliates and subsidiaries of a parent company that are separate legal entities may not be offset because accounts of separate legal entities are not permitted within a bona fide cash management arrangement.)

"Transaction accounts of a single type" means demand deposit accounts or NOW accounts, but not a combination thereof. For purposes of cash management arrangements, the terms "right" and "capacity" relate to the form of legal ownership such as being held in an agency or trust capacity, as a joint tenant, or as an individual. "Single legal entity" means a natural person, partnership, corporation, trust, or estate.

The reporting bank must maintain readily available records that will allow for the verification of cash management arrangements. Such documentation must provide account numbers, account titles, ownership of accounts, and the terms and conditions surrounding the management of the accounts, and must also clearly show that both the customer and the reporting bank have agreed to such terms and conditions. These terms and conditions must clearly indicate the understanding that payments from one account will be honored as long as a net credit balance exists within the group of related transaction accounts taken as a whole and maintained in the same right and capacity. A written cash management agreement, signed by both the customer (a single legal entity) and the reporting bank, accurately maintained and incorporating the above information, will be acceptable evidence of a bona fide cash management arrangement. In addition, the reporting bank must maintain readily available records that will allow for the verification of account balances within cash management arrangements.

See "deposits" for the definitions of transaction account, demand deposit, and NOW account. See also "overdraft."

**Certificate of Deposit:** See "deposits."

**Changes in Accounting Estimates:** See "accounting changes."

**Changes in Accounting Principles:** See "accounting changes."

**Clearing Accounts:** See "suspense accounts."

**Commercial Banks in the U.S.:** See "banks, U.S. and foreign."

**Commercial Letter of Credit:** See "letter of credit."

**Commercial Paper:** Commercial paper consists of short-term negotiable promissory notes issued in the United States by commercial businesses, including finance companies and banks. Commercial paper usually matures in 270 days or less and is not collateralized. Commercial paper may be backed by a standby letter of credit from a bank, as in the case of documented discounted notes. Holdings of commercial paper are to be reported as "securities" in Schedule RC-B, normally in item 6, "Other debt securities," unless held for trading and therefore reportable in Schedule RC, item 5, "Trading assets."

**Commodity or Bill-of-Lading Draft:** A commodity or bill-of-lading draft is a draft that is issued in connection with the shipment of goods. If the commodity or bill-of-lading draft becomes payable only when the shipment of goods against which it is payable arrives, it is an arrival draft. Arrival drafts are usually forwarded by the shipper to the collecting depository institution with instructions to release the shipping documents (e.g., bill of lading) conveying title to the goods only upon payment of the draft. Payment, however, cannot be demanded until the goods have arrived at the drawee's destination. Arrival drafts provide a means of insuring payment of shipped goods at the time that the goods are released.

**Common Stock of Unconsolidated Subsidiaries, Investments in:** See “equity method of accounting” and "subsidiaries."

**Continuing Contract:** See "federal funds transactions."

**Corporate Joint Venture:** See "subsidiaries."

**Corrections of Accounting Errors:** See "accounting changes."

**Coupon Stripping, Treasury Receipts, and STRIPS:** Coupon stripping occurs when a security holder physically detaches unmatured coupons from the principal portion of a security and sells either the detached coupons or the ex-coupon security separately. (Such transactions are generally considered by federal bank supervisory agencies to represent "improper investment practices" for banks.) In accounting for such transactions, the carrying amount of the security must be allocated between the ex-coupon security and the detached coupons based on their relative fair values at the date of the sale in accordance with 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). (See the Glossary entry for "transfers of financial assets.")

Detached U.S. Government security coupons and ex-coupon U.S. Government securities that are held for purposes other than trading, whether resulting from the coupon stripping activities of the reporting bank or from its purchase of stripped securities, shall be reported as "Other domestic debt securities" in Schedule RC-B, item 6.a. The amount of any discount or premium relating to the detached coupons or ex-coupon securities must be amortized. (See the Glossary entry for "premiums and discounts.")

A variation of coupon stripping has been developed by several securities firms which have marketed instruments with such names as CATS (Certificates of Accrual on Treasury Securities), TIGR (Treasury Investment Growth Receipts), COUGAR (Certificates on Government Receipts), LION (Lehman Investment Opportunity Notes), and ETR (East Treasury Receipts). A securities dealer purchases U.S. Treasury securities, delivers them to a trustee, and sells receipts representing the rights to future interest and/or principal payments on the U.S. Treasury securities held by the trustee. Such Treasury receipts are not an obligation of the U.S. Government and, when held for purposes other than trading, shall be reported as "Other domestic debt securities" in Schedule RC-B, item 6.a. The discount on these Treasury receipts must be accreted.

Under a program called Separate Trading of Registered Interest and Principal of Securities (STRIPS), the U.S. Treasury has issued certain long-term note and bond issues that are maintained in the book-entry system operated by the Federal Reserve Banks in a manner that permits separate trading and ownership of the interest and principal payments on these issues. Even after the interest or principal portions of U.S. Treasury STRIPS have been separately traded, they remain obligations of the

**Coupon Stripping, Treasury Receipts, and STRIPS (cont.):**

U.S. Government. STRIPS held for purposes other than trading shall be reported as U.S. Treasury securities in Schedule RC-B, item 1. The discount on separately traded portions of STRIPS must be accreted.

Detached coupons, ex-coupon securities, Treasury receipts, and U.S. Treasury STRIPS held for trading purposes shall be reported at fair value in Schedule RC, item 5.

**Custody Account:** A custody account is one in which securities or other assets are held by a bank on behalf of a customer under a safekeeping arrangement. Assets held in such capacity are not to be reported in the balance sheet of the reporting bank nor are such accounts to be reflected as a liability. Assets of the reporting bank held in custody accounts at other banks are to be reported on the reporting bank's balance sheet in the appropriate asset categories as if held in the physical custody of the reporting bank.

**Dealer Reserve Account:** A dealer reserve account arises when a bank purchases at full face value a dealer's installment note receivables, but credits less than the full face value directly to the dealer's account. The remaining amount is credited to a separate dealer reserve account. That account is held by the bank as collateral for the installment notes and, for reporting purposes, is treated as a deposit in the appropriate items of Schedule RC-E. The bank will subsequently disburse to the dealer predetermined portions of the reserve as the purchased notes are paid in a timely manner.

For example, if a bank purchases $100,000 in notes from a dealer for the full face amount ($100,000) and pays to the dealer $90,000 in cash or credits to his/her deposit account, the remaining $10,000, which is held as collateral security, would be credited to the dealer reserve account.

See also "deposits."

**Debt Issuance Costs:** Debt issuance costs include the underwriting, legal, accounting, printing, and other direct costs incurred in connection with the issuance of debt. ASC Subtopic 835-30, Interest − Imputation of Interest, requires debt issuance costs associated with a recognized debt liability (not measured at fair value under a fair value option) to be presented as a direct deduction from the face amount of the related debt liability, similar to debt discounts. Debt issuance costs, like debt discounts, in effect reduce the proceeds of the borrowing, thereby increasing the effective interest rate on the debt.

For purposes of these reports, institutions should report debt issuance costs as a direct deduction from the appropriate balance sheet liability category in Schedule RC, e.g., item 16, “Other borrowed money,” or item 19, “Subordinated notes and debentures.” However, debt issuance costs associated with a recognized liability reported at fair value under a fair value option should be expensed as incurred.

Debt issuance costs should be amortized using the effective interest method. The amortization of debt issuance costs should be reported as interest expense in the income statement category appropriate to the related liability in Schedule RI, e.g., item 2.c, “Other interest expense.”

**Debt Issuance Costs (cont.):**

The guidance in ASC Subtopic 835-30 does not address the presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements. The agencies would not object to an institution deferring and presenting debt issuance costs related to a line-of-credit arrangement as an "Other asset" and subsequently amortizing the deferred debt issuance costs ratably over the term of the arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement.

**Deferred Compensation Agreements:** Institutions often enter into deferred compensation agreements with selected employees as part of executive compensation and retention programs. These agreements are generally structured as nonqualified retirement plans for federal income tax purposes and are based upon individual agreements with selected employees. Institutions purchase life insurance in connection with many of these agreements. Bank-owned life insurance may produce attractive tax-equivalent yields that offset some or all of the costs of the agreements.

Deferred compensation agreements with select employees under individual contracts generally do not constitute postretirement income plans (i.e., pension plans) or postretirement health and welfare benefit plans. The accounting for individual contracts that, when taken together, do not represent a postretirement plan should follow ASC Subtopic 710-10, Compensation-General – Overall (formerly Accounting Principles Board Opinion No. 12, "Omnibus Opinion – 1967," as amended by FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions"). If the individual contracts, taken together, are equivalent to a plan, the plan should be accounted for under ASC Topic 715, Compensation-Retirement Benefits (formerly FASB Statement No. 87, "Employers' Accounting for Pensions," or Statement No. 106).

ASC Subtopic 710-10 requires that an employer's obligation under a deferred compensation agreement be accrued according to the terms of the individual contract over the required service period to the date the employee is fully eligible to receive the benefits, i.e., the "full eligibility date." Depending on the individual contract, the full eligibility date may be the employee's expected retirement date, the date the employee entered into the contract, or a date between these two dates. ASC Subtopic 710-10 does not prescribe a specific accrual method for the benefits under deferred compensation contracts, stating only that the "cost of those benefits shall be accrued over that period of the employee's service in a systematic and rational manner." The amounts to be accrued each period should result in a deferred compensation liability at the full eligibility date that equals the then present value of the estimated benefit payments to be made under the individual contract.

ASC Subtopic 710-10 does not specify how to select the discount rate to measure the present value of the estimated benefit payments. Therefore, other relevant accounting literature must be considered in determining an appropriate discount rate. For purposes of these reports, an institution's incremental borrowing rate[1] and the current rate of return on high-quality fixed-income debt securities[2] are acceptable discount rates to measure deferred compensation agreement obligations. An institution must select and consistently apply a discount rate policy that conforms with generally accepted accounting principles.

For each deferred compensation agreement to be accounted for in accordance with ASC Subtopic 710-10, an institution should calculate the present value of the expected future benefit payments under

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[1] ASC Subtopic 835-30, Interest – Imputation of Interest (formerly APB Opinion No. 21, "Interest on Receivables and Payables," paragraph 13), states in part that "the rate used for valuation purposes will normally be at least equal to the rate at which the debtor can obtain financing of a similar nature from other sources at the date of the transaction."

[2] Paragraph 186 in the Basis for Conclusions of former FASB Statement No. 106 states that "[t]he objective of selecting assumed discount rates is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due."

**Deferred Compensation Agreements (cont.):**

the agreement at the employee's full eligibility date. The expected future benefit payments can be reasonably estimated and should be based on reasonable and supportable assumptions. The estimated amount of these benefit payments should be discounted because the benefits will be paid in periodic installments after the employee retires.

For deferred compensation agreements commonly referred to as revenue neutral or indexed retirement plans,[1] the expected future benefits should include both the "primary benefit" and, if the employee is entitled to "excess earnings" that are earned after retirement, the "secondary benefit." The number of periods the primary and any secondary benefit payments should be discounted may differ because the discount period for each type of benefit payment should be based upon the length of time during which each type of benefit will be paid as specified in the deferred compensation agreement.

After the present value of the expected future benefit payments has been determined, an institution should accrue an amount of compensation expense and a liability each year from the date the employee enters into the deferred compensation agreement until the full eligibility date. The amount of these annual accruals should be sufficient to ensure that a deferred compensation liability equal to the present value of the expected benefit payments is recorded by the full eligibility date. Any method of deferred compensation accounting that does not recognize some expense in each year from the date the employee enters into the agreement until the full eligibility date is not systematic and rational. (For indexed retirement plans, some expense should be recognized for the primary benefit and any secondary benefit in each of these years.)

Vesting provisions should be reviewed to ensure that the full eligibility date is properly determined because this date is critical to the measurement of the liability estimate. Because ASC Subtopic 710-10 requires that the present value of the expected benefit payments be recorded by the full eligibility date, institutions also need to consider changes in market interest rates to appropriately measure deferred compensation liabilities. Therefore, institutions should periodically review their estimates of the expected future benefits under deferred compensation agreements and the discount rates used to compute the present value of the expected benefit payments and revise the estimates and rates, when appropriate.

Deferred compensation agreements may include noncompete provisions or provisions requiring employees to perform consulting services during postretirement years. If the value of the noncompete provisions cannot be reasonably and reliably estimated, no value should be assigned to the noncompete provisions in recognizing the deferred compensation liability. Institutions should allocate a portion of the future benefit payments to consulting services to be performed in postretirement years only if the consulting services are determined to be substantive. Factors to consider in determining whether postretirement consulting services are substantive include, but are not limited to, whether the services are required to be performed, whether there is an economic benefit to the institution, and whether the employee forfeits the benefits under the agreement for failure to perform such services.

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[1] Revenue neutral and indexed retirement plans are deferred compensation agreements that are typically designed so that the spread each year, if any, between the tax-equivalent earnings on bank-owned life insurance covering an individual employee and a hypothetical earnings calculation is deferred and paid to the employee as a postretirement benefit. This spread is commonly referred to as "excess earnings." The hypothetical earnings are computed based on a pre-defined variable index rate (e.g., cost of funds or federal funds rate) times a notional amount. The agreement for this type of plan typically requires the excess earnings that accrue before an employee's retirement to be recorded in a separate liability account. Once the employee retires, the balance in the liability account is generally paid to the employee in equal annual installments over a set number of years (e.g., 10 or 15 years). These payments are commonly referred to as the "primary benefit" or "preretirement benefit." The employee may also receive the excess earnings that are earned after retirement. This benefit may continue until his or her death and is commonly referred to as the "secondary benefit" or "postretirement benefit." The secondary benefit is paid annually, once the employee has retired, in addition to the primary benefit.

**Deferred Compensation Agreements (cont.):**

Deferred compensation liabilities should be reported on the balance sheet in Schedule RC, item 20, "Other liabilities," and in Schedule RC-G, item 4, "All other liabilities." In the Call Reports for June and December, if this amount is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule RC-G, item 4, it should be reported in Schedule RC-G, item 4.b. The annual compensation expense (service component and interest component) related to deferred compensation agreements should be reported in the income statement in Schedule RI, item 7.a, "Salaries and employee benefits."

See also "bank-owned life insurance."

**Deferred Income Taxes:** See "income taxes."

**Defined Benefit Postretirement Plans:** The accounting and reporting standards for defined benefit postretirement plans, such as pension plans and health care plans, are set forth in ASC Topic 715, Compensation-Retirement Benefits (formerly FASB Statement No. 87, "Employers' Accounting for Pensions"; FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions"; and FASB Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans"). ASC Topic 715 requires an institution that sponsors a single-employer defined benefit postretirement plan to recognize the funded status of each such plan on its balance sheet. The funded status of a benefit plan is measured as of the end of an institution's fiscal year as the difference between plan assets at fair value (with limited exceptions) and the benefit obligation. An overfunded plan is recognized as an asset, which should be reported in Schedule RC-F, item 6, "All other assets," while an underfunded plan is recognized as a liability, which should be reported in Schedule RC-G, item 4, "All other liabilities."

An institution should measure the net period benefit cost of a defined benefit plan for a reporting period in accordance with ASC Subtopic 715-30 (formerly FASB Statement No. 87) for pension plans and ASC Subtopic 715-60 (formerly FASB Statement No. 106) for other postretirement benefit plans. This cost should be reported in Schedule RI, item 7.a, "Salaries and employee benefits." However, an institution must recognize certain gains and losses and prior service costs or credits that arise on a defined benefit plan during each reporting period, net of tax, as a component of other comprehensive income (Schedule RI-A, item 10) and, hence, accumulated other comprehensive income (AOCI) (Schedule RC, item 26.b). Postretirement plan amounts carried in AOCI are adjusted as they are subsequently recognized in earnings as components of a plan's net periodic benefit cost.

For further information on accounting for defined benefit postretirement plans, institutions should refer to ASC Topic 715.

Impact on Regulatory Capital – An institution that has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a, should reverse the effects on AOCI of ASC Topic 715 (formerly FASB Statement No. 158) for purposes of reporting and measuring the numerators and denominators for the leverage and risk-based capital ratios. The intent of the reversal is to neutralize for regulatory capital purposes the effects on AOCI of the application of ASC Topic 715. The instructions for Schedule RC-R, Part I, items 9.d and 26, and Schedule RC-R, Part II, item 8, provide guidance on how to report adjustments to Tier 1 capital and risk-weighted and total assets to reverse the effects of applying ASC Topic 715 for regulatory capital purposes.

**Demand Deposits:** See "deposits."

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

(1) U.S. branches and agencies of foreign banks;

(2) U.S.-domiciled head offices and branches of U.S. banks, i.e.,
(a) national banks,
(b) state-chartered commercial banks,
(c) trust companies that perform a commercial banking business,
(d) industrial banks,
(e) private or unincorporated banks,
(f) Edge and Agreement corporations, and
(g) International Banking Facilities (IBFs) of U.S. banks; and

(3) U.S.-domiciled head offices and branches of other depository institutions in the U.S., i.e.,
(a) mutual or stock savings banks,
(b) savings or building and loan associations,
(c) cooperative banks,
(d) credit unions,
(e) homestead associations,
(f) other similar depository institutions in the U.S., and
(g) International Banking Facilities (IBFs) of other depository institutions in the U.S.

**Deposits:** The basic statutory and regulatory definitions of "deposits" are contained in Section 3(ℓ) of the Federal Deposit Insurance Act (FDI Act) and in Federal Reserve Regulation D. The definitions in these two legal sources differ in certain respects. Furthermore, for purposes of these reports, the reporting standards for deposits specified in these instructions do not strictly follow the precise legal definitions in these two sources. The definitions of deposits to be reported in the deposit items of the Consolidated Reports of Condition and Income are discussed below under the following headings:

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

(I) FDI Act definition of deposits – Section 3(ℓ) states that the term “deposit” means –

(1) the unpaid balance of money or its equivalent received or held by a bank or savings association in the usual course of business and for which it has given or is obligated to give credit, either conditionally or unconditionally, to a commercial, checking, savings, time, or thrift account, or which is evidenced by its certificate of deposit, thrift certificate, investment certificate, certificate of indebtedness, or other similar name, or a check or draft drawn against a deposit account and certified by the bank or savings association, or a letter of credit or a traveler's check on which the bank or savings association is primarily liable: Provided, That, without limiting the generality of the term "money or its equivalent", any such account or instrument must be regarded as evidencing the receipt of the equivalent of money when credited or issued in exchange for checks or drafts or for a promissory note upon which the person obtaining any such credit or instrument is primarily or secondarily liable, or for a charge against a deposit account, or in settlement of checks, drafts, or other instruments forwarded to such bank or savings association for collection,

(2) trust funds as defined in this Act received or held by such bank or savings association, whether held in the trust department or held or deposited in any other department of such bank or savings association,

(3) money received or held by a bank or savings association, or the credit given for money or its equivalent received or held by a bank or savings association, in the usual course of business for a special or specific purpose, regardless of the legal relationship thereby established,

**Deposits (cont.):**

including without being limited to, escrow funds, funds held as security for an obligation due to the bank or savings association or others (including funds held as dealers reserves) or for securities loaned by the bank or savings association, funds deposited by a debtor to meet maturing obligations, funds deposited as advance payment on subscriptions to United States Government securities, funds held for distribution or purchase of securities, funds held to meet its acceptances or letters of credit, and withheld taxes: Provided, That there shall not be included funds which are received by the bank or savings association for immediate application to the reduction of an indebtedness to the receiving bank or savings association, or under condition that the receipt thereof immediately reduces or extinguishes such an indebtedness,

(4) outstanding draft (including advice or authorization to charge a bank's or a savings association's balance in another bank or savings association), cashier's check, money order, or other officer's check issued in the usual course of business for any purpose, including without being limited to those issued in payment for services, dividends, or purchases, and

(5) such other obligations of a bank or savings association as the Board of Directors [of the Federal Deposit Insurance Corporation], after consultation with the Comptroller of the Currency and the Board of Governors of the Federal Reserve System, shall find and prescribe by regulation to be deposit liabilities by general usage, except that the following shall not be a deposit for any of the purposes of this Act or be included as part of the total deposits or of an insured deposit:

(A) any obligation of a depository institution which is carried on the books and records of an office of such bank or savings association located outside of any State, unless –

(i) such obligation would be a deposit if it were carried on the books and records of the depository institution, and would be payable at, an office located in any State; and

(ii) the contract evidencing the obligation provides by express terms, and not by implication, for payment at an office of the depository institution located in any State; and

(B) any international banking facility deposit, including an international banking facility time deposit, as such term is from time to time defined by the Board of Governors of the Federal Reserve System in regulation D or any successor regulation issued by the Board of Governors of the Federal Reserve System; and

(C) any liability of an insured depository institution that arises under an annuity contract, the income of which is tax deferred under section 72 of title 26 [the Internal Revenue Code].

(II) Transaction-nontransaction deposit distinction – Deposits defined in Regulation D as transaction accounts include demand deposits, NOW accounts, telephone and preauthorized transfer accounts, and savings deposits. However, for Call Report purposes, savings deposits are classified as a type of nontransaction account.

For institutions that have suspended the six transfer limit on an account that meets the definition of a savings deposit (as defined below in the Nontransaction accounts category), please refer to the "Treatment of Accounts where Reporting Institutions Have Suspended Enforcement of the Six Transfer Limit per Regulation D" section below for further details on reporting savings deposits.

**Deposits (cont.):**

(1) Transaction accounts – For Call Report purposes, with the exceptions noted below, a "transaction account," is a deposit or account from which the depositor or account holder is permitted to make transfers or withdrawals by negotiable or transferable instruments, payment orders of withdrawal, telephone transfers, or other similar devices for the purpose of making payments or transfers to third persons or others or from which the depositor may make third party payments at an automated teller machine (ATM), a remote service unit (RSU), or another electronic device, including by debit card.

Excluded from transaction accounts are savings deposits (both money market deposit accounts (MMDAs) and other savings deposits) as defined below in the nontransaction account category.

For Call Report purposes, transaction accounts consist of the following types of deposits: (a) demand deposits; (b) NOW accounts; (c) ATS accounts; and (d) telephone and preauthorized transfer accounts, all as defined below. Interest that is paid by the crediting of transaction accounts is also included in transaction accounts.

(a) Demand deposits are deposits that are payable immediately on demand, or that are issued with an original maturity or required notice period of less than seven days, or that represent funds for which the depository institution does not reserve the right to require at least seven days' written notice of an intended withdrawal. Demand deposits include any matured time deposits without automatic renewal provisions, unless the deposit agreement provides for the funds to be transferred at maturity to another type of account. Effective July 21, 2011, demand deposits may be interest-bearing or noninterest-bearing. Demand deposits do not include: (i) money market deposit accounts (MMDAs) or (ii) NOW accounts, as defined below in this entry.

(b) NOW accounts are interest-bearing deposits (i) on which the depository institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account and (ii) that can be withdrawn or transferred to third parties by issuance of a negotiable or transferable instrument.

NOW accounts, as authorized by federal law, are limited to accounts held by:

(i) Individuals or sole proprietorships;

(ii) Organizations that are operated primarily for religious, philanthropic, charitable, educational, or other similar purposes and that are not operated for profit. These include organizations, partnerships, corporations, or associations that are not organized for profit and are described in section 501(c)(3) through (13) and (19) and section 528 of the Internal Revenue Code of the Internal Revenue Code, such as church organizations; professional associations; trade associations; labor unions; fraternities, sororities and similar social organizations; and nonprofit recreational clubs; or

(iii) Governmental units including the federal government and its agencies and instrumentalities; state governments; county and municipal governments and their political subdivisions; the District of Columbia; the Commonwealth of Puerto Rico, American Samoa, Guam, and any territory or possession of the United States and their political subdivisions.

**Deposits (cont.):**

Also included are the balances of all NOW accounts of certain other nonprofit organizations that may not fall within the above description but that had established NOW accounts with the reporting institution prior to September 1, 1981.

NOTE: There are no regulatory requirements with respect to minimum balances to be maintained in a NOW account or to the amount of interest that may be paid on a NOW account.

(c) ATS accounts are deposits or accounts of individuals or sole proprietorships on which the depository institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account and from which, pursuant to written agreement arranged in advance between the reporting institution and the depositor, withdrawals may be made automatically through payment to the depository institution itself or through transfer of credit to a demand deposit or other account in order to cover checks or drafts drawn upon the institution or to maintain a specified balance in, or to make periodic transfers to, such other accounts.

(d) Telephone or preauthorized transfer accounts consist of deposits or accounts, other than savings deposits, (1) in which the entire beneficial interest is held by a party eligible to hold a NOW account, and (2) on which the reporting institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account.

A "preauthorized transfer" includes any arrangement by the reporting institution to pay a third party from the account of a depositor (1) upon written or oral instruction (including an order received through an automated clearing house (ACH)), or (2) at a predetermined time or on a fixed schedule.

Telephone and preauthorized transfer accounts also include:

(i) Deposits or accounts maintained in connection with an arrangement that permits the depositor to obtain credit directly or indirectly through the drawing of a negotiable or nonnegotiable check, draft, order or instruction or other similar device (including telephone or electronic order or instruction) on the issuing institution that can be used for the purpose of making payments or transfers to third parties or others, or to another deposit account of the depositor.

**Deposits (cont.):**

(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, 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 account (and as a "transaction account")[1] 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.

[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.):**

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.

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

**Deposits (cont.):**

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.

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.

**Deposits (cont.):**

(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.

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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.

**Derivative Contracts:** Banks commonly use derivative instruments for managing (positioning or hedging) their exposure to market risk (including interest rate risk and foreign exchange risk), cash flow risk, and other risks in their operations and for trading. The accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities are set forth in ASC Topic 815, Derivatives and Hedging, which banks must follow for purposes of these reports. ASC Topic 815 requires all derivatives to be recognized on the balance sheet as either assets or liabilities at their fair value. For further information, institutions should refer to the subtopics within ASC Topic 815, as appropriate, for a comprehensive understanding of the accounting for derivatives and hedging activities.

When applicable, institutions may also refer to Accounting Standards Update No. ASU 2020-04, “Reference Rate Reform (Topic 848),” (ASU 2020-04), which provides optional expedients for fair value, cash flow, and net investment hedging relationships affected by reference rate reform for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting as the London Interbank Offered Rate (LIBOR) and other reference rates are being discontinued. ASU 2020-04 provides exceptions to the guidance in ASC Topic 815 related to changes to the critical terms of a hedging relationship due to reference rate reform.

Definition of Derivative

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

(1) It has one or more underlyings (i.e., specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, or other variable) and one or more notional amounts (i.e., number of currency units, shares, bushels, pounds, or other units specified in the contract) or payment provisions or both. These terms determine the amount of the settlement or settlements, and in some cases, whether or not a settlement is required.

(2) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have similar response to changes in market factors.

**Derivative Contracts (cont.):**

(3) Its terms require or permit net settlement, it can be readily settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

Certain contracts that may meet the definition of a derivative are specifically excluded from the scope of ASC Topic 815, including:

- "Regular-way" securities trades, which are trades that are completed within the time period generally established by regulations and conventions in the marketplace or by the exchange on which the trade is executed;
- Normal purchases and sales of an item other than a financial instrument or derivative instrument (e.g., a commodity) that will be delivered in quantities expected to be used or sold by the reporting entity over a reasonable period in the normal course of business;
- Traditional life insurance and property and casualty contracts; and
- Certain financial guarantee contracts.

ASC Topic 815 has special criteria for determining whether commitments to originate loans meet the definition of a derivative. Commitments to originate mortgage loans that will be held for sale are accounted for as derivatives. Commitments to originate mortgage loans that will be held for investment are not accounted for as derivatives. Also, all commitments to originate loans other than mortgage loans are not accounted for as derivatives. Commitments to purchase loans must be evaluated to determine whether the commitment meets the definition of a derivative under ASC Topic 815.

Types of Derivatives

The most common types of freestanding derivatives are forwards, futures, swaps, options, caps, floors, and collars.

Forward contracts are agreements that obligate two parties to purchase (long) and sell (short) a specific financial instrument, foreign currency, or commodity at a specified price with delivery and settlement at a specified future date.

Futures contracts are standardized forward contracts that are traded on organized exchanges. Exchanges in the U.S. are registered with and regulated by the Commodity Futures Trading Commission. The deliverable financial instruments underlying interest-rate future contracts are specified investment-grade financial instruments, such as U.S. Treasury securities or mortgage-backed securities. Foreign currency futures contracts involve specified deliverable amounts of a particular foreign currency. The deliverable products under commodity futures contracts are specified amounts and grades of commodities such as gold bullion. Equity futures contracts are derivatives that have a portion of their return linked to the price of a particular equity or to an index of equity prices, such as the Standard and Poor's 500.

Other forward contracts are traded over the counter and their terms are not standardized. Such contracts can only be terminated, other than by receipt of the underlying asset, by agreement of both buyer and seller. A forward rate agreement is a forward contract that specifies a reference interest rate and an agreed on interest rate (one to be paid and one to be received), an assumed principal amount (the notional amount), and a specific maturity and settlement date.

Swap contracts are forward-based contracts in which two parties agree to swap streams of payments over a specified period. The payments are based on an agreed upon notional principal amount. An interest rate swap generally involves no exchange of principal at inception or maturity. Rather, the notional amount is used to calculate the payment streams to be exchanged. However, foreign exchange swaps often involve the exchange of principal.

Option contracts (standby contracts) are traded on exchanges and over the counter. Option contracts grant the right, but do not obligate, the purchaser (holder) to buy (call) or sell (put) a specific or

standard commodity, financial, or equity instrument at a specified price during a specified period or at a

**Derivative Contracts (cont.):**

specified date. A purchased option is a contract in which the buyer has paid compensation (such as a fee or premium) to acquire the right to sell or purchase an instrument at a stated price on a specified future date. A written option obligates the option seller to purchase or sell the instrument at the option of the buyer of the contract. Option contracts may relate to purchases or sales of securities, money market instruments, futures contracts, other financial instruments, or commodities.

Interest rate caps are option contracts in which the cap seller, in return for a premium, agrees to limit the cap holder's risk associated with an increase in interest rates. If rates go above a specified interest-rate level (the strike price or cap rate), the cap holder is entitled to receive cash payments equal to the excess of the market rate over the strike price multiplied by the notional principal amount. For example, an issuer of floating-rate debt may purchase a cap to protect against rising interest rates, while retaining the ability to benefit from a decline in rates.

Interest rate floors are option contracts in which the floor seller, in return for a premium, agrees to limit the risk associated with a decline in interest rates based on a notional amount. If rates fall below an agreed rate, the floor holder will receive cash payments from the floor writer equal to the difference between the market rate and an agreed rate, multiplied by the notional principal amount.

Interest rate collars are option contracts that combine a cap and a floor (one held and one written). Interest rate collars enable a user with a floating rate contract to lock into a predetermined interest-rate range often at a lower cost than a cap or a floor.

Embedded Derivatives

Contracts that do not in their entirety meet the definition of a derivative instrument, such as bonds, insurance policies, and leases, may contain “embedded” derivative instruments. Embedded derivatives are implicit or explicit terms within a contract that affect some or all of the cash flows or the value of other exchanges required by the contract in a manner similar to a derivative instrument. The effect of embedding a derivative instrument in another type of contract (“the host contract”) is that some or all of the cash flows or other exchanges that otherwise would be required by the host contract, whether unconditional or contingent upon the occurrence of a specified event, will be modified based on one or more of the underlyings.

An embedded derivative instrument shall be separated from the host contract and accounted for as a derivative instrument, i.e., bifurcated, if and only if all three of the following conditions are met:

(1) The economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract,

(2) The contract (“the hybrid instrument”) that embodies the embedded derivative and the host contract is not remeasured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur, and

(3) A separate instrument with the same terms as the embedded derivative instrument would be a considered a derivative.

An embedded derivative instrument in which the underlying is an interest rate or interest rate index that alters net interest payments that otherwise would be paid or received on an interest-bearing host contract is considered to be clearly and closely related to the host contract unless either of the following conditions exist:

(1) The hybrid instrument can contractually be settled in such a way that the investor (holder) would not recover substantially all of its initial recorded investment, or

(2) The embedded derivative could at least double the investor’s initial rate of return on the host contract and could also result in a rate of return that is at least twice what otherwise would be the

**Derivative Contracts (cont.):**

market return for a contract that has the same terms as the host contract and that involves a debtor with a similar credit quality.

Examples of hybrid instruments (not held for trading purposes) with embedded derivatives which meet the three conditions listed above and must be accounted for separately include debt instruments (including deposit liabilities) whose return or yield is indexed to: changes in an equity securities index (e.g., the Standard & Poor's 500); changes in the price of a specific equity security; or changes in the price of gold, crude oil, or some other commodity. For purposes of these reports, when an embedded derivative must be accounted for separately from the host contract under ASC Topic 815, the carrying value of the host contract and the fair value of the embedded derivative may be combined and presented together on the balance sheet in the asset or liability category appropriate to the host contract.

Under ASC Subtopic 815-15, Derivatives and Hedging – Embedded Derivatives, a bank with a hybrid instrument for which bifurcation would otherwise be required is permitted to irrevocably elect to initially and subsequently measure the hybrid instrument in its entirety at fair value with changes in fair value recognized in earnings. In addition, ASC Subtopic 815-15 subjects all but the simplest forms of interest-only and principal-only strips and all forms of beneficial interests in securitized financial assets to the requirements of ASC Topic 815. Thus, a bank must evaluate such instruments to identify those that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation. However, a beneficial interest that contains a concentration of credit risk in the form of subordination to another financial instrument and certain securitized interests in prepayable financial assets are not considered to contain embedded derivatives that must be accounted for separately from the host contract. For further information, see ASC Subtopic 815-15.

Except in limited circumstances, interest-only and principal-only strips and beneficial interests in securitized assets that were recognized prior to the effective date (or early adoption date) of ASC Subtopic 815-15 are not subject to evaluation for embedded derivatives under ASC Topic 815.

Recognition of Derivatives and Measurement of Derivatives and Hedged Items

A bank should recognize all of its derivative instruments on its balance sheet as either assets or liabilities at fair value. As defined in ASC Topic 820, Fair Value Measurement, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For further information, see the Glossary entry for “Fair Value.”

The accounting for changes in the fair value (that is, gains and losses) of a derivative depends on whether the derivative has been designated as, and qualifies as, part of a hedging relationship under ASC Topic 815 and, if so, on the reason for holding it. Either all or a proportion of a derivative may be designated as a hedging instrument. The proportion must be expressed as a percentage of the entire derivative. Gains and losses on derivative instruments are accounted for as follows:

(1) No hedging designation under ASC Topic 815 – The gain or loss on a derivative instrument not designated in a hedge under ASC Topic 815, including all derivatives held for trading purposes and derivatives used in transactions that economically hedge exposures to various risks, is recognized currently in earnings through the income statement.

(2) Fair value hedge under ASC Topic 815 – For a derivative designated as, and qualifying as, a hedge of the exposure to changes in the fair value of a recognized asset or liability, or of an unrecognized firm commitment, that is attributable to a particular risk (i.e., a fair value hedge), the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the risk being hedged should be recognized currently in earnings through the income statement. For example, an exposure to changes in fair value typically results from holding or issuing a debt

**Derivative Contracts (cont.):**

instrument that has a fixed interest rate or is denominated in a currency other than the institution's functional currency or from a change in the credit and/or foreign exchange risk of a held-to-maturity debt security.

(3) Cash flow hedge under ASC Topic 815 – For a derivative designated as, and qualifying as, a hedge of the exposure to variability in the cash flows of an existing recognized asset or liability or of a forecasted purchase or sale transaction, that is attributable to a particular risk (i.e., a cash flow hedge), the entire gain or loss on the derivative should initially be reported outside of earnings as a component of other comprehensive income and subsequently reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

The individual cash flows related to a recognized asset or liability and the cash flows related to a forecasted purchase or sale transaction are both referred to as a forecasted transaction. A forecasted transaction is eligible for designation as a hedged transaction if the forecasted transaction is specifically identified as a single transaction or a group of individual transactions, the occurrence of the forecasted transaction is probable, and certain other criteria specified in ASC Topic 815 are met. If the hedged transaction is a group of individual transactions, those individual transactions must share the same risk exposure for which they are designated as being hedged. For example, an exposure to variability in cash flows can result from a debt instrument with a variable interest rate or from a transaction amount that will be settled in a nonfunctional currency.

(4) Foreign currency hedge under ASC Topic 815 – For a derivative designated as, and qualifying as, hedging the foreign currency exposure (i.e., an exposure to a currency other than the hedging unit's functional currency) of a net investment in a foreign operation (i.e., a net investment hedge), the gain or loss is reported outside of earnings in other comprehensive income as part of the cumulative translation adjustment. For a derivative designated as, and qualifying as, (1) a hedge of the foreign currency exposure of an unrecognized firm commitment or an available-for-sale security, the accounting for a fair value hedge should be applied, or (2) a hedge of the foreign currency exposure of a foreign-currency denominated forecasted transaction, the accounting for a cash flow hedge should be applied.

For fair value and cash flow hedges, an institution may elect with appropriate documentation of its risk management decision to recognize the initial value of certain excluded components from the assessment of effectiveness in earnings using a systematic and rational method over the life of the hedging instrument. Any difference between the change in fair value of the excluded component and amounts recognized in earnings under that systematic and rational method should be recognized in other comprehensive income. Alternatively, an institution may elect to record changes in the fair value of the excluded component currently in earnings. This election should be applied consistently to similar hedges.

To qualify for hedge accounting, the risk being hedged must represent an exposure to an institution's earnings. In general, if the hedged item is a financial asset or liability, the designated risk being hedged can be overall risks (i.e., the risk of changes in the overall fair value of the hedged item or the risk of overall changes in the hedged cash flows), or portions, or components, of the total risk within the hedged item. The components of the total risk within the hedged item can include: (1) the risk of changes in the fair value or cash flows of the hedged item attributable to changes in the benchmark interest rate;[1] (2) the risk of changes in the cash flows of the hedged item attributable to changes in the contractually specified interest rate; (3) the risk of changes in the fair value or cash flows of the hedged item attributable to changes in foreign exchange rates; or (4) the risk of changes in the fair value or cash flows of the hedged item attributable to changes in the obligor's creditworthiness.

[1] The benchmark interest rate is a widely recognized and quoted rate in an active financial market that is broadly indicative of the overall level of interest rates attributable to high-credit-quality obligors in that market. In theory, this should be a risk-free rate. In the U.S., interest rates on U.S. Treasury securities, the London Interbank Offered Rate (LIBOR) swap rate, the Overnight Index Swap (OIS) Rate based on the Fed Funds Effective Rate, the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Rate, and the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate are considered benchmark interest rates.

**Derivative Contracts (cont.):**

For held-to-maturity securities, only credit risk, foreign exchange risk, or both may be hedged. An institution can also hedge the risk of changes in the cash flows attributable to changes in an identified contractually specified component of a nonfinancial asset in a forecasted purchase or sale of the nonfinancial asset.

Designated hedging instruments and hedged items qualify for fair value, cash flow, or net investment hedge accounting if all of the criteria specified in ASC Topic 815 are met. These criteria include:

(1) At inception of the hedge, there is formal designation and documentation of the hedging relationship and the institution's risk management objective and strategy for undertaking the hedge, including identification of the eligible hedging instrument (e.g., the derivative), the hedged item or transaction eligible to be hedged, the nature of the risk being hedged, and how the hedging instrument's effectiveness will be assessed. At inception of the hedge (using information applicable as of the date of hedge inception), there must be a reasonable basis for how the institution plans to assess the hedging instrument's effectiveness. When hedging foreign currency risk on an after-tax basis, documentation that hedge effectiveness will be assessed on an after-tax basis (rather than on a pre-tax basis) is also required at hedge inception.

(2) Both at inception of the hedge and on an ongoing basis, the hedging relationship is expected to be highly effective in achieving offsetting changes in fair value or offsetting cash flows attributable to the hedged risk during the period that the hedge is designated (i.e., term of the hedge). An assessment of effectiveness is required whenever financial statements or earnings are reported, and at least every three months. All assessments of effectiveness shall be consistent with the risk management strategy documented for that particular hedging relationship.

Some hedging relationships (e.g., those meeting the requirements of the "shortcut" or "critical terms match" methods) require only a qualitative assessment. The initial prospective quantitative assessment of hedge effectiveness may be performed at any time after hedge designation, but no later than the first quarterly effectiveness testing date and, for forecasted transactions, before the first transaction occurs, using data applicable as of the date of hedge inception. The ongoing effectiveness assessments may be qualitative and/or quantitative, assuming the expectation of high effectiveness is reasonably supported.

In a fair value hedge, an asset or a liability is eligible for designation as a hedged item if the hedged item is specifically identified as either all or a specific portion of a recognized asset or liability or of an unrecognized firm commitment, the hedged item is a single asset or liability (or a specific portion thereof) or is a portfolio of similar assets or a portfolio of similar liabilities (or a specific portion thereof), and certain other criteria specified in ASC Topic 815 are met. If similar assets or similar liabilities are aggregated and hedged as a portfolio, the individual assets or individual liabilities must share the risk exposure for which they are designated as being hedged. The change in fair value attributable to the hedged risk for each individual item in a hedged portfolio must be expected to respond in a generally proportionate manner to the overall change in fair value of the aggregate portfolio attributable to the hedged risk.

Portfolio Layer Method

Accounting Standards Update No. 2022-01, "Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method" (ASU 2022-01), expands the current single-layer method and allows for multiple hedged layers of a closed portfolio. In addition, ASU 2022-01 expands the scope of the portfolio layer method from prepayable[1] assets to also include nonprepayable assets; specifies eligible hedging instruments in a single-layer hedge; provides additional guidance on the accounting for and disclosure of fair value hedge basis adjustments (FVHBAs) under the portfolio layer method; and specifies how hedge basis adjustments should be considered when determining credit losses for the assets included in the closed portfolio.

[1] ASC Master Glossary defines prepayable as "able to be settled by either party before its scheduled maturity."

**Derivative Contracts (cont.):**

ASU 2022-01 applies to all entities that elect to apply the portfolio layer method of hedge accounting. For public business entities, the ASU is effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. For all other entities, ASU 2022-01 is effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted.

For further guidance, refer to the instructions for Schedule RC-B, item 7, "Unallocated portfolio layer fair value hedge basis adjustments," and Schedule RC-C, Part I, item 11, "LESS: Any unearned income on loans reflected in items 1-9 above."

Recognition of Derivatives and Measurement When Criteria for Hedge Accounting are No Longer Met

An institution should discontinue prospectively its use of fair value or cash flow hedge accounting for an existing hedge if any of the qualifying criteria for hedge accounting is no longer met; the derivative expires or is sold, terminated, or exercised; or the institution removes the designation of the hedge.

For a fair value hedge, in general, if a periodic assessment of hedge effectiveness indicates noncompliance with the highly effective criterion that must be met to qualify for hedge accounting, an institution should not recognize an adjustment of the carrying amount of the hedged item for the change in the item's fair value attributable to the hedged risk after the last date on which compliance with the effectiveness criterion was established.

When this occurs for a cash flow hedge, the net gain or loss on the derivative should remain in "Accumulated other comprehensive income" and be reclassified into earnings in the periods during which the hedged forecasted transaction affects earnings. However, if it is probable that the forecasted transaction will not occur by the end of the originally specified time period (as documented at the inception of the hedging relationship) or within an additional two-month period of time thereafter (except as noted in ASC Topic 815), the derivative gain or loss reported in "Accumulated other comprehensive income" should be reclassified into earnings immediately.

Other Considerations

With certain limited exceptions, a nonderivative instrument, such as a U.S. Treasury security, may not be designated as a hedging instrument in a qualifying ASC Topic 815 hedging relationship.

Reporting Derivative Contracts in the Call Report

When an institution enters into a derivative contract, it should classify the derivative as either held for trading or held for purposes other than trading (end-user derivatives) based on the reasons for entering into the contract. All derivatives must be reported at fair value on the balance sheet (Schedule RC). Each institution must report whether it has any derivative contracts in Schedule SU, item 1. If the institution has derivative contracts, it must complete items 1.a through 1.d of Schedule SU, as appropriate, to report separately the notional amounts of interest rate derivatives and all other derivatives, distinguishing between derivatives held for trading and derivatives not held for trading.

**Derivative Contracts (cont.):**

Trading derivatives with positive fair values should be reported as trading assets in Schedule RC, item 5. Trading derivatives with negative fair values should be reported as trading liabilities in Schedule RC, item 15. Changes in the fair value of (that is, gains and losses on) trading derivatives should be recognized currently in earnings and included as trading revenue in Schedule RI, item 5.l, “Other noninterest income.”

Freestanding derivatives held for purposes other than trading (and embedded derivatives that are accounted for separately under ASC Topic 815, which the bank has chosen to present separately from the host contract on the balance sheet) that have positive fair values should be included in Schedule RC-F, item 6, "All other assets." In the Call Reports for June and December, if the total fair value of these derivatives is greater than $100,000 and exceeds 25 percent of "All other assets" this amount should be disclosed in Schedule RC-F, item 6.c. Freestanding derivatives held for purposes other than trading (and embedded derivatives that are accounted for separately under ASC Topic 815, which the bank has chosen to present separately from the host contract on the balance sheet) that have negative fair values should be included in Schedule RC-G, item 4, "All other liabilities." In the Call Reports for June and December, if the total fair value of these derivatives is greater than $100,000 and exceeds 25 percent of "All other liabilities," this amount should be disclosed in Schedule RC-G, item 4.d. Net gains (losses) on derivatives 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 should be recognized currently in earnings and reported consistently as either “Other noninterest income” or “Other noninterest expense” in Schedule RI, item 5.l or item 7.d, respectively.

**Derivative Contracts (cont.):**

For qualifying fair value and cash flow hedges, institutions should report the following in earnings in Schedule RI in the same income statement item that is used to present the earnings effect of the hedged item:

(1) The change in the fair value of the hedging derivative instrument that is included in the assessment of hedge effectiveness;
(2) Amounts excluded from the assessment of hedge effectiveness in accordance with the discussion above in this Glossary entry of the treatment of excluded components; and
(3) For one or more existing hedged layer or layers that are designated under the portfolio layer method in accordance with ASC paragraph 815-20-25-12A, the gain or loss (that is, the change in fair value) on the hedged item attributable to the hedged risk shall not adjust the carrying value of the individual beneficial interest or individual assets in or removed from the closed portfolio. Instead, that amount shall be maintained on a closed portfolio basis and recognized currently in earnings.

Netting of derivative assets and liabilities is prohibited on the balance sheet except as permitted under ASC Subtopic 210-20, Balance Sheet – Offsetting. See the Glossary entry for "Offsetting."

**Discounts:** See "premiums and discounts."

**Dividends:** Cash dividends are payments of cash to stockholders in proportion to the number of shares they own. Cash dividends on preferred and common stock are to be reported on the date they are declared by the bank's board of directors (the declaration date) by debiting "retained earnings" and crediting "dividends declared not yet payable," which is to be reported in other liabilities. Upon payment of the dividend, "dividends declared not yet payable" is debited for the amount of the cash dividend with an offsetting credit, normally in an equal amount, to "dividend checks outstanding" which is reportable in the "demand deposits" category of the bank's deposit liabilities.

A liability for dividends payable may not be accrued in advance of the formal declaration of a dividend by the board of directors. However, the bank may segregate a portion of retained earnings in the form of a net worth reserve in anticipation of the declaration of a dividend.

Stock dividends are distributions of additional shares to stockholders in proportion to the number of shares they own. Stock dividends are to be reported by transferring an amount equal to the fair value of the additional shares issued from retained earnings to a category of permanent capitalization (common stock and surplus). However, the amount transferred from retained earnings must be reduced by the amount of any mandatory and discretionary transfers previously made (such as those from retained earnings to surplus for increasing the bank's legal lending limit) provided such transfers have not already been used to record a stock dividend. In any event, the amount transferred from retained earnings may not be less than the par or stated value of the additional shares being issued.

Property dividends, also known as dividends in kind, are distributions to stockholders of assets other than cash. The transfer of securities of other companies, real property, or any other asset owned by the reporting bank to a stockholder or related party is to be recorded at the fair value of the asset on the declaration date of the dividend. A gain or loss on the transferred asset must be recognized in the same manner as if the property had been disposed of in an outright sale at or near the declaration date. In those instances where a bank transfers bank premises to a parent holding company in the form of a property dividend and the parent immediately enters into a sale-leaseback transaction with a third party, the gain must be deferred by the bank and amortized over the life of the lease.

**Domestic Office:** For purposes of these reports, a domestic office of the reporting bank is a branch or consolidated subsidiary (other than an Edge or Agreement subsidiary) located in the 50 states of the United States or the District of Columbia or a branch on a U.S. military facility wherever located. However, if the reporting bank is chartered and headquartered in Puerto Rico or a U.S. territory or possession, a branch or consolidated subsidiary located in the 50 states of the United States, the District of Columbia, Puerto Rico, or a U.S. territory or possession is a domestic office. The domestic offices of the reporting bank exclude all International Banking Facilities (IBFs); all offices of Edge and Agreement subsidiaries, including their U.S. offices; and all branches and other consolidated subsidiaries of the bank located in foreign countries.

**Due Bills:** A due bill is an obligation that results when a bank sells an asset and receives payment, but does not deliver the security or other asset. A due bill can also result from a promise to deliver an asset in exchange for value received. In both cases, the receipt of the payment creates an obligation regardless of whether the due bill is issued in written form. Outstanding due bill obligations shall be reported as borrowings in Schedule RC, item 16, "Other borrowed money," by the issuing bank. Conversely, when the reporting bank is the holder of a due bill, the outstanding due bill obligation of the seller shall be reported as a loan to that party.

**Edge and Agreement Corporation:** An Edge corporation is a federally-chartered corporation organized under Section 25A of the Federal Reserve Act and subject to Federal Reserve Regulation K. Edge corporations are allowed to engage only in international banking or other financial transactions related to international business.

An Agreement corporation is a state-chartered corporation that has agreed to operate as if it were organized under Section 25 of the Federal Reserve Act and has agreed to be subject to Federal Reserve Regulation K. Agreement corporations are restricted, in general, to international banking operations. Banks must apply to the Federal Reserve for permission to acquire stock in an Agreement corporation.

A reporting bank's Edge or Agreement subsidiary, i.e., the bank's majority-owned Edge or Agreement corporation, is treated for purposes of these reports as a "foreign" office of the reporting bank.

**Equity-Indexed Certificates of Deposit:** Under ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended), a certificate of deposit that pays "interest" based on changes in an equity securities index is a hybrid instrument with an embedded derivative that must be accounted for separately from the host contract, i.e., the certificate of deposit. For further information, see the Glossary entry for "Derivative Contracts." Examples of equity-indexed certificates of deposit include the "Index Powered® CD" and the “Dow Jones Industrials Indexed Certificate of Deposit.”

At the maturity date of a typical equity-indexed certificate of deposit, the holder of the certificate of deposit receives the original amount invested in the deposit plus some or all of the appreciation, if any, in an index of stock prices over the term of the certificate of deposit. Thus, the equity-indexed certificate of deposit contains an embedded equity call option. To manage the market risk of its equity-indexed certificates of deposit, a bank that issues these deposits normally enters into one or more separate freestanding equity derivative contracts with an overall term that matches the term of the certificates of deposit. At maturity, these separate derivatives are expected to provide the bank with a cash payment in an amount equal to the amount of appreciation, if any, in the same stock price index that is embedded in the certificates of deposit, thereby providing the bank with the funds to pay the "interest" on the equity-indexed certificates of deposit. During the term of the separate freestanding equity derivative contracts, the bank will periodically make either fixed or variable payments to the counterparty on these contracts.

When a bank issues an equity-indexed certificate of deposit, it must either account for the written equity call option embedded in the deposit separately from the certificate of deposit host contract or irrevocably elect to account for the hybrid instrument (the equity-indexed certificate of deposit) in its entirety at fair value.

**Equity-Indexed Certificates of Deposit (cont.):**

- If the bank accounts for the written equity call option separately from the certificate of deposit, the fair value of this embedded derivative on the date the certificate of deposit is issued must be deducted from the amount the purchaser invested in the deposit, creating a discount on the certificate of deposit that must be amortized to interest expense over the term of the deposit using the effective interest method. This interest expense should be reported in the income statement in the appropriate subitem of Schedule RI, item 2.a, "Interest on deposits." The equity call option must be "marked to market" at least quarterly with any changes in the fair value of the option recognized in earnings. On the balance sheet, the carrying value of the certificate of deposit host contract and the fair value of the embedded equity derivative may be combined and reported together as a deposit liability on the balance sheet (Schedule RC) and in the deposit schedule (Schedule RC-E).

- If the bank elects to account for the equity-indexed certificate of deposit in its entirety at fair value, no discount is to be recorded on the certificate of deposit. Rather, the equity-indexed certificate of deposit must be “marked to market” at least quarterly, with changes in the instrument’s fair value reported in the income statement consistently in either item 5.l, "Other noninterest income," or item 7.d, "Other noninterest expense”, excluding interest expense incurred that is reported in the appropriate subitem of Schedule RI, item 2.a, "Interest on deposits."

As for the separate freestanding derivative contracts the bank enters into to manage its market risk, these derivatives must be carried on the balance sheet as assets or liabilities at fair value and "marked to market" at least quarterly with changes in their fair value recognized in earnings. The fair value of the freestanding derivatives should not be netted against the fair value of the embedded equity derivatives for balance sheet purposes because these two derivatives have different counterparties. The periodic payments to the counterparty on these freestanding derivatives must be accrued with the expense reported in earnings along with the change in the derivative's fair value. In the income statement (Schedule RI), the changes in the fair value of the embedded and freestanding derivatives, including the effect of the accruals for the payments to the counterparty on the freestanding derivatives, should be netted and reported consistently in either item 5.l, "Other noninterest income," or item 7.d, "Other noninterest expense."

Unless the bank that issues the equity-indexed certificate of deposit elects to account for the certificate of deposit in its entirety at fair value, the notional amount of the embedded equity call option must be reported in Schedule SU, item 1.d. The notional amount of the freestanding equity derivative also must be reported in Schedule SU, item 1.d. The equity derivative embedded in the equity-indexed certificate of deposit is a written option, which is not covered by the agencies' risk-based capital standards. However, the freestanding equity derivative is covered by these standards.

For deposit insurance assessment purposes, if the carrying value of the certificate of deposit host contract and the fair value of the embedded equity derivative are combined and reported together as a deposit liability on the balance sheet, the difference between these combined amounts and the face amount of the certificate of deposit should be treated as an unamortized premium or discount, as appropriate, for purposes of reporting total deposit liabilities in Schedule RC-O, item 1. If these two amounts are not combined and only the carrying value of the certificate of deposit host contract is reported as a deposit liability on the balance sheet, the difference between the carrying value and the face amount of the certificate of deposit should be treated as an unamortized discount in Schedule RC-O, item 1. If the bank elects to account for the equity-indexed certificate of deposit in its entirety at fair value, the difference between the fair value and the face amount of the certificate of deposit should be treated as an unamortized premium or discount, as appropriate, in Schedule RC-O, item 1.

A bank that purchases an equity-indexed certificate of deposit for investment purposes must either account for the embedded purchased equity call option separately from the certificate of deposit host contract or irrevocably elect to account for the hybrid instrument (the equity-indexed certificate of deposit) in its entirety at fair value.

**Equity-Indexed Certificates of Deposit (cont.):**

- If the bank accounts for the purchased equity call option separately from the certificate of deposit, the fair value of this embedded derivative on the date of purchase must be deducted from the purchase price of the certificate, creating a discount on the deposit that must be accreted into income over the term of the deposit using the effective interest method. This accretion should be reported in the income statement in Schedule RI, item 1.c. The embedded equity derivative must be "marked to market" at least quarterly with any changes in its fair value recognized in earnings. These fair value changes should be reported consistently in Schedule RI in either item 5.l, "Other noninterest income," or item 7.d, "Other noninterest expense." The carrying value of the certificate of deposit host contract and the fair value of the embedded equity derivative may be combined and reported together as interest-bearing balances due from other depository institutions on the balance sheet in Schedule RC, item 1.b.

- If the bank elects to account for the equity-indexed certificate of deposit in its entirety at fair value, no discount is to be recorded on the certificate of deposit. Rather, the equity-indexed certificate of deposit must be “marked to market” at least quarterly, with changes in the instrument’s fair value reported in the income statement consistently in either item 5.l, "Other noninterest income," or item 7.d, "Other noninterest expense,” excluding interest income that is reported in Schedule RI, item 1.c.

Unless the bank that purchases the equity-indexed certificate of deposit elects to account for the certificate of deposit in its entirety at fair value, the notional amount of the embedded equity derivative must be reported in Schedule SU, item 1.d, . The embedded equity derivative in the equity-indexed certificate of deposit is a purchased option, which is subject to the agencies' risk-based capital standards unless the fair value election has been made.

**Equity Method of Accounting:** The equity method of accounting shall be used to account for:

(1) Investments in subsidiaries that have not been consolidated; associated companies; and corporate joint ventures, unincorporated joint ventures, and general partnerships over which the bank exercises significant influence; and

(2) Noncontrolling investments in:

(a) Limited partnerships; and
(b) Limited liability companies that maintain “specific ownership accounts” for each investor and are within the scope of ASC Subtopic 323-30, Investments-Equity Method and Joint Ventures – Partnerships, Joint Ventures, and Limited Liability Entities (formerly EITF Issue No. 03-16, “Accounting for Investments in Limited Liability Companies”)

unless the investment in the limited partnership or limited liability company is so minor that the limited partner or investor may have virtually no influence over the operating and financial policies of the partnership or company. Consistent with guidance in ASC Subtopic 323-30, Investments-Equity Method and Joint Ventures – Partnerships, Joint Ventures, and Limited Liability Entities (formerly EITF Topic D-46, “Accounting for Limited Partnership Investments”), noncontrolling investments of more than 3 to 5 percent are considered to be more than minor.

The entities in which these investments have been made are collectively referred to as “investees.”

Under the equity method, the carrying value of a bank’s investment in an investee is originally recorded at cost but is adjusted periodically to record as income the bank’s proportionate share of the investee’s earnings or losses and decreased by the amount of cash dividends or similar distributions received from the investee. For purposes of these reports, the date through which the carrying value of the bank’s investment in an investee has been adjusted should, to the extent practicable, match the report date of the Consolidated Report of Condition, but in no case differ by more than 93 days from the report.

See also "subsidiaries."

**Excess Balance Account:** An excess balance account (EBA) is a limited-purpose account at a Federal Reserve Bank established for maintaining the excess balances of one or more depository institutions (participants) that are eligible to earn interest on balances held at the Federal Reserve Banks. An EBA is managed by another depository institution that has its own account at a Federal Reserve Bank (such as a participant's pass-through correspondent) and acts as an agent on behalf of the participants. Balances in an EBA represent a liability of a Federal Reserve Bank directly to the EBA participants and not to the agent. The Federal Reserve Banks pay interest on the average balance in the EBA over a 7-day maintenance period and the agent disburses that interest to each participant in accordance with the instructions of the participant. Only a participant's excess balances may be placed in an EBA; the account balance cannot be used to satisfy the participant's reserve balance requirement.

The reporting of an EBA by participants and agents differs from the required reporting of a pass-through reserve relationship, which is described in the Glossary entry for "pass-through reserve balances."

A participant's balance in an EBA is to be treated as a claim on a Federal Reserve Bank (not as a claim on the agent) and, as such, should be reported on the balance sheet in Schedule RC, item 1.b, "Interest-bearing balances" due from depository institutions. For risk-based capital purposes, the participant's balance in an EBA is accorded a zero percent risk weight and should be reported in Schedule RC-R, Part II, item 1, "Cash and balances due from depository institutions," column C. A participant should not include its balance in an EBA in Schedule RC, item 3.a, "Federal funds sold."

The balances in an EBA should not be reflected as an asset or a liability on the balance sheet of the depository institution that acts as the agent for the EBA. Thus, the agent should not include the balances in the EBA in Schedule RC, item 1.b, "Interest-bearing balances" due from depository institutions; Schedule RC, item 13.a.(2), "Interest-bearing" deposits; or Schedule RC-R, Part II, item 1, "Cash and balances due from depository institutions."

**Extinguishments of Liabilities:** The accounting and reporting standards for extinguishments of liabilities are set forth in ASC Subtopic 405-20, Liabilities – Extinguishments of Liabilities (formerly FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities"). Under ASC Subtopic 405-20, a bank should remove a previously recognized liability from its balance sheet if and only if the liability has been extinguished. A liability has been extinguished if either of the following conditions is met:

(1) The bank pays the creditor and is relieved of its obligation for the liability. Paying the creditor includes delivering cash, other financial assets, goods, or services or the bank's reacquiring its outstanding debt.

(2) The bank is legally released from being the primary obligor under the liability, either judicially or by the creditor.

Banks should aggregate their gains and losses from the extinguishment of liabilities (debt), including losses resulting from the payment of prepayment penalties on borrowings such as Federal Home Loan Bank advances, and consistently report the net amount in item 7.d, "Other noninterest expense," of the income statement (Schedule RI). Only if a bank's debt extinguishments normally result in net gains over time should the bank consistently report its net gains (losses) in Schedule RI, item 5.l, "Other noninterest income."

In addition, under ASC Subtopic 470-50, Debt – Modifications and Extinguishments (formerly FASB EITF Issue No. 96-19, "Debtor's Accounting for a Modification or Exchange of Debt Instruments"), the accounting for the gain or loss on the modification or exchange of debt depends on whether the original

**Extinguishments of Liabilities (cont.):**
and the new debt instruments are substantially different. If they are substantially different, the transaction is treated as an extinguishment of debt and the gain or loss on the modification or exchange is reported immediately in earnings as discussed in the preceding paragraph. If the original and new debt instruments are not substantially different, the gain or loss on the modification or replacement of the debt is deferred and recognized over time as an adjustment to the interest expense on the new borrowing. ASC Subtopic 470-50 provides guidance on how to determine whether the original and the new debt instruments are substantially different.

**Fails:** When a bank has sold an asset and, on settlement date, does not deliver the security or other asset and does not receive payment, a sales fail exists. When a bank has purchased a security or other asset and, on settlement date, does not receive the asset and does not pay for it, a purchase fail exists. Fails do not affect the way securities are reported in the Reports of Condition and Income.

**Fair Value:** ASC Topic 820, Fair Value Measurement (formerly FASB Statement No. 157, "Fair Value Measurements"), defines fair value and establishes a framework for measuring fair value. ASC Topic 820 should be applied when other accounting topics require or permit fair value measurements. For further information, refer to ASC Topic 820.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the asset's or liability's principal (or most advantageous) market at the measurement date. This value is often referred to as an "exit" price.

An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced liquidation or distressed sale.

ASC Topic 820 establishes a three level fair value hierarchy that prioritizes inputs used to measure fair value based on observability. The highest priority is given to Level 1 (observable, unadjusted) and the lowest priority to Level 3 (unobservable). The broad principles for the hierarchy follow.

Level 1 fair value measurement inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a bank has the ability to access at the measurement date. In addition, a Level 1 fair value measurement of a liability can also include the quoted price for an identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required.

Level 2 fair value measurement inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Depending on the specific factors related to an asset or a liability, certain adjustments to Level 2 inputs may be necessary to determine the fair value of the asset or liability. If those adjustments are significant to the asset or liability's fair value in its entirety, the adjustments may render the fair value measurement to a Level 3 measurement.

Level 3 fair value measurement inputs are unobservable inputs for the asset or liability. Although these inputs may not be readily observable in the market, the fair value measurement objective is, nonetheless, to develop an exit price for the asset or liability from the perspective of a market participant. Therefore, Level 3 fair value measurement inputs should reflect the bank's own assumptions about the assumptions that a market participant would use in pricing an asset or liability and should be based on the best information available in the circumstances.

Refer to ASC Topic 820 for additional fair value measurement guidance, including considerations related to holding large positions (blocks), the existence of multiple active markets, and the use of practical expedients.

**Fair Value (cont.):**

Measurement of Fair Values in Stressed Market Conditions – The measurement of various assets and liabilities on the balance sheet – including trading assets and liabilities, available-for-sale securities, loans held for sale, assets and liabilities accounted for under the fair value option, and foreclosed assets – involves the use of fair values. During periods of market stress, the fair values of some financial instruments and nonfinancial assets may be difficult to determine. Institutions are reminded that, under such conditions, fair value measurements should be determined consistent with the objective of fair value set forth in ASC Topic 820.

ASC Topic 820 provides guidance on determining fair value when the volume and level of activity for an asset or liability have significantly decreased when compared with normal market activity for the asset or liability (or similar assets or liabilities). According to ASC Topic 820, if there has been such a significant decrease, transactions or quoted prices may not be determinative of fair value because, for example, there may be increased instances of transactions that are not orderly. In those circumstances, further analysis of transactions or quoted prices is needed, and a significant adjustment to the transactions or quoted prices may be necessary to estimate fair value in accordance with ASC Topic 820.

**Federal Funds Transactions:** For purposes of the Consolidated Reports of Condition and Income, federal funds transactions involve the reporting bank's lending (federal funds sold) or borrowing (federal funds purchased) in domestic offices of immediately available funds under agreements or contracts that have an original maturity of one business day or roll over under a continuing contract. However, funds lent or borrowed in the form of securities resale or repurchase agreements, due bills, borrowings from the Discount and Credit Department of a Federal Reserve Bank, deposits with and advances from a Federal Home Loan Bank, and overnight loans for commercial and industrial purposes are excluded from federal funds. Transactions that are to be reported as federal funds transactions may be secured or unsecured or may involve an agreement to resell loans or other instruments that are not securities.

Immediately available funds are funds that the purchasing bank can either use or dispose of on the same business day that the transaction giving rise to the receipt or disposal of the funds is executed.

The borrowing and lending of immediately available funds has an original maturity of one business day if the funds borrowed on one business day are to be repaid or the transaction reversed on the next business day, that is, if immediately available funds borrowed today are to be repaid tomorrow (in tomorrow's immediately available funds). Such transactions include those made on a Friday to mature or be reversed the following Monday and those made on the last business day prior to a holiday (for either or both of the parties to the transaction) to mature or be reversed on the first business day following the holiday.

A continuing contract is a contract or agreement that remains in effect for more than one business day, but has no specified maturity and does not require advance notice of either party to terminate. Such contracts may also be known as rollovers or as open-ended agreements.

Federal funds may take the form of the following two types of transactions in domestic offices provided that the transactions meet the above criteria (i.e., immediately available funds with an original maturity of one business day or under a continuing contract):

(1) Unsecured loans (federal funds sold) or borrowings (federal funds purchased). (In some market usage, the term "fed funds" or "pure fed funds" is confined to unsecured loans of immediately available balances.)

(2) Purchases (sales) of financial assets (other than securities) under agreements to resell (repurchase) that have original maturities of one business day (or are under continuing contracts) and are in immediately available funds.

**Federal Funds Transactions (cont.):**

Any borrowing or lending of immediately available funds in domestic offices that has an original maturity of more than one business day, other than securities repurchase or resale agreements, is to be treated as a borrowing or as a loan, not as federal funds. Such transactions are sometimes referred to as "term federal funds."

**Federally-Sponsored Lending Agency:** A federally-sponsored lending agency is an agency or corporation that has been chartered, authorized, or organized as a result of federal legislation for the purpose of providing credit services to a designated sector of the economy. These agencies include Banks for Cooperatives, Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Federal Intermediate Credit Banks, Federal Land Banks, the Federal National Mortgage Association, and the Student Loan Marketing Association.

**Fees, Loan:** See "Loan Fees."

**Foreclosed Assets:** The accounting and reporting standards for the receipt and holding of foreclosed assets are set forth in ASC Subtopic 310-20, Nonrefundable Fees and Other Costs, and ASC Topic 360, Property, Plant, and Equipment (formerly FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets"). Subsequent to the issuance of Statement No. 144, AICPA Statement of Position (SOP) No. 92-3, "Accounting for Foreclosed Assets," was rescinded. Certain provisions of SOP 92-3 are not present in Statement No. 144, but the application of these provisions represents prevalent practice in the banking industry and is consistent with safe and sound banking practices and the accounting objectives set forth in Section 37(a) of the Federal Deposit Insurance Act. These provisions of SOP 92-3 have been incorporated into this Glossary entry, which institutions must follow for purposes of preparing their Consolidated Reports of Condition and Income.

An institution that receives from a borrower in full satisfaction of a loan either receivables from a third party, an equity interest in the borrower, or another type of asset (except a long-lived asset that will be sold) shall initially measure the asset received at its fair value at the time of the restructuring. When an institution receives a long-lived asset, such as real estate, from a borrower in full satisfaction of a loan, the long-lived asset is rebuttably presumed to be held for sale and the institution shall initially measure this asset at its fair value less cost to sell. The fair value (less cost to sell, if applicable) of the asset received in full satisfaction of the loan becomes the "cost" of the asset. The amount, if any, by which the amortized cost basis of the loan[1] exceeds the fair value (less cost to sell, if applicable) of the asset is a loss which must be charged to the allowance for credit losses on loans and leases at the time of restructuring, foreclosure, or repossession. In those cases where property is received in full satisfaction of an asset other than a loan (e.g., a debt security), the loss should be reported in accordance with applicable U.S. GAAP.

If an asset is sold shortly after it is received in a restructuring, foreclosure, or repossession, it would generally be appropriate to substitute the value received in the sale (net of the cost to sell for a long-lived asset, such as real estate, that has been sold) for the fair value (less cost to sell for a long-lived asset, such as real estate, that will be sold) that had been estimated at the time of restructuring, foreclosure, or repossession. Any adjustments should be made to the loss charged against the allowance.

[1] See the Glossary entry for "Amortized Cost Basis."

**Foreclosed Assets (cont.):**

An asset received in partial satisfaction of a loan should be initially measured as described above and the amortized cost basis of the loan should be reduced by the fair value (less cost to sell, if applicable) of the asset at the time of restructuring, foreclosure, or repossession.

The measurement and accounting subsequent to acquisition for real estate received in full or partial satisfaction of a loan, including through foreclosure or repossession, is discussed below in this Glossary entry. For other types of assets that an institution receives in full or partial satisfaction of a loan, the institution generally should subsequently measure and account for such assets in accordance with other applicable generally accepted accounting principles and regulatory reporting instructions for such assets.

For purposes of these reports, foreclosed assets include loans (other than residential real estate property collateralizing a consumer mortgage loan) where an institution, as creditor, has received physical possession of a borrower's assets, regardless of whether formal foreclosure proceedings take place. An institution, as creditor, is considered to have received physical possession (resulting from an in-substance repossession or foreclosure) of residential real estate property collateralizing a consumer mortgage loan only upon the occurrence of either of the following:

(1) The institution obtains legal title to the residential real estate property upon completion of a foreclosure even if the borrower has redemption rights that provide the borrower with a legal right for a period of time after a foreclosure to reclaim the real estate property by paying certain amounts specified by law, or
(2) The borrower conveys all interest in the residential real estate property to the bank to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. The deed in lieu of foreclosure or similar legal agreement is completed when agreed-upon terms and conditions have been satisfied by both the borrower and the creditor.

In situations where physical possession is received, the secured loan should be recategorized on the balance sheet in the asset category appropriate to the underlying collateral (e.g., as other real estate owned for real estate collateral) and accounted for as described above, except for foreclosures on certain fully and partially government-guaranteed mortgage loans, which are to be reported in Schedule RC-F, item 6, “All other assets,” as discussed below in this Glossary entry.

The amount of any senior debt (principal and accrued interest) to which foreclosed real estate is subject at the time of foreclosure must be reported as a liability in Schedule RC-M, item 5.b, "Other borrowings."

After foreclosure, each foreclosed real estate asset (including any real estate for which the institution receives physical possession) must be carried at the lower of (1) the fair value of the asset minus the estimated costs to sell the asset or (2) the cost of the asset (as defined in the preceding paragraphs). This determination must be made on an asset-by-asset basis. If the fair value of a foreclosed real estate asset minus the estimated costs to sell the asset is less than the asset's cost, the deficiency must be recognized as a valuation allowance against the asset which is created through a charge to expense. The valuation allowance should thereafter be increased or decreased (but not below zero) through charges or credits to expense for changes in the asset's fair value or estimated selling costs.

If a foreclosed real estate asset is held for more than a short period of time, any declines after foreclosure in the asset’s fair value minus the estimated costs to sell, subsequent recoveries of such declines, and any gain or loss from the sale or disposition of the asset shall not be reported as credit loss or recovery and shall not be debited or credited to the allowance for credit losses on loans and leases. Such declines in value and subsequent recoveries of such declines, which are recognized through increases and decreases in a valuation allowance, and any gain or loss from the sale or disposition shall be reported net on the income statement in Schedule RI, item 5.j, “Net gains (losses) on sales of other real estate owned.”

**Foreclosed Assets (cont.):**

Reporting Certain Government-Guaranteed Mortgage Loans upon Foreclosure – ASC Subtopic 310-20 clarifies the conditions under which a creditor must derecognize a government-guaranteed mortgage loan and recognize a separate "other receivable" upon foreclosure (that is, when a creditor receives physical possession of real estate property collateralizing a mortgage loan). When these conditions are met, other real estate owned should not be recognized by an institution.

An institution should derecognize a mortgage loan and record a separate other receivable upon foreclosure of the real estate collateral if all of the following conditions are met:

- The loan has a government guarantee that is not separable from the loan before foreclosure.
- At the time of foreclosure, the institution has the intent to convey the property to the guarantor and make a claim on the guarantee and it has the ability to recover under that claim.
- At the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed (that is, the real estate property has been appraised for purposes of the claim and thus the institution is not exposed to changes in the fair value of the property).

This guidance is applicable to fully and partially government-guaranteed mortgage loans provided the three conditions identified above have been met. In such situations, upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. This other receivable should be reported in Schedule RC-F, item 6, "All other assets." Any interest income earned on the other receivable should be reported in Schedule RI, item 1.g, "Other interest income."

Accounting under ASC Subtopic 610-20 (and ASC Topic 606) – Under ASC Subtopic 610-20, if the buyer of the OREO is a legal entity, an institution should first assess whether it has a controlling financial interest in the legal entity buying the OREO by applying the guidance in ASC Topic 810, Consolidation. If an institution determines that it has a controlling financial interest in the buying legal entity, it should not derecognize the OREO and should apply the guidance in ASC Subtopic 810-10. When an institution does not have a controlling financial interest in the buying legal entity or the OREO buyer is not a legal entity, which is expected to be the case for most sales of OREO, the institution will recognize the entire gain or loss, if any, and derecognize the OREO at the time of sale if the transaction meets certain requirements of ASC Topic 606. Otherwise, the institution generally will continue reporting the OREO as an asset, with any cash payments or other consideration received from the individual or entity acquiring the OREO (i.e., any down payment and any subsequent payments of principal or interest) reported as a liability in Schedule RC-G, item 4, "All other liabilities," until it becomes appropriate to recognize the revenue and the sale of the OREO in accordance with ASC Subtopic 610-20 and ASC Topic 606.[1]

When applying ASC Subtopic 610-20 and Topic 606, an institution will need to exercise judgment in determining whether a contract (within the meaning of Topic 606) exists for the sale or transfer of OREO, whether the institution has performed its obligations identified in the contract, and what the transaction price is for calculation of the amount of gain or loss. These standards apply to all sales or transfers of real estate by institutions, but greater judgment will generally be required for seller-financed sales of OREO.

[1] Although ASC Topic 606 describes the consideration received (including any cash payments) using such terms a "liability," "deposit," and "deposit liability," for regulatory reporting purposes these amounts should be reported in Schedule RC-G, item 4, and not as a deposit in Schedule RC, item 13.

**Foreclosed Assets (cont.):**

Under ASC Subtopic 610-20, when an institution does not have a controlling financial interest in the buying legal entity or the OREO buyer is not a legal entity, the institution's first step in assessing whether it can derecognize an OREO asset and recognize revenue upon the sale or transfer of the OREO is to determine whether a contract exists under the provisions of Topic 606. In the context of an OREO sale or transfer, in order for an institution's transaction with the party acquiring the property to be a contract under ASC Topic 606, it must meet all the following criteria:

(a) The parties to the contract have approved the contract and are committed to perform their respective obligations;
(b) The institution can identify each party's rights regarding the OREO to be transferred;
(c) The institution can identify the payment terms for the OREO to be transferred;
(d) The contract has commercial substance (that is, the risk, timing, or amount of the institution's future cash flows is expected to change as a result of the contract); and
(e) It is probable that the institution will collect substantially all of the consideration to which it will be entitled in exchange for OREO that will be transferred to the buyer, i.e. the transaction price. In evaluating whether collectability of an amount of consideration is probable, an institution shall consider only the buyer's ability and intention to pay that amount of consideration when it is due.

These five criteria require careful analysis for seller-financed sales of OREO. In particular, criteria (a) and (e) may require significant judgment. When determining whether the buyer is committed to perform its obligations under criterion (a) and collectability under criterion (e), a selling institution should consider all facts and circumstances related to the buyer's ability and intent to pay the transaction price, which may include:

- Amount of cash paid as a down payment;
- Existence of recourse provisions;
- Credit standing of the buyer;
- Age and location of the property;
- Cash flow from the property;
- Payments by the buyer to third parties;
- Other amounts paid to the selling institution, including current or future contingent payments;
- Transfer of noncustomary consideration (i.e., consideration other than cash and a note receivable);
- Other types of financing involved with the property or transaction;
- Financing terms of the loan (reasonable and customary terms, amortization, any graduated payments, any balloon payment);
- Underwriting inconsistent with the institution's underwriting policies for loans not involving OREO sales; and
- Future subordination of the selling institution's receivable.

The amount and character of a buyer's equity (typically the down payment) and recourse provisions remain important factors when evaluating criteria (a) and (e) under ASC Subtopic 610-20. Specifically, the buyer's initial equity in the property immediately after the sale is an important consideration in determining whether a buyer is committed to perform its obligations under criterion (a). Furthermore, the buyer's initial equity is a factor to consider under criterion (e) when evaluating the collectability of consideration that the institution is entitled to receive from the buyer.

In applying the revenue recognition principles in ASC Topic 606, all relevant factors are to be weighed collectively in evaluating whether the five contract criteria have been met as the first step in determining the appropriate accounting for a seller-financed OREO transaction. However, the agencies consider the down payment and financing terms to be of particular importance when making this determination. A transaction with an insignificant down payment and nonrecourse financing generally would not meet the definition of a contract (within the meaning of Topic 606) unless there is considerable support from other factors. The need for support from other factors recedes in importance for a transaction with a substantial down payment and recourse financing to a buyer with adequate capacity to repay.

**Foreclosed Assets (cont.):**

If the five contract criteria in ASC Topic 606 have not been met, the institution generally may not derecognize the OREO asset or recognize revenue (gain or loss) as an accounting sale has not occurred. The institution should continue to assess the transaction to determine whether the contract criteria have been met in a later period. Until that time, any consideration the institution has received from the buyer should generally be recorded as a deposit liability. In addition, if the transaction price is less than the carrying amount of the OREO, the institution should consider whether this indicates a decline in fair value of the OREO that should be recognized as a valuation allowance, or an increase in an existing valuation allowance, and through a charge to expense as discussed above in this Glossary entry.

If an institution determines the contract criteria in ASC Topic 606 have been met, it must then determine whether it has satisfied its performance obligations as identified in the contract by transferring control of the asset to the buyer. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. As it relates to an institution's sale of OREO, ASC Topic 606 includes the following indicators of the transfer of control:

(a) The institution has a present right to payment for the asset;
(b) The buyer has legal title to the asset;
(c) The institution has transferred physical possession of the asset;
(d) The buyer has the significant risks and rewards of ownership of the asset; and
(e) The buyer has accepted the asset.

For seller-financed sales of OREO, the transfer of control generally occurs on the closing date of the sale when the institution obtains the right to receive payment for the property and transfers legal title to the buyer. However, an institution must consider all relevant facts and circumstances to determine whether control of the OREO has transferred, which may include the selling institution's:

- Involvement with the property following the transaction;
- Obligation to repurchase the property in the future;
- Obligation to provide support for the property following the sale transaction; and
- Retention of an equity interest in the property.

In particular, if an institution has the obligation or right to repurchase the OREO, the buyer does not obtain control of the OREO because the buyer is limited in its ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset even though it may have physical possession. In this situation, an institution should account for the contract as either (1) a lease in accordance with ASC Topic 842, Leases, or (2) a financing arrangement in accordance with ASC Topic 606. In addition, situations may exist where the selling institution has legal title to the OREO, while the borrower whose property was foreclosed upon under the original loan still has redemption rights to reclaim the property in the future. If such redemption rights exist, the selling institution may not be able to transfer control to the buyer of the OREO and recognize revenue until the redemption period expires.

**Foreclosed Assets (cont.):**

When a contract exists and an institution has transferred control of the property, the institution should derecognize the OREO asset and recognize a gain or loss for the difference between the transaction price and the carrying amount of the OREO asset. Generally, the transaction price in a sale of OREO will be the contract amount in the purchase/sale agreement, including for a seller-financed sale financed at market terms. However, the transaction price may differ from the amount stated in the contract due to the existence of a significant financing component. Under ASC Topic 610, a significant financing component exists if the timing of the buyer's payments explicitly or implicitly provides the selling institution or the buyer with a significant benefit of financing the transfer of the OREO. A seller-financed transaction of OREO at off-market terms generally indicates the existence of a significant financing component. If a significant financing component exists, the contract amount should be adjusted for the time value of money to reflect what the cash selling price of the OREO would have been at the time of its transfer to the buyer. The discount rate used in adjusting for the time value of money should be a market rate of interest considering the credit characteristics of the buyer and the terms of the financing.

**Foreign Banks:** See "banks, U.S. and foreign."

**Foreign Currency Transactions and Translation:** Foreign currency transactions are transactions occurring in the ordinary course of business (e.g., purchases, sales, borrowings, and lendings) denominated in a currency other than the office's functional currency (as described below).

Foreign currency translation, on the other hand, is the process of translating financial statements from the foreign office's functional currency into the reporting currency. Such translation normally is performed only at reporting dates.

A functional currency is the currency of the primary economic environment in which an office operates. For banks filing the FFIEC 051, the functional currency is the U.S. dollar.

Accounting for foreign currency transactions – A change in exchange rates between the functional currency and the currency in which a transaction is denominated will increase or decrease the amount of the functional currency expected to be received or paid. These increases or decreases in the expected functional currency cash flow are foreign currency transaction gains and losses and are to be included in the determination of the income of the period in which the transaction takes place, or if the transaction has not yet settled, the period in which the rate change takes place.

Except for foreign currency derivatives and transactions described in the following paragraphs, banks should consistently report net gains (losses) from foreign currency transactions other than trading transactions in Schedule RI, item 5.l, "Other noninterest income," or item 7.d, "Other noninterest expense." Net gains (losses) from foreign currency trading transactions should be reported as trading revenue in Schedule RI, item 5.l, "Other noninterest income."

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**Foreign Currency Transactions and Translation (cont.):**

Foreign currency transaction gains or losses on intercompany foreign currency transactions of a long-term investment nature (i.e., settlement is not planned or anticipated in the foreseeable future), when the parties to the transaction are consolidated, combined, or accounted for by the equity method in the bank's Consolidated Reports of Condition and Income are to be excluded from the determination of net income. For further information, refer to the Glossary entry for "foreign currency transactions and translation" in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.:

In addition, the entire change in the fair value of foreign-currency-denominated available-for-sale debt securities should not be included in "Realized gains (losses) on available-for-sale debt securities" (Schedule RI, item 6.b), but should be reported in Schedule RI-A, item 10, "Other comprehensive income." These fair value changes should be accumulated in the "Net unrealized holding gains (losses) on available-for-sale securities" component of "Accumulated other comprehensive income" in Schedule RC, item 26.b. However, if a decline in fair value of a foreign-currency-denominated available-for-sale debt security is judged to be other than temporary, the cost basis of the individual security shall be written down to fair value as a new cost basis and the amount of the write-down shall be included in earnings (Schedule RI, item 6.b).

See the Glossary entry for "derivative contracts" for information on the accounting and reporting for foreign currency derivatives.

For further guidance, refer to ASC Topic 830, Foreign Currency Matters (formerly FASB Statement No. 52, "Foreign Currency Translation").

**Foreign Debt Exchange Transactions:** Foreign debt exchange transactions generally fall into three categories: (1) loan swaps, (2) debt/equity swaps, and (3) debt-for-development swaps. These transactions are to be reported in the Consolidated Reports of Condition and Income in accordance with generally accepted accounting principles. Generally accepted accounting principles require that these transactions be reported at their fair value. For further information on these transactions, see the Glossary entry for "Foreign debt exchange transactions" in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**Foreign Governments and Official Institutions:** Foreign governments and official institutions are central, state, provincial, and local governments in foreign countries and their ministries, departments, and agencies. These include treasuries, ministries of finance, central banks, development banks, exchange control offices, stabilization funds, diplomatic establishments, fiscal agents, and nationalized banks and other banking institutions that are owned by central governments and that have as an important part of their function activities similar to those of a treasury, central bank, exchange control office, or stabilization fund. For purposes of these reports, other government-owned enterprises are not included.

Also included as foreign official institutions are international, regional, and treaty organizations, such as the International Monetary Fund, the International Bank for Reconstruction and Development (World Bank), the Bank for International Settlements, the Inter-American Development Bank, and the United Nations.

**Foreign Office:** For purposes of these reports, a foreign office of the reporting bank is a branch or consolidated subsidiary located in a foreign country; an Edge or Agreement subsidiary, including both its U.S. and its foreign offices; or an IBF. In addition, if the reporting bank is chartered and headquartered in the 50 states of the United States and the District of Columbia, a branch or consolidated subsidiary located in Puerto Rico or a U.S. territory or possession is a foreign office. Branches on U.S. military facilities wherever located are treated as domestic offices, not foreign offices.

**Forward Contracts:** See "derivative contracts."

**Functional Currency:** See "foreign currency transactions and translation."

**Futures Contracts:** See "derivative contracts."

**Goodwill:** According to ASC Topic 805, Business Combinations (formerly FASB Statement No. 141 (revised 2007), "Business Combinations"), goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The private company accounting alternative for identifiable intangible assets acquired in a business combination is discussed in a subsection of this Glossary entry. In addition, see "acquisition method" in the Glossary entry for "business combinations" for guidance on the recognition and initial measurement of goodwill acquired in a business combination.

Subsequent Measurement of Goodwill – Goodwill should not be amortized, but must be tested for impairment at the reporting unit level at least annually, unless an institution meets the definition of a private company, as defined in U.S. GAAP, and elects either or both of the goodwill accounting alternatives described below. Any impairment losses recognized on goodwill during the year-to-date reporting period should be reported in Schedule RI, item 7.c.(1), "Goodwill impairment losses," except those impairment losses associated with discontinued operations, which should be reported on a net-of-tax basis in Schedule RI, item 11. Goodwill, net of any impairment losses, should be reported on the balance sheet in Schedule RC, item 10, and in Schedule RC-M, item 2.b.

Private Company Accounting Alternatives for Goodwill – ASC Subtopic 350-20, Intangibles-Goodwill and Other – Goodwill, generally permits a private company, as defined in U.S. GAAP, to elect an accounting alternative for goodwill under which goodwill is amortized on a straight-line basis over a period of ten years (or less than ten years if more appropriate) and a simplified impairment model is applied to goodwill. In addition, if a private company chooses to adopt this goodwill accounting alternative, the private company is required to make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level. Goodwill must be tested for impairment when a triggering event occurs that indicates that the fair value of an entity or a reporting unit, as appropriate under this private company's accounting policy election, may be below its carrying amount. Alternatively, ASC Subtopic 350-20, Intangibles – Goodwill and Other – Goodwill, as amended by ASU 2021-03, "Accounting Alternative for Evaluating Triggering Events," allows a private company to elect to evaluate goodwill at each reporting date instead applying of the requirement to monitor goodwill impairment triggering events during the reporting period. Private companies that elect the triggering event alternative evaluate the facts and circumstances at the end of each reporting period to determine whether a triggering event exists, and if so, whether it is more likely than not that goodwill is impaired.

U.S. GAAP for a public business entity does not permit goodwill to be amortized, instead requiring goodwill to be tested for impairment at the reporting unit level annually and between annual tests in certain circumstances. For information on the distinction between a private company and a public business entity, see the Glossary entry for "public business entity."

A bank or savings association that meets the definition of a private company is permitted, but not required to adopt the private company accounting alternatives for goodwill. If a private institution issues U.S. GAAP financial statements and chooses to adopt either or both the private company alternatives, it should apply the goodwill accounting alternative(s) in its Call Report in a manner consistent with its reporting of goodwill in its financial statements.

Goodwill amortization expense should be reported in item 7.c.(1) of the Call Report income statement (Schedule RI) unless the amortization is associated with a discontinued operation, in which case the goodwill amortization should be included within the results of discontinued operations and reported in Schedule RI, item 11.

Goodwill Impairment Testing – ASC Subtopic 350-20 provides guidance for testing and reporting goodwill impairment losses, a summary of which follows. Impairment is the condition that exists when the carrying amount of goodwill exceeds its implied fair value. Because the fair value of goodwill can be measured only as a residual and cannot be measured directly, ASC Subtopic 350-20 includes a methodology for estimating the implied fair value of goodwill for impairment measurement purposes.

**Goodwill (cont.):**

Whether or not the reporting institution is a subsidiary of a holding company or other company, the institution's goodwill must be tested for impairment using the institution's reporting units (unless the institution is a private company that has elected the goodwill accounting alternative and has made an accounting policy election to test goodwill for impairment at the entity level). Goodwill should be assigned to reporting units in accordance with ASC Subtopic 350-20. The institution itself may be a reporting unit.

Unless it is an institution that is a private company that has elected either or both goodwill alternatives described above, goodwill of a reporting unit must be tested for impairment annually and between annual tests upon the occurrence of a triggering event, i.e., if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Examples of triggering events or circumstances include a significant adverse change in the business climate, unanticipated competition, a loss of key personnel, and a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed of. In addition, goodwill must be tested for impairment after a portion of goodwill has been allocated to a business to be disposed of.

When testing the goodwill of a reporting unit[1] for impairment, an institution has the option of first assessing qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test described in ASC Subtopic 350-20. If determined to be necessary, the two-step impairment test shall be used to identify potential goodwill impairment and measure the amount of a goodwill impairment loss to be recognized (if any). However, an institution may choose to bypass the qualitative assessment option for any reporting unit in any period and proceed directly to performing the two-step quantitative goodwill impairment test described below.

Qualitative Assessment – If an institution performs a qualitative assessment and, after considering all relevant events and circumstances, determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount (including goodwill), then the institution does not need to perform the two-step quantitative goodwill impairment test. In other words, if it is more likely than not that the fair value of a reporting unit is greater than its carrying amount; an institution would not have to quantitatively test the unit's goodwill for impairment.

However, if the institution instead concludes that the opposite is true (that is, it is more likely than not that the fair value of a reporting unit is less than its carrying amount), then it is required to perform the two-step quantitative goodwill impairment test described below.

ASC Subtopic 350-20 includes examples of events and circumstances that an institution should consider in evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Because the examples are not all-inclusive, other relevant events and circumstances also must be considered.

[1] For purposes of the discussions of goodwill impairment testing, the qualitative assessment, and the quantitative impairment test, if an institution is a private company that has elected the goodwill accounting alternative and also has elected to test goodwill for impairment at the entity level, references to the reporting unit should be read as references to the entity.

**Goodwill (cont.):**

Quantitative Impairment Test –

- Step 1: The first step of the goodwill impairment test compares the fair value of a reporting unit[1] with its carrying amount, including goodwill. If the carrying amount of a reporting unit is greater than zero[2] and its fair value exceeds its carrying amount, the reporting unit's goodwill is considered not impaired and the second step of the impairment test is unnecessary. However, if the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test must be performed to measure the amount of impairment loss, if any.

- Step 2: The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill[3] with the carrying amount of that goodwill. If the implied fair value of the reporting unit's goodwill exceeds the carrying amount of that goodwill, the goodwill is considered not impaired. In contrast, if the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss must be recognized in earnings in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of the reporting unit's goodwill.

After an impairment loss is recognized on a reporting unit's goodwill, the adjusted carrying amount of that goodwill (i.e., the carrying amount of the goodwill before recognizing the impairment loss less the amount of the impairment loss) shall be its new accounting basis. Subsequent reversal of a previously recognized goodwill impairment loss is prohibited once the measurement of that loss is completed.

Disposal of a Reporting Unit or a Business – When a reporting unit is to be disposed of in its entirety, goodwill of that reporting unit must be included in the carrying amount of the reporting unit when determining the gain or loss on disposal. When a portion of a reporting unit (or a portion of the entity if the institution is a private company that has elected the goodwill accounting alternative and also has elected to test goodwill for impairment at the entity level) that constitutes a business is to be disposed of, goodwill associated with that business must be included in the carrying amount of the business in determining the gain or loss on disposal. Otherwise, an institution may not remove goodwill from its balance sheet, for example, by "selling" or "dividending" this asset to its parent holding company or another affiliate.

Accounting by Private Companies for Identifiable Intangible Assets Acquired in a Business Combination – ASC Subtopic 805-20, Business Combinations – Identifiable Assets and Liabilities, and Any Noncontrolling Interest, provides an accounting alternative that permits a private company, as defined in U.S. GAAP, to simplify the accounting for certain intangible assets. This accounting alternative applies when a private company is required to recognize or otherwise consider the fair value of intangible assets as a result of certain transactions, including when applying the acquisition method to a business combination under ASC Topic 805. A private company that elects the accounting alternative for identifiable intangible assets should no longer recognize separately from goodwill:

- Customer-related intangible assets unless they are capable of being sold or licensed independently from the other assets of a business, and
- Noncompetition agreements.

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[1] The fair value of a reporting unit is the price that would be received to sell the unit as a whole in an orderly transaction between market participants at the measurement date.

[2] An institution should refer ASC Subtopic 350-20 for guidance on applying the quantitative impairment test if the carrying amount of a reporting unit is zero or negative.

[3] The implied fair value of goodwill should be determined in the same manner as the amount of goodwill recognized in a business combination is determined. That is, an institution must assign the fair value of a reporting unit to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination.

**Goodwill (cont.):**

However, because mortgage servicing rights and core deposit intangibles are regarded as capable of being sold or licensed independently, a private company that elects this accounting alternative must recognize these intangible assets separately from goodwill, initially measure them at fair value, and subsequently measure them in accordance with ASC Topic 350.

A private company that elects the accounting alternative for identifiable intangible assets in ASC Subtopic 805-20 also must adopt the private company goodwill accounting alternative in ASC Subtopic 350-20, which is described above in this Glossary entry. However, a private company that elects the goodwill accounting alternative in ASC Subtopic 350-20 is not required to adopt the accounting alternative for identifiable intangible assets.

A private company's decision to adopt the accounting alternative for identifiable intangible assets must be made upon the occurrence of the first business combination (or other transaction within the scope of the alternative) in fiscal years beginning after December 15, 2015. The effective date of the private company's decision to adopt the accounting alternative for identifiable intangible assets depends on the timing of that first transaction as described in the applicable transition guidance in ASC Subtopic 805-20.[1] Customer-related intangible assets and noncompetition agreements that exist as of the beginning of the period of adoption should continue to be accounted for separately from goodwill, i.e., such existing intangible assets should not be combined with goodwill.

If an institution that is a private company issues U.S. GAAP financial statements and adopts the accounting alternative for identifiable intangible assets, it should apply this accounting alternative in its Call Report in a manner consistent with its reporting of intangible assets in its financial statements.

**Hypothecated Deposit:** A hypothecated deposit is the aggregation of periodic payments on an installment contract received by a reporting institution in a state in which, under law, such payments are not immediately used to reduce the unpaid balance of the installment note, but are accumulated until the sum of the payments equals the entire amount of principal and interest on the contract, at which time the loan is considered paid in full. For purposes of these reports, hypothecated deposits are to be netted against the related loans.

Deposits that simply serve as collateral for loans are not considered hypothecated deposits for purposes of these reports.

See also "deposits."

**IBF:** See "International Banking Facility (IBF)."

[1] If the first transaction occurs in the private company's first fiscal year beginning after December 15, 2015, the adoption of the accounting alternative will be effective for that fiscal year's annual financial reporting period and all interim and annual periods thereafter. If the first transaction occurs in a fiscal year beginning after December 15, 2016, the adoption of the accounting alternative will be effective in the interim period that includes the date of the transaction and subsequent interim and annual periods thereafter. Early application of the intangibles accounting alternative is permitted for any annual or interim period for which a private company's financial statements have not yet been made available for issuance.

**Income Taxes:** All banks, regardless of size, are required to report income taxes (federal, state, and local) in the Consolidated Reports of Condition and Income on an accrual basis. Note that, in almost all cases, applicable income taxes as reported on the Consolidated Report of Income will differ from amounts reported to taxing authorities. The applicable income tax expense or benefit that is reflected in the Consolidated Report of Income should include both taxes currently paid or payable (or receivable) and deferred income taxes. The following discussion of income taxes is based on ASC Topic 740, Income Taxes (formerly FASB Statement No. 109, "Accounting for Income Taxes," and FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes").

Applicable income taxes in the year-end Consolidated Report of Income shall be the sum of the following:

(1) Taxes currently paid or payable (or receivable) for the year determined from the bank's federal, state, and local income tax returns for that year. Since the bank's tax returns will not normally be prepared until after the year-end Consolidated Reports of Condition and Income have been completed, the bank must estimate the amount of the current income tax liability (or receivable) that will ultimately be reported on its tax returns. Estimation of this liability (or receivable) may involve consultation with the bank's tax advisers, a review of the previous year's tax returns, the identification of significant expected differences between items of income and expense reflected on the Consolidated Report of Income and on the tax returns, and the identification of expected tax credits.)

and

(2) Deferred income tax expense or benefit measured as the change in the net deferred tax assets or liabilities for the period reported. Deferred tax liabilities and assets represent the amount by which taxes payable (or receivable) are expected to increase or decrease in the future as a result of "temporary differences" and net operating loss or tax credit carryforwards that exist at the reporting date.

The actual tax liability (or receivable) calculated on the bank's tax returns may differ from the estimate reported as currently payable or receivable on the year-end Consolidated Report of Income. An amendment to the bank's year-end and subsequent Consolidated Reports of Condition and Income may be appropriate if the difference is significant. Minor differences should be handled as accrual adjustments to applicable income taxes in Consolidated Reports of Income during the year the differences are detected. The reporting of applicable income taxes in the Consolidated Report of Income for report dates other than year-end is discussed below under "interim period applicable income taxes."

When determining the current and deferred income tax assets and liabilities to be reported in any period, a bank's income tax calculation contains an inherent degree of uncertainty surrounding the realizability of the tax positions included in the calculation. The term "tax position" refers to a position in a previously filed tax return or a position expected to be taken in a future tax return that is reflected in measuring current or deferred income tax assets and liabilities. A tax position can result in a permanent reduction of income taxes payable, a deferral of income taxes otherwise currently payable to future years, or a change in the expected realizability of deferred tax assets. For each tax position taken or expected to be taken in a tax return, a bank must evaluate whether the tax position is more likely than not, i.e., more than a 50 percent probability, to be sustained upon examination by the appropriate taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, a bank should presume that the taxing authority examining the position will have full knowledge of all relevant information. A bank's assessment of the technical merits of a tax position should reflect consideration of all relevant authoritative sources, e.g., tax legislation and statutes, legislative intent, regulations, rulings, and case law, and reflect the bank's determination of the applicability of these sources to the facts and circumstances of the tax position. A bank must evaluate each tax position without consideration of the possibility of an offset or aggregation with other

**Income Taxes (cont.):**

positions. No tax benefit can be recorded for a tax position that fails to meet the more-likely-than-not recognition threshold.

Each tax position that meets the more-likely-than-not recognition threshold should be measured to determine the amount of benefit to recognize in the Consolidated Reports of Condition and Income. The tax position is measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. When measuring the tax benefit, a bank must consider the amounts and probabilities of the outcomes that could be realized upon ultimate settlement using the facts, circumstances, and information available at the reporting date. A bank may not use the valuation allowance associated with any deferred tax asset as a substitute for measuring this tax benefit or as an offset to this amount.

If a bank's assessment of the merits of a tax position subsequently changes, the bank should adjust the amount of tax benefit it has recognized and accrue interest and penalties for any underpayment of taxes in accordance with the tax laws of each applicable jurisdiction. In this regard, a tax position that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent quarterly reporting period in which the threshold is met. A previously recognized tax position that no longer meets the more-likely-than-not recognition threshold should be derecognized in the first subsequent quarterly reporting period in which the threshold is no longer met.

Temporary differences result when events are recognized in one period on the bank's books but are recognized in another period on the bank's tax return. These differences result in amounts of income or expense being reported in the Consolidated Report of Income in one period but in another period in the tax returns. There are two types of temporary differences. Deductible temporary differences reduce taxable income in future periods. Taxable temporary differences result in additional taxable income in future periods.

For example, a bank's provisions for credit losses are expensed for financial reporting purposes in one period. However, for some banks, this amount may not be deducted for tax purposes until the loans are actually charged off in a subsequent period. This deductible temporary difference "originates" when the provisions for credit losses are recorded in the financial statements and "turns around" or "reverses" when the loans are subsequently charged off, creating tax deductions. Other deductible temporary differences include write-downs of other real estate owned, the recognition of loan origination fees, and other postemployment benefits expense.

Depreciation can result in a taxable temporary difference if a bank uses the straight-line method to determine the amount of depreciation expense to be reported in the Consolidated Report of Income but uses an accelerated method for tax purposes. In the early years, tax depreciation under the accelerated method will typically be larger than book depreciation under the straight-line method. During this period, a taxable temporary difference originates. Tax depreciation will be less than book depreciation in the later years when the temporary difference reverses. Therefore, in any given year, the depreciation reported in the Consolidated Report of Income will differ from that reported in the bank's tax returns. However, total depreciation taken over the useful life of the asset will be the same under either method. Other taxable temporary differences include the undistributed earnings of unconsolidated subsidiaries and associated companies and amounts funded to pension plans that exceed the recorded expense.

Some events do not have tax consequences and therefore do not give rise to temporary differences. Certain revenues are exempt from taxation and certain expenses are not deductible. These events were previously known as "permanent differences." Examples of such events (for federal income tax purposes) are interest received on certain obligations of states and political subdivisions in the U.S., premiums paid on officers' life insurance policies where the bank is the beneficiary, and 50 percent[1] of cash dividends received on the corporate stock of domestic U.S. corporations owned less than 20 percent.

[1] The percentage is 70 percent for tax years beginning before January 1, 2018.

**Income Taxes (cont.):**

Deferred tax assets shall be calculated at the report date by applying the "applicable tax rate" (defined below) to the bank's total deductible temporary differences and operating loss carryforwards. A deferred tax asset shall also be recorded for the amount of tax credit carryforwards available to the bank. Based on the estimated realizability of the deferred tax asset, a valuation allowance should be established to reduce the recorded deferred tax asset to the amount that is considered "more likely than not" (i.e., greater than 50 percent chance) to be realized.

Deferred tax liabilities should be calculated by applying the "applicable tax rate" to total taxable temporary differences at the report date.

Net operating loss carrybacks and carryforwards and tax credit carryforwards – When a bank's deductions exceed its income for income tax purposes, it has sustained a net operating loss. To the extent permitted under a taxing authority's laws and regulations, a net operating loss that occurs in a year following periods when the bank had taxable income may be carried back to recover income taxes previously paid. The tax effects of any loss carrybacks that are realizable through a refund of taxes previously paid is recognized in the year the loss occurs. In this situation, the applicable income taxes on the Consolidated Report of Income will reflect a credit rather than an expense. For tax years beginning before January 1, 2018, a bank may carry back net operating losses for two years for federal income tax purposes. However, in general, for tax years beginning on or after January 1, 2018, a bank may no longer carry back operating losses to recover taxes paid in prior tax years.

Generally, a net operating loss that occurs when loss carrybacks are not available becomes a net operating loss carryforward. For tax years beginning before January 1, 2018, a bank may carry operating losses forward 20 years for federal income tax purposes. For tax years beginning on or after January 1, 2018, net operating losses can be carried forward indefinitely for federal income tax purposes; however, for net operating losses arising in such tax years, the amount of loss that can be carried forward and deducted in a particular year is limited to 80 percent of a bank's taxable income in that year.

Tax credit carryforwards are tax credits which cannot be used for tax purposes in the current year, but which can be carried forward to reduce taxes payable in a future period.

Deferred tax assets are recognized for net operating loss and tax credit carryforwards just as they are for deductible temporary differences. As a result, a bank can recognize the benefit of a net operating loss for tax purposes or a tax credit carryforward to the extent the bank determines that a valuation allowance is not considered necessary (i.e., if the realization of the benefit is more likely than not).

Applicable tax rate – The income tax rate to be used in determining deferred tax assets and liabilities is the rate under current tax law that is expected to apply to taxable income in the periods in which the deferred tax assets or liabilities are expected to be realized or paid. For tax years beginning on or after January 1, 2018, the federal corporate tax rate is a flat 21 percent rate. This flat rate replaced the graduated federal corporate tax rate structure that applied in prior tax years. If a bank is subject to graduated tax rates and the bank's income level is such that graduated tax rates are a significant factor, then the bank shall use the average graduated tax rate applicable to the amount of estimated taxable income in the period in which the deferred tax asset or liability is expected to be realized or settled.

When the tax law changes, banks shall determine the effect of the change, adjust the deferred tax asset or liability and include the effect of the change in Schedule RI, item 9, "Applicable income taxes (on item 8.c)."

Valuation allowance – A valuation allowance must be recorded, if needed, to reduce the amount of deferred tax assets to an amount that is more likely than not to be realized. Changes in the valuation allowance generally shall be reported in Schedule RI, item 9, "Applicable income taxes (on item 8.c)." The following discussion of the valuation allowance relates to the allowance, if any, included in the

**Income Taxes (cont.):**

amount of net deferred tax assets or liabilities to be reported on the balance sheet (Schedule RC) and in Schedule RC-F, item 2, or Schedule RC-G, item 2. This discussion does not address the determination of the amount of deferred tax assets, if any, that is disallowed for regulatory capital purposes and reported in Schedule RC-R, Part I, items 8 and 15.

Banks must consider all available evidence, both positive and negative, in assessing the need for a valuation allowance. The future realization of deferred tax assets ultimately depends on the existence of sufficient taxable income of the appropriate character in either the carryback or carryforward period.

Four sources of taxable income may be available to realize the deferred tax assets:

(1) Taxable income in carryback years (which can be offset to recover taxes previously paid),
(2) Reversing taxable temporary differences,
(3) Future taxable income (exclusive of reversing temporary differences and carryforwards.
(4) Tax-planning strategies.

In general, positive evidence refers to the existence of one or more of the four sources of taxable income. To the extent evidence about one or more sources of income is sufficient to support a conclusion that a valuation allowance is not necessary (i.e., the bank can conclude that the deferred tax asset is more likely than not to be realized), other sources need not be considered. However, if a valuation allowance is needed, each source of income must be evaluated to determine the appropriate amount of the allowance needed.

Evidence used in determining the valuation allowance should be subject to objective verification. The weight given to evidence when both positive and negative evidence exist should be consistent with the extent to which it can be verified. Sources (1) and (2) listed above are more susceptible to objective verification and, therefore, may provide sufficient evidence regardless of future events.

The consideration of future taxable income (exclusive of reversing temporary differences and carryforwards) as a source for the realization of deferred tax assets will require subjective estimates and judgments about future events which may be less objectively verifiable.

Examples of negative evidence include:

- Cumulative losses in recent years.
- A history of operating loss or tax credit carryforwards expiring unused.
- Losses expected in early future years by a presently profitable bank.
- Unsettled circumstances that, if unfavorably resolved, would adversely affect future profit levels.
- A brief carryback or carryforward that would limit the ability to realize the deferred tax asset.

Examples of positive evidence include:

- A strong earnings history exclusive of the loss that created the future deductible amount (tax loss carryforward or deductible temporary difference) coupled with evidence indicating that the loss is an aberration rather than a continuing condition.
- Existing contracts that will generate significant income.
- An excess of appreciated asset value over the tax basis of an entity's net assets in an amount sufficient to realize the deferred tax asset.

When realization of a bank's deferred tax assets is dependent upon future taxable income, the reliability of a bank's projections is very important. The bank's record in achieving projected results under an actual operating plan will be a strong measure of this reliability. Other factors a bank should consider in evaluating evidence about its future profitability include but are not limited to current and expected economic conditions, concentrations of credit risk within specific industries and geographical areas, historical levels and trends in past due and nonaccrual assets, historical levels and trends in loan loss reserves, and the bank's interest rate sensitivity.

**Income Taxes (cont.):**

When strong negative evidence, such as the existence of cumulative losses, exists, it is extremely difficult for a bank to determine that no valuation allowance is needed. Positive evidence of significant quality and quantity would be required to counteract such negative evidence.

For purposes of determining the valuation allowance, a tax-planning strategy is a prudent and feasible action that would result in realization of deferred tax assets and that management ordinarily might not take, but would do so to prevent an operating loss or tax credit carryforward from expiring unused. For example, a bank could accelerate taxable income to utilize carryforwards by selling or securitizing loan portfolios, selling appreciated securities, or restructuring nonperforming assets. Actions that management would take in the normal course of business are not considered tax-planning strategies.

Significant expenses to implement the tax-planning strategy and any significant losses that would result from implementing the strategy shall be considered in determining any benefit to be realized from the tax-planning strategy. Also, banks should consider all possible consequences of any tax-planning strategies. For example, loans pledged as collateral would not be available for sale.

The determination of whether a valuation allowance is needed for deferred tax assets should be made for total deferred tax assets, not for deferred tax assets net of deferred tax liabilities. In addition, the evaluation should be made on a jurisdiction-by-jurisdiction basis. Separate analyses should be performed for amounts related to each taxing authority (e.g., federal, state, and local).

Deferred tax assets (net of the valuation allowance) and deferred tax liabilities related to a particular tax jurisdiction (e.g., federal, state, and local) may be offset against each other for reporting purposes. A resulting debit balance shall be included in "Other assets" and reported in Schedule RC-F, item 2. A resulting credit balance shall be included in "Other liabilities" and reported in Schedule RC-G, item 2. (A bank may report a net deferred tax debit, or asset, for one tax jurisdiction (e.g., federal taxes) and also report a net deferred tax credit, or liability, for another tax jurisdiction (e.g., state taxes).

Interim period applicable income taxes – When preparing its year-to-date Consolidated Report of Income as of the end of March, June, and September ("interim periods"), a bank generally should determine its best estimate of its effective annual tax rate for the full year, including both current and deferred portions and considering all tax jurisdictions (e.g., federal, state and local). To arrive at its estimated effective annual tax rate, a bank should divide its estimated total applicable income taxes (current and deferred) for the year by its estimated pretax income for the year (excluding discontinued operations). This rate would then be applied to the year-to-date pretax income to determine the year-to-date applicable income taxes at the interim date.

Intraperiod allocation of income taxes – When the Consolidated Report of Income for a period includes the results of "Discontinued operations" that are reportable in Schedule RI, item 11, the total amount of the applicable income taxes for the year to date shall be allocated in Schedule RI between item 9, "Applicable income taxes (on item 8.c)," and item 11, "Discontinued operations, net of applicable income taxes."

The applicable income taxes on operating income (item 9) shall be the amount that the total applicable income taxes on pretax income, including both current and deferred taxes (calculated as described above), would have been for the period had the results of "Discontinued operations" been zero.

The difference between item 9, "Applicable income taxes (on item 8.c)," and the total amount of the applicable taxes shall then be reflected in item 11 as applicable income taxes on discontinued operations.

Tax calculations by tax jurisdiction – Separate calculations of income taxes, both current and deferred amounts, are required for each tax jurisdiction. However, if the tax laws of the state and local jurisdictions do not significantly differ from federal income tax laws, then the calculation of deferred income tax expense can be made in the aggregate. The bank would calculate both current and deferred tax expense considering the combination of federal, state, and local income tax rates. The rate used should consider whether amounts paid in one jurisdiction are deductible in another

**Income Taxes (cont.):**

jurisdiction. For example, since state and local taxes are deductible for federal purposes, the aggregate combined rate would generally be (1) the federal tax rate plus (2) the state and local tax rates minus (3) the federal tax effect of the deductibility of the state and local taxes at the federal tax rate.

Income taxes of a bank subsidiary of a holding company – A bank should generally report income tax amounts in its Consolidated Reports of Condition and Income as if it were a separate entity. A bank's separate entity taxes include taxes of subsidiaries of the bank that are included with the bank in a consolidated tax return. In other words, when a bank has subsidiaries of its own, the bank and its consolidated subsidiaries are treated as one separate taxpayer for purposes of computing the bank's applicable income taxes. This treatment is also applied in determining net deferred tax asset limitations for regulatory capital purposes.

During profitable periods, a bank subsidiary of a holding company that files a consolidated tax return should record current tax expense for the amount that would be due on a separate entity basis. Certain adjustments resulting from the consolidated status may, however, be made to the separate entity calculation as long as these adjustments are made on a consistent and equitable basis. Such adjustments should be reflected in the bank's applicable income taxes, rather than as "Other transactions with stockholders (including a parent holding company)" in Schedule RI-A, Changes in Bank Equity Capital.

In addition, bank subsidiaries should first compute their taxes on a separate entity basis without considering the alternative minimum tax (AMT).[1] The AMT should be determined on a consolidated basis, and if it exceeds the regular tax on a consolidated basis, the holding company should allocate that excess to its affiliates on an equitable and consistent basis. The allocation method must be based upon the portion of tax preferences, adjustments, and other items causing the AMT to be applicable at the consolidated level that are generated by the parent holding company and each bank and nonbank subsidiary. In no case should amounts be allocated to bank subsidiaries that have not generated any tax preference or positive tax adjustment items. Furthermore, the AMT allocated to banks within the consolidated group should not exceed the consolidated AMT in any year.

In future years when a consolidated AMT credit carryforward is utilized, the credit must be reallocated to the subsidiary banks. The allocation should be done on an equitable and consistent basis based upon the amount of AMT giving rise to the credit that had been previously allocated. In addition, the amount of AMT credit reallocated to affiliates within the consolidated group should not exceed the consolidated AMT credit in any year. All AMT allocations should be reflected in the bank's applicable income taxes, rather than as "Other transactions with stockholders (including a parent holding company)" in Schedule RI-A, Changes in Bank Equity Capital.

Similarly, bank subsidiaries incurring a loss should record an income tax benefit and receive an equitable refund from their parent, if appropriate. The refund should be based on the amount they would have received on a separate entity basis, adjusted for statutory tax considerations, and shall be made on a timely basis.

An exception to this rule is made when the bank, on a separate entity basis, would not be entitled to a current refund because it has exhausted benefits available through carryback on a separate entity basis, yet the holding company can utilize the bank's tax loss to reduce the consolidated liability for the current year. In this situation, realization of the tax benefit is assured. Accordingly, the bank may

[1] Effective for tax years beginning after December 31, 2022, the Inflation Reduction Act of 2022 imposes a 15 percent corporate AMT. A corporate AMT may also be applicable in some states, and tax rates may vary by jurisdiction.

**Income Taxes (cont.):**

recognize a current tax benefit in the year in which the operating loss occurs, provided the holding company reimburses the bank on a timely basis for the amount of benefit recognized. Any such tax benefits recognized in the loss year should be reflected in the bank's applicable income taxes. If timely reimbursement is not made, the bank cannot recognize the tax benefit in the current year. Rather, the tax loss becomes a net operating loss carryforward for the bank.

A parent holding company shall not adopt an arbitrary tax allocation policy within its consolidated group if it results in a significantly different amount of subsidiary bank applicable income taxes than would have been provided on a separate entity basis. If a holding company forgives payment by the subsidiary of all or a significant portion of the current portion of the applicable income taxes computed in the manner discussed above, such forgiveness should be treated as a capital contribution and reported in Schedule RI-A, item 11, "Other transactions with stockholders (including a parent holding company)," and in Schedule RI-E, item 5.

Further, if the subsidiary bank pays an amount greater than its separate entity current tax liability (calculated as previously discussed), the excess should be reported as a cash dividend to the holding company in Schedule RI-A, item 9. Payment by the bank of its deferred tax liability, in addition to its current tax liability, is considered an excessive payment of taxes. As a result, the deferred portion should likewise be reported as a cash dividend. Failure to pay the subsidiary bank an equitable refund attributable to the bank's net operating loss should also be considered a cash dividend paid by the bank to the parent holding company.

Purchase business combinations -- In purchase business combinations (as described in the Glossary entry for "business combinations"), banks shall recognize as a temporary difference the difference between the tax basis of acquired assets or liabilities and the amount of the purchase price allocated to the acquired assets and liabilities (with certain exceptions specified in ASC Topic 740). As a result, the acquired asset or liability shall be recorded gross and a deferred tax asset or liability shall be recorded for any resulting temporary difference.

In a purchase business combination, a deferred tax asset shall generally be recognized at the date of acquisition for deductible temporary differences and net operating loss and tax credit carryforwards of either company in the transaction, net of an appropriate valuation allowance. The determination of the valuation allowance should consider any provisions in the tax law that may restrict the use of an acquired company's carryforwards.

Subsequent recognition (i.e., by elimination of the valuation allowance) of the benefit of deductible temporary differences and net operating loss or tax credit carryforwards not recognized at the acquisition date will depend on the source of the benefit. If the valuation allowance relates to deductible temporary differences and carryforwards of the acquiring company established before the acquisition, then subsequent recognition is reported as a reduction of income tax expense. If the benefit is related to the acquired company's deductible temporary differences and carryforwards, then the benefit is subsequently recognized by first reducing any goodwill related to the acquisition, then by reducing all other noncurrent intangible assets related to the acquisition, and finally, by reducing income tax expense.

Alternative Minimum Tax[1] – Any taxes a bank must pay in accordance with the alternative minimum tax (AMT) shall be included in the bank's current tax expense. Amounts of AMT paid can be carried forward in certain instances to reduce the bank's regular tax liability in future years. The bank may record a deferred tax asset for the amount of the AMT credit carryforward, which shall then be evaluated in the same manner as other deferred tax assets to determine whether a valuation allowance is needed.

[1] See the footnote on the alternative minimum tax on page A-63.

**Income Taxes (cont.):**

Other tax effects – A bank may have transactions or items that are reportable in particular items in Schedule RI-A of the Consolidated Report of Income such as "Restatements due to corrections of material accounting errors and changes in accounting principles," and “Other comprehensive income.” These transactions or other items may enter into the determination of taxable income in some year (not necessarily the current year), but are not included in the pretax income reflected in Schedule RI of the Consolidated Report of Income. They shall be reported in Schedule RI-A net of related income tax effects. These effects may increase or decrease the bank's total tax liability calculated on its tax returns for the current year or may be deferred to one or more future periods.

For further information, see ASC Topic 740.

**Intangible Assets:** See "business combinations" and the instructions to Consolidated Report of Condition Schedule RC-M, item 2.

**Interest-Bearing Account:** See "deposits."

**Interest Capitalization:** See "capitalization of interest costs."

**Interest Rate Swaps:** See "derivative contracts."

**Internal-Use Computer Software:** Guidance on the accounting and reporting for the costs of internal-use computer software is set forth in ASC Subtopic 350-40, Intangibles-Goodwill and Other – Internal-Use Software (formerly AICPA Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use"). A summary of this accounting guidance follows. For further information, see ASC Subtopic 350-40.

Internal-use computer software is software that meets both of the following characteristics:

(1) The software is acquired, internally developed, or modified solely to meet the bank's internal needs; and

(2) During the software's development or modification, no substantive plan exists or is being developed to market the software externally.

ASC Subtopic 350-40 identifies three stages of development for internal-use software: the preliminary project stage, the application development stage, and the post-implementation/operation stage. The processes that occur during the preliminary project stage of software development are the conceptual formulation of alternatives, the evaluation of alternatives, the determination of the existence of needed technology, and the final selection of alternatives. The application development stage involves the design of the chosen path (including software configuration and software interfaces), coding, installation of software to hardware, and testing (including the parallel processing phase). Generally, training and application maintenance occur during the post-implementation/operation stage. Upgrades of and enhancements to existing internal-use software, i.e., modifications to software that result in additional functionality, also go through the three aforementioned stages of development.

**Internal-Use Computer Software (cont.):**

Computer software costs that are incurred in the preliminary project stage should be expensed as incurred.

Internal and external costs incurred to develop internal-use software during the application development stage should be capitalized. Capitalization of these costs should begin once (a) the preliminary project stage is completed and (b) management, with the relevant authority, implicitly or explicitly authorizes and commits to funding a computer software project and it is probable that the project will be completed and the software will be used to perform the function intended. Capitalization should cease no later than when a computer software project is substantially complete and ready for its intended use, i.e., after all substantial testing is completed. Capitalized internal-use software costs generally should be amortized on a straight-line basis over the estimated useful life of the software.

Only the following application development stage costs should be capitalized:

(1) External direct costs of materials and services consumed in developing or obtaining internal-use software;

(2) Payroll and payroll-related costs for employees who are directly associated with and who devote time to the internal-use computer software project (to the extent of the time spent directly on the project); and

(3) Interest costs incurred when developing internal-use software.

Costs to develop or obtain software that allows for access or conversion of old data by new systems also should be capitalized. Otherwise, data conversion costs should be expensed as incurred. General and administrative costs and overhead costs should not be capitalized as internal-use software costs.

During the post-implementation/operation stage, internal and external training costs and maintenance costs should be expensed as incurred.

Impairment of capitalized internal-use computer software costs should be recognized and measured in accordance with ASC Topic 360, Property, Plant, and Equipment (formerly FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets").

The costs of internally developed computer software to be sold, leased, or otherwise marketed as a separate product or process should be reported in accordance with ASC Subtopic 985-20, Software – Costs of Software to Be Sold, Leased or Marketed (formerly FASB Statement No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed"). If, after the development of internal-use software is completed, a bank decides to market the software, proceeds received from the license of the software, net of direct incremental marketing costs, should be applied against the carrying amount of the software.

**International Banking Facility (IBF):** An International Banking Facility (IBF) is a set of asset and liability accounts, segregated on the books and records of the establishing entity, which reflect international transactions. An IBF is established in accordance with the terms of Federal Reserve Regulation D and after appropriate notification to the Federal Reserve. The establishing entity may be a U.S. depository institution, a U.S. office of an Edge or Agreement corporation, or a U.S. branch or agency of a foreign bank pursuant to Federal Reserve Regulation D. An IBF is permitted to hold only certain assets and liabilities. In general, IBF accounts are limited, as specified in the paragraphs below, to non-U.S. residents of foreign countries, residents of Puerto Rico and U.S. territories and possessions, other IBFs, and U.S. and non-U.S. offices of the establishing entity. For further information, see the Glossary entry for "International Banking Facility (IBF)" in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**Interoffice Accounts:** See "suspense accounts."

**Investments in Common Stock of Unconsolidated Subsidiaries:** See "equity method of accounting" and "subsidiaries."

**Joint Venture:** See "subsidiaries."

**Lease Accounting:** A lease is an agreement that transfers the right to use land, buildings, or equipment for a specified period of time. This financing device is essentially an extension of credit evidenced by an obligation between a lessee and a lessor.

In February 2016, the FASB issued ASU No. 2016-12, "Leases," which added ASC Topic 842, Leases, and has since issued various codification improvements for leases and these are referred to collectively as the "Standard" or ASC Topic 842. ASC Topic 842 has been in effect for all institutions since year-end 2022, and it aligns terminology between lessee and lessor accounting and also aligns key aspects of lessor accounting with the revenue recognition guidance in ASC Topic 606, Revenue from Contracts with Customers. As a result, the classification difference between direct financing leases and sales-type leases for lessors in place is a transfer-of-control principle. ASC Topic 842 requires institutions that lease premises and other fixed assets as lessees to recognize a right-of-use (ROU) asset and a lease liability on its balance sheet for most operating leases.

Lease Term – The Standard defines lease term as the noncancellable period for which a lessee has the right to use an underlying asset, together with all of the following:

(1) Periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option;

(2) Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option; and

(3) Periods covered by an option to extend (or not to terminate) the lease in which exercise of the option is controlled by the lessor.

Reasonable certainty is based on an assessment of factors at the commencement date of the lease that would create an economic incentive for the lessee either to exercise or not exercise an option to extend, terminate, or purchase. The commencement date of the lease is the date on which the lessor makes the underlying asset available for use by the lessee. Examples of factors that could create economic incentives that should be considered include (1) a lease renewal option priced below market rates and (2) significant leasehold improvements that would be impaired, business interruption costs, and relocation costs if the lease term were not extended. For additional information on the lease term, reasonable certainty, and commencement date, refer to ASC Topic 842.

**Lease Accounting (cont.):**

Accounting and Reporting by an Institution as Lessee – ASC Topic 842 distinguishes between an operating lease and a finance lease. The Standard requires all lessees to report an ROU asset and a lease liability on the balance sheet for most operating and finance leases. The ROU asset reflects the lessee's control over the leased item's economic benefits during the lease term.

While most leases will be reported on a lessee's balance sheet, the Standard permits a lessee to make an accounting policy election to exempt leases from balance sheet recognition as long as the lease, as of its commencement date, has a lease term, as defined above, of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. This accounting policy election for short-term leases must be made by class of underlying asset.

In the Consolidated Report of Condition, ROU assets for operating leases and finance leases should be reported in Schedule RC, item 6, "Premises and fixed assets." Lease liabilities for finance leases should be reported in Schedule RC-M, items 5.b, "Other borrowings," and 10.b, "Amount of 'Other borrowings' that are secured." Lease liabilities for operating leases should be reported in Schedule RC-G, item 4, "All other liabilities."

In the Consolidated Report of Income, the interest expense on lease liabilities for finance leases (measured using the effective interest method) should be reported in Schedule RI, item 2.c, "Interest on trading liabilities and other borrowed money." The amortization expense (typically straight-line) on the ROU asset for a finance lease should be reported in Schedule RI, item 7.b, "Expenses of premises and fixed assets." The ROU asset for a finance lease generally should be amortized on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

In the Consolidated Report of Income, operating lease expenses are to be reported in Schedule RI, item 7.b, "Expenses of premises and fixed assets," as a single lease cost calculated so that this cost (i.e., the interest on the lease liability and the amortization of the ROU asset) is allocated over the lease term, generally on a straight-line basis.

Lease Classification - Lessee – A lessee classifies a lease as a finance lease[1] when the terms of the lease effectively transfer control of the underlying asset and the substance of the transaction is reflective of a sale. This occurs when any of the following five criteria are met:

(1) The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.

(2) The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.

(3) The lease term is for the major part of the remaining economic life of the underlying asset. However, if the commencement date of the lease falls at or near the end of the economic life of the underlying asset, this criterion shall not be used for the purpose of classifying the lease.

(4) The present value of the sum of the lease payments, as defined in ASC Topic 842, and any residual value guaranteed by the lessee that is not already reflected in the lease payments equals or exceeds substantially all of the fair value of the underlying asset.

(5) The underlying asset is such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

If none of the finance lease criteria are met and the lease is not a short-term lease for which the institution has elected the short-term lease policy election, the lease is classified as an operating lease.

[1] ASC Topic 842 requires that land be considered a separate lease component in a contract involving land and other assets, unless the effect of separately accounting for the land portion of the contract is insignificant.

**Lease Accounting (cont.):**

Lease Measurement – Lessee – The determination of whether a contract is or contains a lease is performed at its inception (the date the contract is agreed upon) and is reassessed only if the terms and conditions of the contract are changed. The classification and measurement of a lease are determined at the commencement date of the lease.

At the commencement date, the ROU asset consists of:

(1) The amount of the initial measurement of the lease liability;

(2) Any lease payments made to the lessor at or before the commencement date, minus any lease incentives received; and

(3) Any initial direct costs incurred by the lessee.

At the commencement date, the lease liability equals the present value of the lease payments not yet paid, discounted using the discount rate for the lease.[1] The lease payments consist of:

(1) Fixed lease payments, less any lease incentives payable to the lessee;

(2) Variable lease payments tied to an index or a rate, measured using the index or rate at lease commencement;

(3) The exercise price of an option to purchase the leased asset, if that option is reasonably certain of being exercised;

(4) Payments for penalties to terminate the lease, if it is reasonably certain that such penalties will be incurred;

(5) Fees owed by the lessee to the owners of a special-purposes entity for structuring the transaction; and

(6) Amounts probable of being owed by the lessee under residual value guarantees.

Regulatory Capital Treatment of Leases for a Lessee – To the extent an ROU asset arises due to a lessee's lease of a tangible asset (e.g., building or equipment), the lessee institution should treat the ROU asset as a tangible asset not subject to deduction from regulatory capital. ROU assets must be risk weighted at 100 percent in accordance with the agencies' regulatory capital rules and included in the lessee institution's calculation of total risk-weighted assets, except for an institution subject to the community bank leverage ratio (CBLR) framework. In addition, the lessee institution should include its ROU assets in its total assets for leverage ratio calculation purposes.

Accounting and Reporting by an Institution as Lessor – ASC Topic 842 clarifies that, for sales-type and direct financing leases, the lessor assesses its net investment in the lease (described below under "Lease Measurement – Lessor") for expected credit losses under ASC Subtopic 326-20, Financial Instruments – Credit Losses – Measured at Amortized Cost. Operating lease assets remain on the lessor's balance sheet and shall be assessed for impairment under ASC Topic 360, Property, Plant, and Equipment.

[1] As defined in ASC Topic 842, the discount rate for the lease for a lessee is the rate implicit in the lease (see the footnote in the "Lease Measurement – Lessor – Sales-Type and Direct Financing Leases" section below) unless that rate cannot be readily determined, in which case the lessee is required to use its incremental borrowing rate. The lessee's incremental borrowing rate is the rate of interest that the lessee would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

**Lease Accounting (cont.):**

In the Consolidated Report of Condition, the lessor should report the net investment in the lease in Schedule RC-C, Part I, item 10, "Lease financing receivables." In the Consolidated Report of Income, the income on the lease should be reported in Schedule RI, item 1.b, "Income from lease financing receivables."

For operating leases, the lessor shall depreciate the leased property in accordance with the institution's normal policy and reports the property (net of depreciation) in Schedule RC-F, item 6, "All other assets." Rental income is reported in Schedule RI, item 5.l, "Other noninterest income," over the term of an operating lease.

Lease Classification – Lessor – Accounting by an institution as a lessor results in classifying a lease as a sales-type, direct financing, or operating lease based on an assessment of the criteria described in the following paragraphs at the commencement date of the lease.

A lessor classifies a lease as a sales-type lease if any one of the five criteria described above under "Lease Classification – Lessee" is met, subject to the clarification of criterion (4) described below. Otherwise, the lessor is required to assess whether the lease is a direct financing lease or an operating lease.

A lease that does not meet any of the five criteria for a sales-type lease, but meets the following two criteria, shall be classified as a direct financing lease.

(1) The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments and/or any other third party unrelated to the lessor equals or exceeds substantially all of the fair value of the underlying asset; and

(2) It is probable that the lessor will collect the lease payments plus any amount necessary to satisfy a residual value guarantee.

If a lease does not meet the criteria for a sales-type or a direct financing lease, the lessor institution shall account for the lease as an operating lease.

For purposes of assessing criterion (4) above under "Lease Classification – Lessee" for a sales-type lease and criterion (1) above for a direct financing lease, the codification improvements in ASU 2019-01 clarified that, for a lessor that is not a manufacturer or a dealer (e.g., a financial institution), the fair value of the underlying asset at lease commencement is ordinarily its cost, reflecting any volume or trade discounts that may apply, instead of fair value as defined in ASC Topic 820, Fair Value Measurement. However, if significant time lapses between the acquisition of the underlying asset and lease commencement, a lessor institution is required to apply the definition of fair value in ASC Topic 820.

Lease Measurement – Lessor – Sales-Type and Direct Financing Leases – At the commencement date of the lease, the net investment in a sales-type or a direct financing lease is measured at the present value of the following amounts, discounted using the rate implicit in the lease:[1]

(1) The lease payments not yet received by the lessor;

[1] As defined in ASC Topic 842, the rate implicit in the lease is the rate of interest that, at a given date, causes the aggregate present value of (a) the lease payments and (b) the amount that a lessor expects to derive from the underlying asset following the end of the lease term to equal the sum of (1) the fair value of the underlying asset minus any related investment tax credit retained and expected to be realized by the lessor and (2) any deferred initial direct costs of the lessor.

**Lease Accounting (cont.):**

(2) The amount the lessor expects to derive from the underlying asset following the end of the lease term that is guaranteed by the lessee or any other third party unrelated to the lessor; and

(3) The amount the lessor expects to derive from the underlying asset following the end of the lease term that is not guaranteed by the lessee or any other third party unrelated to the lessor (i.e., the unguaranteed residual asset).

In a direct financing lease, selling profit, if any, and initial direct costs are deferred at the commencement date and included in the net investment in the lease, but any selling loss arising from the lease must be recognized. When no selling profit or loss is recognized in a sales-type lease, initial direct costs are deferred at the commencement date and recognized over the lease term as part of the net investment in the lease.

In addition, at the lease commencement date, the lessor should derecognize the carrying amount of the underlying asset (if previously recognized) unless the lease is a sales-type lease and collectibility of the lease payments is not probable as discussed below.

Collectibility – Lessor – Sales-Type and Direct Financing Leases – In recording either a sales-type lease or a direct financing lease, the collectibility of amounts due under the lease, including any amount necessary to satisfy a residual value guarantee, must be probable at the lease commencement date. If collectibility is not probable, a lease that would otherwise be classified as a direct financing lease should be accounted for as an operating lease. For a sales-type lease, if collectibility of amounts due under the lease is not probable at the lease commencement date, the institution, as lessor, should neither derecognize the underlying asset nor recognize the net investment in the lease. Instead, the institution, as lessor, should recognize lease payments received as a liability until the earliest of the following:

(1) The collectibility of amounts due under the lease becomes probable; or

(2) The contract has been terminated and the lease payments received are nonrefundable; or

(3) The institution, as lessor, has repossessed the leased asset, it has no further obligation under the lease to the lessee, and the lease payments received are nonrefundable.

In a sales-type lease, any selling profit or loss arising from the lease is recognized in full and initial direct costs generally are expensed by the lessor at the commencement date unless there is no selling profit or loss to be recognized or collectibility of amounts due under the lease is not probable.

Operating Lease - Lessor – In an operating lease, the leased asset remains on the lessor's balance sheet and continues to be depreciated over its estimated useful life. The lessor defers initial direct costs at the commencement date of the lease. The lease payments and initial direct costs generally are recognized in income and expense, respectively, over the lease term on a straight-line basis, or on another systematic and rational basis if it is more representative of the pattern in which benefit is expected to be derived from (i.e., income is earned from) the use of the underlying asset. Other methods of income recognition may be used if the results are not materially different. The lessor is required to use the guidance in ASC Topic 842 to assess the probability of collection of the lease payments from a lessee at, as well as after, the lease commencement date. A lessor may elect to supplement the guidance in ASC Topic 842 with the portfolio allowance approach in ASC Subtopic 450-20, Contingencies – Loss Contingencies.

Leveraged Leases – Leveraged leases no longer exist under ASC Topic 842. The Standard grandfathers the ASC Topic 840 accounting treatment for leveraged leases existing on the date of adoption of ASC Topic 842. However, lessors are required to follow the criteria in ASC Topic 842 when classifying and accounting for any grandfathered leveraged leases modified after the date of adoption of the Standard.

**Lease Accounting (cont.):**

Sale and Leaseback Transactions – In a sale and leaseback transaction, the seller-lessee sells an asset it owns to the buyer-lessor and leases back all or a portion of the same asset for all or a portion of the asset's remaining economic life. For the transfer of an asset in a sale and leaseback transaction to qualify for sale treatment, ASC Topic 842 requires certain criteria within ASC Topic 606 to be met. In general, under ASC Topic 606, an institution is required to determine whether a contract exists (within the meaning of ASC Topic 606) and whether the seller-lessee has satisfied its performance obligations by transferring control of the asset to the buyer-lessor.

These criteria also require, among other things, that a contract with a related party have commercial substance (that is, the risk, timing, or amount of the seller-lessee's future cash flows is expected to change as a result of the contract). Related party contracts that lack commercial substance will not qualify for sale treatment in sale and leaseback transactions.

An option for the seller-lessee to repurchase the asset would preclude accounting for the transfer of the asset as a sale unless both of the following criteria are met:

(1) The exercise price of the option is the fair value of the asset at the time the option is exercised; and

(2) There are alternative assets, substantially the same as the transferred asset, readily available in the marketplace.

However, if the contract for the asset transfer contains a repurchase option and the leased asset is real estate, control of the asset has not been transferred to the buyer-lessor and therefore the transaction is not expected to meet the criteria necessary under ASC Topic 606 to recognize a sale. Additionally, if the leaseback is a finance lease for the seller-lessee, control has not been transferred, and thus there is no sale.

The classification of a lease can also impact whether a sale has occurred for accounting purposes. In the event a leaseback is classified as a finance lease by the seller-lessee, or a sales-type lease by the buyer-lessor, then a sale has not occurred since a finance lease is essentially the purchase of an asset and a sales-type lease is essentially a sale of an asset. As such, the transaction would be considered a failed sale and leaseback transaction.

If the transaction qualifies as a sale in accordance with ASC Topic 606 and the transaction would not be considered a failed sale and leaseback, any gain or loss on the sale is recognized immediately. If the transaction would not meet the criteria for a sale under ASC Topic 606, or when the leaseback would not be classified as an operating lease by the seller-lessee (i.e., would be a failed sale and leaseback), the transaction would be accounted for as a financing arrangement by the seller-lessee and a lending transaction by the buyer-lessor. The seller-lessee would not derecognize the transferred asset and would continue to depreciate the asset as if it were the legal owner. Any sales proceeds received by the seller-lessee would be reported as a liability.

**Letter of Credit**: A letter of credit is a document issued by a bank on behalf of its customer (the account party) authorizing a third party (the beneficiary), or in special cases the account party, to draw drafts on the bank up to a stipulated amount and with specified terms and conditions. The letter of credit is a conditional commitment (except when prepaid by the account party) on the part of the bank to provide payment on drafts drawn in accordance with the terms of the document.

**Letter of Credit (cont.):**

As a matter of sound practice, letters of credit should:

(1) be conspicuously labeled as a letter of credit;

(2) contain a specified expiration date or be for a definite term;

(3) be limited in amount;

(4) call upon the issuing bank to pay only upon the presentation of a draft or other documents as specified in the letter of credit and not require the issuing bank to make determinations of fact or law at issue between the account party and the beneficiary; and

(5) be issued only subject to an agreement between the account party and the issuing bank that establishes the unqualified obligation of the account party to reimburse the issuing bank for all payments made under the letter of credit.

There are four basic types of letters of credit:

(1) A commercial letter of credit is issued specifically to facilitate trade or commerce. Under the terms of a commercial letter of credit, as a general rule, drafts will be drawn when the underlying transaction is consummated as intended.

(2) A letter of credit sold for cash is a letter of credit for which the bank has received funds from the account party at the time of issuance. This type of letter of credit is not to be reported as an outstanding letter of credit but as a demand deposit. These letters are considered to have been sold for cash even though the bank may have advanced funds to the account party for the purchase of such letters of credit on a secured or unsecured basis.

(3) A travelers' letter of credit is issued to facilitate travel. This letter of credit is addressed by the bank to its correspondents authorizing the correspondents to honor drafts drawn by the person named in the letter of credit in accordance with specified terms. These letters are generally sold for cash.

(4) A standby letter of credit is a letter of credit or similar arrangement that:

(a) represents an obligation on the part of the issuing bank to a designated third party (the beneficiary) contingent upon the failure of the issuing bank's customer (the account party) to perform under the terms of the underlying contract with the beneficiary, or

(b) obligates the bank to guarantee or stand as surety for the benefit of a third party to the extent permitted by law or regulation.

The underlying contract may entail either financial or nonfinancial undertakings of the account party with the beneficiary. The underlying contract may involve such things as the customer's payment of commercial paper, delivery of merchandise, completion of a construction contract, release of maritime liens, or repayment of the account party's obligations to the beneficiary. Under the terms of a standby letter, as a general rule, drafts will be drawn only when the underlying event fails to occur as intended.

**Limited-Life Preferred Stock:** See "preferred stock."

**Loan:** For purposes of these reports, a loan is generally an extension of credit resulting from direct negotiations between a lender and a borrower. The reporting bank may originate a loan by directly negotiating with a borrower or it may purchase a loan or a portion of a loan originated by another lender that directly negotiated with a borrower. The reporting bank may also sell a loan or a portion of a loan, regardless of the method by which it acquired the loan.

Loans may take the form of promissory notes, acknowledgments of advance, due bills, invoices, overdrafts, acceptances, and similar written or oral obligations.

Among the extensions of credit reportable as loans in Schedule RC-C, which covers both loans held for sale and loans held for investment, are:

(1) acceptances of other banks purchased in the open market, not held for trading;

(2) acceptances executed by or for the account of the reporting bank and subsequently acquired by it through purchase or discount;

(3) customers' liability to the reporting bank on drafts paid under letters of credit for which the bank has not been reimbursed;

(4) "advances" and commodity or bill-of-lading drafts payable upon arrival of goods against which drawn, for which the reporting bank has given deposit credit to customers;

(5) paper pledged by the bank whether for collateral to secure bills payable (e.g., margin collateral to secure bills rediscounted) or for any other purpose;

(6) sales of so-called "term federal funds" (i.e., sales of immediately available funds with a maturity of more than one business day), other than those involving security resale agreements;

(7) factored accounts receivable;

(8) loans arising out of the purchase of assets (other than securities) under resale agreements with a maturity of more than one business day if the agreement requires the bank to resell the identical asset purchased; and

(9) participations (acquired or held) in a single loan or in a pool of loans or receivables (see the discussion of loan participations in the Glossary entry for "transfers of financial assets").

Loan assets held for trading are to be reported in Schedule RC, item 5, "Trading assets."

See also "loan secured by real estate," "overdraft," and "transfers of financial assets."

**Loan Fees:** The accounting standards for nonrefundable fees and costs associated with lending, committing to lend, and purchasing a loan or group of loans are set forth in ASC Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs (formerly FASB Statement No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases"), a summary of which follows. The statement applies to all types of loans as well as to debt securities (but not to loans or debt securities carried at fair value if the changes in fair value are included in earnings) and to all types of lenders. For further information, see ASC Subtopic 310-20.

A bank may acquire a loan by originating the loan (lending) or by acquiring a loan from a party other than the borrower (purchasing). Lending, committing to lend, refinancing or restructuring loans, arranging standby letters of credit, syndicating loans, and leasing activities are all considered "lending activities." Nonrefundable loan fees paid by the borrower to the lender may have many different names, such as origination fees, points, placement fees, commitment fees, application fees, management fees, restructuring fees, and syndication fees, but in this Glossary entry, they are referred to as loan origination fees, commitment fees, or syndication fees.

**Loan Fees (cont.):**

ASC Subtopic 310-20 applies to both a lender and a purchaser, and should be applied to individual loan contracts. Aggregation of similar loans for purposes of recognizing net fees or costs and purchase premiums or discounts is permitted under certain circumstances specified in ASC Subtopic 310-20 or if the result does not differ materially from the amount that would have been recognized on an individual loan-by-loan basis. In general, the statement specifies that:

(1) Loan origination fees should be deferred and recognized over the life of the related loan as an adjustment of yield (interest income). Once a bank adopts ASC Subtopic 310-20, recognizing a portion of loan fees as revenue to offset all or part of origination costs in the reporting period in which a loan is originated is no longer acceptable.

(2) Certain direct loan origination costs specified in the Statement should be deferred and recognized over the life of the related loan as a reduction of the loan's yield. Loan origination fees and related direct loan origination costs for a given loan should be offset and only the net amount deferred and amortized.

(3) Direct loan origination costs should be offset against related commitment fees and the net amounts deferred except for: (a) commitment fees (net of costs) where the likelihood of exercise of the commitment is remote, which generally should be recognized as service fee income on a straight line basis over the loan commitment period, and (b) retrospectively determined fees, which are recognized as service fee income on the date as of which the amount of the fee is determined. All other commitment fees (net of costs) shall be deferred over the entire commitment period and recognized as an adjustment of yield over the related loan's life or, if the commitment expires unexercised, recognized in income upon expiration of the commitment.

(4) Loan syndication fees should be recognized by the bank managing a loan syndication (the syndicator) when the syndication is complete unless a portion of the syndication loan is retained. If the yield on the portion of the loan retained by the syndicator is less than the average yield to the other syndication participants after considering the fees passed through by the syndicator, the syndicator should defer a portion of the syndication fee to produce a yield on the portion of the loan retained that is not less than the average yield on the loans held by the other syndication participants.

(5) Loan fees, certain direct loan origination costs, and purchase premiums and discounts on loans shall be recognized as an adjustment of yield generally by the interest method based on the contractual term of the loan. However, if the bank holds a large number of similar loans for which prepayments are probable and the timing and amount of prepayments can be reasonably estimated, the bank may consider estimates of future principal prepayments in the calculation of the constant effective yield necessary to apply the interest method. Once a bank adopts ASC Subtopic 310-20, the practice of recognizing fees over the estimated average life of a group of loans is no longer acceptable.

(6) A refinanced or restructured loan, including loan modifications to borrowers experiencing financial difficulty, should be accounted for as a new loan if the following exist: 1) the terms of the new loan are at least as favorable to the lender as the terms for comparable loans to other customers with similar collection risks who are not refinancing or restructuring a loan and 2) the change in cash flows is more than minor. Any unamortized net fees or costs and any prepayment penalties from the original loan should be recognized in interest income when the new loan is granted. If the refinancing or restructuring does not meet these conditions or if only minor modifications are made to the original loan contract, the unamortized net fees or costs from the original loan and any prepayment penalties should be carried forward as a part of the amortized cost basis of the refinanced or restructured loan.

See the Glossary entry for "Loan Modifications to Borrowers Experiencing Financial Difficulty" for further discussion.

**Loan Fees (cont.):**

(7) Deferred net fees or costs shall not be amortized during periods in which interest income on a loan is not being recognized because of concerns about realization of loan principal or interest.

Direct loan origination costs of a completed loan are defined to include only (a) incremental direct costs of loan origination incurred in transactions with independent third parties for that particular loan and (b) certain costs directly related to specified activities performed by the lender for that particular loan.[1] Incremental direct costs are costs to originate a loan that (a) result directly from and are essential to the lending transaction and (b) would not have been incurred by the lender had that lending transaction not occurred. The specified activities performed by the lender are evaluating the prospective borrower's financial condition; evaluating and recording guarantees, collateral, and other security arrangements; negotiating loan terms; preparing and processing loan documents; and closing the transaction. The costs directly related to those activities include only that portion of the employees' total compensation and payroll-related fringe benefits directly related to time spent performing those activities for that particular loan and other costs related to those activities that would not have been incurred but for that particular loan.

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

Net unamortized loan fees represent an adjustment of the loan yield, and shall be reported in the same manner as unearned income on loans, i.e., deducted from the related loan balances (to the extent possible) or deducted from total loans in "Any unearned income on loans reflected in items 1-9 above" in Schedule RC-C, Part I. Net unamortized direct loan origination costs shall be added to the related loan balances in Schedule RC-C, Part I. Amounts of loan origination, commitment, and other fees and costs recognized as an adjustment of yield should be reported under the appropriate subitem of item 1, "Interest income," in Schedule RI. Other fees, such as (a) commitment fees that are recognized during the commitment period or included in income when the commitment expires (i.e., fees retrospectively determined and fees for commitments where exercise is remote) and (b) syndication fees that are not deferred, should be reported as "Other noninterest income" on Schedule RI.

**Loan Modifications to Borrowers Experiencing Financial Difficulty:** The accounting standards for loan modifications to borrowers experiencing financial difficulty are set forth in ASC Topic 326, Financial Instruments – Credit Losses and ASC Topic 310, Receivables. ASC Subtopic 310-10 requires modifications of receivables to borrowers experiencing financial difficulty where the modification results in the form of principal forgiveness, an interest rate reduction, an other-than insignificant payment delay, or a term extension (or a combination thereof) to be disclosed for financial reporting purposes. These disclosures only include loan modifications to borrowers experiencing financial difficulty, regardless of whether the modifications result in new loans or the continuation of existing loans. Loan modifications to borrowers who are not experiencing financial difficulty or do not meet the definition above would not be disclosed.

**Loan Modifications to Borrowers Experiencing Financial Difficulty (cont.):**

For Call Report purposes, loans modified to borrowers experiencing financial difficulty must be included in the amounts reported in the appropriate loan category in Schedule RC-C, Part I, Loans and Leases, items 1 through 9. Additionally, if the loan is in compliance with its modified terms, these modifications are reported in the appropriate loan category in Schedule RC-C, Part I, Memorandum item 1. For loans that are not in compliance with their modified terms, the loans must be included in the amounts reported in the appropriate loan category in Schedule RC-N, items 1 through 7, and reported in Schedule RC-N, Memorandum item 1. See the Glossary entry for “Nonaccrual Status” for a discussion of the conditions under which a loan on nonaccrual that has undergone a modification to a borrower experiencing financial difficulty (including those that involve a multiple note structure) may be returned to accrual status. Other Considerations - A modification of a loan in which an institution receives

physical possession of the borrower's assets, whether in full or partial satisfaction of the debt, should be accounted for in accordance with ASC Subtopic 310-20. In such situations, the loan should be treated as if assets have been received in satisfaction of the loan and reported as described in the Glossary entry for "Foreclosed Assets." In addition, if a modification of a loan includes both a modification of terms and the acceptance of property in partial satisfaction of the loan, the accounting for such a modification is a two-step process. First, the amortized cost basis of the loan is reduced by the fair value (less cost to sell, if appropriate) of the property received, and second, the institution is expected to measure any expected credit losses on the remaining amortized cost basis of the modified loan in accordance with ASC Subtopic 326-20, Financial Instruments – Credit Losses – Measured at Amortized Cost, and record any related allowance. If the modification of terms meets the definition of a loan modification to a borrower experiencing financial difficulty, then include the loan in the amounts reported on Schedule RC-C, Part I, or Schedule RC-N, as appropriate.

A modification may also involve the substitution or addition of a new debtor for the original borrower. The treatment of these situations depends upon their substance. Modifications in which the substitute or additional debtor controls, is controlled by, or is under common control with the original borrower, or performs the custodial function of collecting certain of the original borrower's funds, should be accounted for as modifications of terms. Modifications in which the substitute or additional debtor does not have a control or custodial relationship with the original borrower should be accounted for as a receipt of a “new” loan in full or partial satisfaction of the original borrower's loan. The "new" loan should be recorded at its fair value. If the modification of terms meets the definition of a loan modification to a borrower experiencing financial difficulty, then include the loan in the amounts reported on Schedule RC-C, Part I, or Schedule RC-N, as appropriate.

**Loan Secured by Real Estate:** For purposes of these reports, a loan secured by real estate is a loan that, at origination, is secured wholly or substantially by a lien or liens on real property for which the lien or liens are central to the extension of the credit – that is, the borrower would not have been extended credit in the same amount or on terms as favorable without the lien or liens on real property. To be considered wholly or substantially secured by a lien or liens on real property, the estimated value of the real estate collateral at origination (after deducting any more senior liens held by others) must be greater than 50 percent of the principal amount of the loan at origination.

A loan satisfying the criteria above, except a loan to a state or political subdivision in the U.S., is to be reported as a loan secured by real estate in Schedule RC-C, Part I, item 1, and related items in the Consolidated Reports of Condition and Income, (1) regardless of whether the loan is secured by a first or a junior lien; (2) regardless of whether the loan was originated by the reporting bank or purchased from others and, if originated by the reporting bank, regardless of the department within the bank or bank subsidiary that made the loan; (3) regardless of how the loan is categorized in the bank’s records; (4) and regardless of the purpose of the financing. Only in a transaction where a lien or liens on real property (with an estimated collateral value greater than 50 percent of the loan’s principal amount at

**Loan Secured by Real Estate (cont.):**

origination) have been taken as collateral solely through an abundance of caution and where the loan terms as a consequence have not been made more favorable than they would have been in the absence of the lien or liens, would the loan not be considered a loan secured by real estate for purposes of the Consolidated Reports of Condition and Income. In addition, when a loan is partially secured by a lien or liens on real property, but the estimated value of the real estate collateral at origination (after deducting any more senior liens held by others) is 50 percent or less of the principal amount of the loan at origination, the loan should not be categorized as a loan secured by real estate. Instead, the loan should be reported in one of the other loan categories used in these reports based on the purpose of the loan.

The following are examples of the application of the preceding guidance:

(1) A bank loans $700,000 to a dental group to construct and equip a building that will be used as its dental office. The loan will be secured by both the real estate and the dental equipment. At origination, the estimated values of the building, upon completion, and the equipment are $400,000 and $350,000, respectively. The loan should be reported as a loan secured by real estate in Schedule RC-C, Part I, item 1.a.(2), "Other construction loans and all land development and other land loans." In contrast, if the estimated values of the building and equipment at origination were $340,000 and $410,000, respectively, the loan should not be reported as a loan secured by real estate. Instead, the loan should be reported in Schedule RC-C, Part I, item 4, "Commercial and industrial loans."

(2) A bank grants a $25,000 line of credit and a $125,000 term loan to a commercial borrower for working capital purposes on the same date. The loans will be cross-collateralized by equipment with an estimated value of $40,000 and a third lien on the borrower's residence, which has an estimated value of $140,000 and first and second liens with unpaid balances payable to other lenders totaling $126,000. The two loans should be considered together to determine whether they are secured by real estate. Because the estimated equity in the real estate collateral available to the bank is $14,000, the two cross-collateralized loans for $150,000 should not be reported as loans secured by real estate. Instead, the loans should be reported in Schedule RC-C, Part I, item 4, "Commercial and industrial loans."

(3) A bank grants a $50,000 working capital loan and takes a first lien on a vacant commercial building lot as collateral. The estimated value of the lot is $30,000. The loan should be reported as a loan secured by real estate in Schedule RC-C, Part I, item 1.a.(2), "Other construction loans and all land development and other land loans," unless the lien has been taken as collateral solely through an abundance of caution and where the loan terms as a consequence have not been made more favorable than they would have been in the absence of the lien.

(4) A bank grants a $10,000 home equity line of credit secured by a junior lien on a 1-4 family residential property. The bank also has a loan to the same borrower that is secured by a first lien on the same 1-4 family residential property and has an unpaid principal balance of $71,000. There are no intervening liens and the line of credit will be used for household, family, and other personal expenditures. The estimated value of the residential property at the origination of the home equity line of credit is $75,000. Consistent with the risk-based capital treatment of these loans, the two loans should be considered together to determine whether the home equity line of credit should be reported as a loan secured by real estate. Because the value of the collateral is greater than 50 percent of the first lien balance plus the amount of the home equity line of credit, loans extended under the line of credit should be reported as loans secured by real estate in Schedule RC-C, Part I, item 1.c.(1), "Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit." In contrast, if a creditor other than the bank holds the first lien on the borrower's property, the estimated value of the collateral to the bank for the home equity line of credit would have been $4,000 ($75,000 less the $71,000 first lien held by the other creditor), which is 50 percent or less of the amount of the line of credit at origination. In this case, the bank should not report loans extended under the line of credit as loans secured by real estate in Schedule RC-C, Part I, item 1. Rather, the loans should be reported as "Loans to individuals for household, family, and other personal expenditures" in Schedule RC-C, Part I, item 6.b, "Other revolving credit plans."

**Loss Contingencies:** A loss contingency is an existing condition, situation, or set of circumstances that involves uncertainty as to possible loss that will be resolved when one or more future events occur or fail to occur. An estimated loss (or expense) from a loss contingency (for example, pending or threatened litigation) must be accrued by a charge to income if it is probable that an asset has been impaired or a liability incurred as of the report date and the amount of the loss can be reasonably estimated.

A contingency that might result in a gain, for example, the filing of an insurance claim, shall not be recognized as income prior to realization.

For further information, see ASC Subtopic 450-20, Contingencies – Loss Contingencies.

**Majority-Owned Subsidiary:** See "subsidiaries."

**Mandatory Convertible Debt:** Mandatory convertible debt is a subordinated note or debenture with a maturity of 12 years or less that obligates the holder to take the common or perpetual preferred stock of the issuer in lieu of cash for repayment of principal by a date at or before the maturity date of the debt instrument (so-called "equity contract notes").

**Mergers:** See "business combinations."

**Money Market Deposit Account (MMDA):** See "deposits."

**Nonaccrual Status:** This entry covers, for purposes of these reports, the criteria for placing assets in nonaccrual status (presented in the general rule below) and related exceptions, the reversal of previously accrued but uncollected interest, the treatment of cash payments received on nonaccrual assets and the criteria for cash basis income recognition, the restoration of a nonaccrual asset to accrual status, and the treatment of multiple extensions of credit to one borrower.

General rule – Banks shall not accrue interest, amortize deferred net loan fees or costs, or accrete discount on any asset (1) which is maintained on a cash basis because of deterioration in the financial condition of the borrower, (2) for which payment in full of principal or interest is not expected, or (3) upon which principal or interest has been in default for a period of 90 days or more unless the asset is both well secured and in the process of collection.

An asset is "well secured" if it is secured (1) by collateral in the form of liens on or pledges of real or personal property, including securities, that have a realizable value sufficient to discharge the debt (including accrued interest) in full, or (2) by the guarantee of a financially responsible party. An asset is "in the process of collection" if collection of the asset is proceeding in due course either (1) through legal action, including judgment enforcement procedures, or, (2) in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status in the near future.

For purposes of applying the third test for nonaccrual status listed above, the date on which an asset reaches nonaccrual status is determined by its contractual terms. If the principal or interest on an asset becomes due and unpaid for 90 days or more on a date that falls between report dates, the asset should be placed in nonaccrual status as of the date it becomes 90 days past due and it should remain in nonaccrual status until it meets the criteria for restoration to accrual status described below.

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

Exceptions to the general rule – In the following situations, an asset need not be placed in nonaccrual status:

**Nonaccrual Status (cont.):**

(1) The asset upon which principal or interest is due and unpaid for 90 days or more is a consumer loan (as defined for Schedule RC-C, Part I, item 6, "Loans to individuals for household, family, and other personal expenditures") or a loan secured by a 1-to-4 family residential property (as defined for Schedule RC-C, Part I, item 1.c, Loans "Secured by 1-4 family residential properties"). Nevertheless, such loans should be subject to other alternative methods of evaluation to assure that the bank's net income is not materially overstated. However, to the extent that the bank has elected to carry such a loan in nonaccrual status on its books, the loan must be reported as nonaccrual in Schedule RC-N, column C.

(2) The following criteria are met for a purchased credit-deteriorated (PCD) asset, including a PCD asset that was previously a purchased credit-impaired (PCI) asset or part of a pool of PCI loans, that would otherwise be required to be placed in nonaccrual status under the general rule:

(a) The institution reasonably estimates the timing and amounts of cash flows expected to be collected, and

(b) The institution did not acquire the asset primarily for the rewards of ownership of the underlying collateral, such as use of collateral in operations of the institution or improving the collateral for resale.

When a PCD asset that meets the criteria above is not placed in nonaccrual status, the asset should be subject to other alternative methods of evaluation to ensure that the institution's net income is not materially overstated. If an institution is required or has elected to carry a PCD asset in nonaccrual status, the asset must be reported as a nonaccrual asset at its amortized cost basis in Schedule RC-N, column C. (For PCD loans for which the institution has made a policy election to maintain previously existing pools of PCI loans upon adoption of ASC Topic 326, the determination of nonaccrual or accrual status should be made at the pool level, not the individual asset level.) For further information, see the Glossary entry for "purchased credit-deteriorated assets.

Treatment of previously accrued interest – The reversal of previously accrued but uncollected interest applicable to any asset placed in nonaccrual status should be handled in accordance with generally accepted accounting principles. Acceptable accounting treatment includes a reversal of all previously accrued but uncollected interest applicable to assets placed in a nonaccrual status against appropriate income and balance sheet accounts.

Institutions should refer to the Glossary entry for "Accrued Interest Receivable" for information on the treatment of previously accrued interest.

**Nonaccrual Status (cont.):**

Treatment of cash payments and criteria for the cash basis recognition of income – When doubt exists as to the collectibility of the remaining recorded investment or amortized cost basis of a nonaccrual asset, any payments received must be applied to reduce the recorded investment in, or the amortized cost basis of, the asset, as applicable, to the extent necessary to eliminate such doubt. Placing an asset in nonaccrual status does not, in and of itself, require a charge-off, in whole or in part, of the asset's recorded investment or amortized cost basis, as applicable. However, any identified losses must be charged off.

While an asset is in nonaccrual status, some or all of the cash interest payments received may be treated as interest income on a cash basis as long as the remaining recorded investment in, or the amortized cost basis of, the asset, as applicable, (i.e., after charge-off of identified losses, if any) is deemed to be fully collectible.[1] A bank's determination as to the ultimate collectibility of the asset's remaining recorded investment, or amortized cost basis, as applicable, must be supported by a current, well documented credit evaluation of the borrower's financial condition and prospects for repayment, including consideration of the borrower's historical repayment performance and other relevant factors.

When recognition of interest income on a cash basis is appropriate, it should be handled in accordance with generally accepted accounting principles. One acceptable accounting practice involves allocating contractual interest payments among interest income, reduction of the recorded investment in, or the amortized cost basis of, the asset, as applicable, and recovery of prior charge-offs. If this method is used, the amount of income that is recognized would be equal to that which would have been accrued on the asset's remaining recorded investment at the contractual rate. A bank may also choose to account for the contractual interest in its entirety either as income, reduction of the recorded investment in, or the amortized cost basis of, the asset, as applicable, or recovery of prior charge-offs, depending on the condition of the asset, consistent with its accounting policies for other financial reporting purposes.

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[1] An asset in nonaccrual status that is subject to the cost recovery method required by ASC Subtopic 325-40, Investments-Other-Beneficial Interests in Securitized Financial Assets, should follow that method for reporting purposes. In addition, when a PCD asset has been placed in nonaccrual status, the cost recovery method should be used, when appropriate.

**Nonaccrual Status (cont.):**

Restoration to accrual status – As a general rule, a nonaccrual asset may be restored to accrual status when (1) none of its principal and interest is due and unpaid, and the bank expects repayment of the remaining contractual principal and interest, or (2) when it otherwise becomes well secured and in the process of collection. If any interest payments received while the asset was in nonaccrual status were applied to reduce the amortized cost basis of the asset, as discussed in the preceding section of this entry, the application of these payments to the asset's amortized cost basis should not be reversed (and interest income should not be credited) when the asset is returned to accrual status.

For purposes of meeting the first test, the bank must have received repayment of the past due principal and interest unless:

(1) The asset has been formally restructured and qualifies for accrual status as discussed below;
(2) The asset is a PCD asset and it meets the two criteria specified in the second exception to the general rule discussed above; or
(3) The borrower has resumed paying the full amount of the scheduled contractual interest and principal payments on a loan that is past due and in nonaccrual status, even though the loan has not been brought fully current, and the following two criteria are met. These criteria are, first, that all principal and interest amounts contractually due (including arrearages) are reasonably assured of repayment within a reasonable period and, second, that there is a sustained period of repayment performance (generally a minimum of six months) by the borrower in accordance with the contractual terms involving payments of cash or cash equivalents. A loan that meets these two criteria may be restored to accrual status, but must continue to be disclosed as past due in Schedule RC-N until it has been brought fully current or until it later must be placed in nonaccrual status.

A loan or other debt instrument that has been formally restructured so as to be reasonably assured of repayment (of principal and interest) and of performance according to its modified terms need not be maintained in nonaccrual status, provided the restructuring and any charge-off taken on the asset are supported by a current, well documented credit evaluation of the borrower's financial condition and prospects for repayment under the revised terms. Otherwise, the restructured asset must remain in nonaccrual status. The evaluation must include consideration of the borrower's sustained historical repayment performance for a reasonable period prior to the date on which the loan or other debt instrument is returned to accrual status. A sustained period of repayment performance generally would be a minimum of six months and would involve payments of cash or cash equivalents. (In returning the asset to accrual status, sustained historical repayment performance for a reasonable time prior to the restructuring may be taken into account.) Such a restructuring must improve the collectability of the loan or other debt instrument in accordance with a reasonable repayment schedule and does not relieve the bank from the responsibility to promptly charge off all identified losses.

A modification of a loan to a borrower experiencing financial difficulty may involve a multiple note structure in which, for example, a loan is restructured into two notes. The first or "A" note represents the portion of the original loan principal amount that is expected to be fully collected along with contractual interest. The second or "B" note represents the portion of the original loan that has been charged off and, because it is not reflected as an asset and is unlikely to be collected, could be viewed as a contingent receivable. For a modification of a collateral-dependent loan involving a multiple note structure, the amount of the “A” note should be determined using the fair value of the collateral. The "A" note may be returned to accrual status provided the conditions in the preceding paragraph are met and: (1) there is economic substance to the restructuring, (2) the portion of the original loan represented by the "B" note has been charged off before or at the time of the restructuring, and (3) the "A" note is reasonably assured of repayment and of performance in accordance with the modified terms.

In conjunction with the reporting requirements on Schedule RC-C, Part I, and Schedule RC-N for loan modifications to borrowers experiencing financial difficulty, the institution should consider both the “A” and “B” notes in its analysis of whether the modification results in principal forgiveness, an interest rate reduction, or a deferral of payment(s).

**Nonaccrual Status (cont.):**

Until the restructured asset is restored to accrual status, if ever, cash payments received must be treated in accordance with the criteria stated above in the preceding section of this entry. In addition, after a formal restructuring, if a restructured asset that has been returned to accrual status later meets the criteria for placement in nonaccrual status as a result of past due status based on its modified terms or for any other reasons, the asset must be placed in nonaccrual status.

For further information, see the Glossary entry for "Loan Modifications to Borrowers Experiencing Financial Difficulty."

Treatment of multiple extensions of credit to one borrower – As a general principle, nonaccrual status for an asset should be determined based on an assessment of the individual asset's collectability and payment ability and performance. Thus, when one loan to a borrower is placed in nonaccrual status, a bank does not automatically have to place all other extensions of credit to that borrower in nonaccrual status. When a bank has multiple loans or other extensions of credit outstanding to a single borrower, and one loan meets the criteria for nonaccrual status, the bank should evaluate its other extensions of credit to that borrower to determine whether one or more of these other assets should also be placed in nonaccrual status.

**Noninterest-Bearing Account:** See "deposits."

**Nontransaction Account:** See "deposits."

**NOW Account:** See "deposits."

**Offsetting:** Offsetting is the reporting of assets and liabilities on a net basis in the balance sheet. Banks are permitted to offset assets and liabilities recognized in the Consolidated Report of Condition when a "right of setoff" exists. Under ASC Subtopic 210-20, Balance Sheet – Offsetting, a right of setoff exists when all of the following conditions are met:

(1) Each of two parties owes the other determinable amounts. Thus, only bilateral netting is permitted.

(2) The reporting party has the right to set off the amount owed with the amount owed by the other party.

(3) The reporting party intends to set off. This condition does not have to be met for fair value amounts recognized for conditional or exchange contracts that have been executed with the same counterparty under a master netting arrangement.

(4) The right of setoff is enforceable at law. Legal constraints should be considered to determine whether the right of setoff is enforceable. Accordingly, the right of setoff should be upheld in bankruptcy (or receivership). Offsetting is appropriate only if the available evidence, both positive and negative, indicates that there is reasonable assurance that the right of setoff would be upheld in bankruptcy (or receivership).

According to ASC Subtopic 210-20, for forward, interest rate swap, currency swap, option, and other conditional and exchange contracts, a master netting arrangement exists if the reporting bank has multiple contracts, whether for the same type of conditional or exchange contract or for different types of contracts, with a single counterparty that are subject to a contractual agreement that provides for the net settlement of all contracts through a single payment in a single currency in the event of default or termination of any one contract.

**Offsetting (cont.):**

Offsetting the assets and liabilities recognized for conditional or exchange contracts outstanding with a single counterparty results in the net position between the two counterparties being reported as an asset or a liability in the Consolidated Report of Condition. The reporting entity's choice to offset or not to offset assets and liabilities recognized for conditional or exchange contracts must be applied consistently.

Offsetting of assets and liabilities is also permitted by other accounting pronouncements identified in ASC Subtopic 210-20. These pronouncements apply to such items as leveraged leases, pension plan and other postretirement benefit plan assets and liabilities, and deferred tax assets and liabilities. In addition, ASC Subtopic 210-20, Balance Sheet – Offsetting, describes the circumstances in which amounts recognized as payables under repurchase agreements may be offset against amounts recognized as receivables under reverse repurchase agreements and reported as a net amount in the balance sheet. The reporting entity's choice to offset or not to offset payables and receivables under ASC Subtopic 210-20 must be applied consistently.

According to the AICPA Audit and Accounting Guide for Depository and Lending Institutions, ASC Subtopic 210-20 does not apply to securities borrowing or lending transactions. Therefore, for purposes of the Consolidated Report of Condition, banks should not offset securities borrowing and lending transactions in the balance sheet unless all the conditions set forth in ASC Subtopic 210-20 are met.

See also "reciprocal balances."

**One-Day Transaction:** See "federal funds transactions."

**Option:** See "derivative contracts."

**Organization Costs:** See "start-up activities."

**Other Real Estate Owned:** See "foreclosed assets" and the instructions to Schedule RC-M, item 3.

**Overdraft:** An overdraft can be either planned or unplanned. An unplanned overdraft occurs when a depository institution honors a check or draft drawn against a deposit account when insufficient funds are on deposit and there is no advance contractual agreement to honor the check or draft. When a contractual agreement has been made in advance to allow such credit extensions, overdrafts are referred to as planned or prearranged. Any overdraft, whether planned or unplanned, is an extension of credit and is to be treated and reported as a "loan" rather than being treated as a negative deposit balance.

Planned overdrafts in depositors' accounts are to be classified in Schedule RC-C, Part I, by type of loan according to the nature of the overdrawn depositor. For example, a planned overdraft by a commercial customer is to be classified as a "commercial and industrial loan."

Unplanned overdrafts in depositors' accounts are to be classified in Schedule RC-C, Part I, as "Other loans," unless the depositor is a depository institution or a state or political subdivision in the U.S. Such unplanned overdrafts should be reported in Schedule RC-C, Part I, item 2, "Loans to depository institutions and acceptances of other banks," and item 8, "Obligations (other than securities and leases) of states and political subdivisions in the U.S.," respectively.

**Overdraft (cont.):**

An overdraft also occurs when a borrower's loan secured by real estate has an escrow account for the payment of taxes and/or insurance and the institution pays taxes or insurance on behalf of the borrower when the escrow account does not have sufficient funds to cover the full amount of the payment. Because escrow funds are deposits for purposes of these reports, an overdrawn escrow account should be reported as a "loan" in Schedule RC-C, Part I, in the same loan category in Schedule RC-C, Part I, as the related loan.

For purposes of treatment of overdrafts in depositors' accounts, a group of related transaction accounts of a single type (i.e., demand deposit accounts or NOW accounts, but not a combination thereof) maintained in the same right and capacity by a customer (a single legal entity) that is established under a bona fide cash management arrangement by this customer function as, and are regarded as, one account rather than as multiple separate accounts. In such a situation, overdrafts in one or more of the transaction accounts within the group are not to be classified as loans unless there is a net overdraft position in the group of related transaction accounts taken as a whole. (NOTE: Affiliates and subsidiaries are considered separate legal entities.) For further information, see "cash management arrangements."

The reporting institution's overdrafts on deposit accounts it holds with other depository institutions (i.e., its "due from" accounts) are to be reported as borrowings in Schedule RC, item 16, except overdrafts arising in connection with checks or drafts drawn by the reporting institution and drawn on, or payable at or through, another depository institution either on a zero-balance account or on an account that is not routinely maintained with sufficient balances to cover checks or drafts drawn in the normal course of business during the period until the amount of the checks or drafts is remitted to the other depository institution (in which case, report the funds received or held in connection with such checks or drafts as deposits in Schedule RC-E until the funds are remitted).

**Participations:** See "transfers of financial assets."

**Participations in Acceptances:** See "bankers acceptances."

**Participations in Pools of Securities:** See "repurchase/resale agreements."

**Pass-through Reserve Balances:** Under the Monetary Control Act of 1980, and as reflected in Federal Reserve Regulation D, both member and nonmember depository institutions may hold the balances they maintain to satisfy reserve balance requirements (in excess of vault cash) in one of two ways: either (1) directly with a Federal Reserve Bank or (2) indirectly in an account with another institution (referred to here as a "correspondent"), which, in turn, is required to 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.

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

**Pass-through Reserve Balances (cont.):**
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 in Schedule RC-E, Deposit Liabilities, item 4. The balances due from the Federal Reserve are to be reflected on the balance sheet in Schedule RC, item 1.b, "Interest-bearing balances."

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."

**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.

**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 unaccreted discount) at the beginning of each amortization period over the asset's remaining life. The difference between the periodic interest income that is accrued on the asset and interest at the stated rate is the periodic amortization or accretion. However, a straight-line method of amortization or accretion is acceptable 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.

**Premiums and Discounts (cont.):**

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.

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.

**Private Company:** A private company is a business entity that is not a public business entity. For further information, see the Glossary entry for "Public Business Entity."

**Public Business Entity:** Accounting Standards Update No. 2013-12, "Definition of a Public Business Entity," added this term to the Master Glossary in the Accounting Standards Codification. The definition states that a business entity, such as bank or savings association, that meets any one of five specified criteria is a public business entity for reporting purposes under U.S. GAAP. This also applies for Call Report purposes. In contrast, a private company is a business entity that is not a public business entity. An institution that is a public business entity is not permitted to apply private company accounting alternatives when preparing its Call Report.

As defined in the ASC Master Glossary, a business entity is a public business entity if it meets any one of the following criteria:

- It is required by the U.S. Securities and Exchange Commission (SEC) to file or furnish financial statements, or does file or furnish financial statements (including voluntary filers), with the SEC (including other entities whose financial statements or financial information are required to be or are included in a filing).
- It is required by the Securities Exchange Act of 1934 (the Act), as amended, or rules or regulations promulgated under the Act, to file or furnish financial statements with a regulatory agency other than the SEC (such as one of the federal banking agencies).
- It is required to file or furnish financial statements with a foreign or domestic regulatory agency in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer.

**Public Business Entity (cont.):**

- It has issued debt or equity securities that are traded, listed, or quoted on an exchange or an over-the-counter market, which includes an interdealer quotation or trading system for securities not listed on an exchange (for example, OTC Markets Group, Inc., including the OTC Pink Markets, or the OTC Bulletin Board).
- It has one or more securities that are not subject to contractual restrictions on transfer, and it is required by law, contract, or regulation to prepare U.S. GAAP financial statements (including footnotes) and make them publicly available on a periodic basis (for example, interim or annual periods). An entity must meet both of these conditions to meet this criterion.

The Master Glossary also explains that if an entity meets the definition of a public business entity solely because its financial statements or financial information is included in another entity's filing with the SEC, the entity is only a public business entity for purposes of financial statements that are filed or furnished with the SEC, but not for other reporting purposes or for Call Report purposes.

If a bank or savings association does not meet any one of the first four criteria, it would need to consider whether it meets both of the conditions included in the fifth criterion to determine whether it would be a public business entity. With respect to the first condition under the fifth criterion, a stock institution must determine whether it has a class of securities not subject to contractual restrictions on transfer, which the FASB has stated means that the securities are not subject to management preapproval on resale. A contractual management preapproval requirement that lacks substance would raise questions about whether the stock institution meets this first condition.

If an institution is a wholly owned subsidiary of a holding company, an implicit contractual restriction on transfer is presumed to exist on the institution's common stock; therefore, if the institution has issued no other debt or equity securities, the institution would not meet the first condition of the fifth criterion. A mutual institution that has issued no debt securities also does not meet the first condition of the fifth criterion. In all other scenarios (e.g., a closely-held bank or a Subchapter S bank that is not a wholly owned subsidiary of a holding company), an institution should assess whether contractual restrictions on transfer exist on its securities based on its individual facts and circumstances.

With respect to the second condition under the fifth criterion, an insured depository institution with $500 million or more in total assets as of the beginning of its fiscal year is required by Section 36 of the Federal Deposit Insurance Act and Part 363 of the FDIC's regulations, "Annual Independent Audits and Reporting Requirements," to prepare and make publicly available audited annual U.S. GAAP financial statements. In certain circumstances, an insured depository institution with $500 million or more in total assets that is a subsidiary of a holding company may choose to satisfy this annual financial statement requirement at a holding company level rather than at the institution level. An insured depository institution of this size that satisfies the financial statement requirement of Section 36 and Part 363 at either the institution level or the holding company level would meet the fifth criterion's second condition.

**Purchase Acquisition:** See "business combinations."

**Purchased Credit-Deteriorated Assets:** Purchased credit-deteriorated (PCD) assets are acquired financial assets that, at acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination, as determined by an acquirer's assessment.

In accordance with ASC Topic 326, institutions are required to estimate and record an allowance for credit losses (ACL) for PCD assets at the time of purchase. This acquisition date ACL is added to the

**Purchased Credit-Deteriorated Assets (cont.):**

purchase price of the financial assets rather than recording these losses through provisions for credit losses. This establishes the initial amortized cost basis of the PCD assets. An institution may use either a discounted or an undiscounted cash flow method at acquisition to determine this ACL. Subsequent ACL measurements for acquired financial assets with more-than-insignificant credit deterioration since origination are to be measured under ASC Topic 326 as with (1) originated financial assets and (2) purchased financial assets that do not have a more-than-insignificant deterioration in credit quality at acquisition.

Institutions that measure expected credit losses for PCD assets on a pool basis shall continue to evaluate whether financial assets in the pool continue to share similar risk characteristics with the other financial assets in the pool. If there have been changes in credit risk, borrower circumstances, recognition of a charge-off, or cash collections of interest applied to principal while the asset is in nonaccrual status, an institution may determine that either the financial asset has similar risk characteristics with another pool or the credit loss measurement should be performed on an individual financial asset basis because the financial asset does not share risk characteristics with other financial assets. Institutions that measure the ACL on a collective basis shall allocate the ACL and any noncredit discount or premium to the individual PCD assets unless the institution elected the transition option to account for existing PCI loan pools as PCD pools upon adoption of ASC Topic 326.

Any difference between the unpaid principal balance of the PCD asset and the amortized cost basis of the asset as of the acquisition date is the noncredit discount or premium. Provided the asset remains in accrual status, the noncredit discount or premium recorded at acquisition is accreted into interest income over the remaining life of the PCD asset on a level-yield basis. In contrast, regardless of whether a PCD asset is in nonaccrual or accrual status, an institution is not permitted to accrete the credit-related discount embedded in the purchase price of the asset that is attributable to the acquirer's assessment of expected credit losses as of the date of acquisition (i.e., the contractual cash flows the acquirer did not expect to collect at acquisition). In addition, interest income should no longer be recognized on a PCD asset to the extent that the net investment in the asset would increase to an amount greater than the payoff amount.

ASC Subtopic 310-10, Receivables – Overall, does not prohibit an institution from placing a PCD asset in nonaccrual status. Because a PCD asset is an acquired financial asset that, at acquisition, has experienced a more-than-insignificant deterioration in credit quality since origination, as determined by an acquiring institution's assessment, the acquiring institution must determine upon acquisition whether it is appropriate to place the PCD asset in accrual status, including accreting the noncredit discount or premium.

For purposes of these reports, if an institution has a PCD asset, including a PCD asset that was previously a PCI asset or part of a pool of PCI loans, that would otherwise be required to be placed in nonaccrual status (see the Glossary entry for "nonaccrual status"), the institution may elect to accrue interest income on the PCD asset and not report the PCD asset as being in nonaccrual status if the following criteria are met:

(a) The institution reasonably estimates the timing and amounts of cash flows expected to be collected, and
(b) The institution did not acquire the asset primarily for the rewards of ownership of the underlying collateral, such as use of collateral in operations of the institution or improving the collateral for resale.

When a PCD asset that meets the criteria above is not placed in nonaccrual status, the asset should be subject to other alternative methods of evaluation to ensure that the institution's net income is not materially overstated. If an institution is required or has elected to carry a PCD asset in nonaccrual status, the asset must be reported as a nonaccrual asset at its amortized cost basis (fair value for a PCD available-for-sale debt security) in Schedule RC-N, column C.

For PCD assets for which the institution has made a policy election to maintain previously existing pools of PCI loans upon adoption of ASC Topic 326, the determination of nonaccrual or accrual status should be made at the pool level, not the individual asset level.

**Purchased Credit-Deteriorated Assets (cont.):**

For a PCD asset that is not reported in nonaccrual status, the delinquency status of the PCD asset should be determined in accordance with its contractual repayment terms for purposes of reporting the amortized cost basis of the asset (fair value for a PCD available-for-sale debt security) as past due in Schedule RC-N, column A or B, as appropriate. If the PCD asset that is not reported in nonaccrual status consists of a pool of loans that was previously PCI, but is being maintained as a unit of account after the adoption of ASC Topic 326, delinquency status should be determined individually for each loan in the pool in accordance with the individual loan's contractual repayment terms.

For further information on the reporting of interest income on PCD assets, institutions should refer to the Glossary entry for "nonaccrual status" and ASC Subtopic 310-10, Receivables – Overall.

Deferred Tax Asset Considerations – An institution's provisions for credit losses that increase the amount of the ACL also increase the amount of the deductible temporary difference associated with the ACL and the related deferred tax asset because the provisions are expensed for financial reporting purposes. These increases in the ACL typically are not deducted in the same period for income tax purposes. Tax deductions for credit losses typically occur in the period when financial assets are actually charged off. However, an addition to the ACL as of the acquisition date of a PCD asset (i.e., the "gross–up") does not create such a deductible temporary difference or a deferred tax asset. An institution's deferred tax assets should be calculated at the report date by applying the "applicable tax rate" based on the institution's total deductible temporary differences. See the Glossary entry for "income taxes" for information on how to determine the tax effect of such a temporary difference and the need for any deferred tax asset valuation allowance.

See also the Glossary entries for "Allowances for Credit Losses" and "Nonaccrual Status."

**Put Option:** See "derivative contracts."

**Real Estate ADC Arrangements:** See "acquisition, development, or construction (ADC) arrangements."

**Real Estate, Loan Secured By:** See "loan secured by real estate."

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

For purposes of the balance sheet of the Consolidated Report of Condition, reciprocal balances between the reporting bank and other depository institutions may be reported on a net basis in accordance with generally accepted accounting principles.

**Repurchase/Resale Agreements:** A repurchase agreement is a transaction involving the "sale" of financial assets by one party to another, subject to an agreement by the "seller" to repurchase the assets at a specified date or in specified circumstances. A resale agreement (also known as a reverse repurchase agreement) is a transaction involving the "purchase" of financial assets by one party from another, subject to an agreement by the "purchaser" to resell the assets at a specified date or in specified circumstances.

As stated in the AICPA's Audit and Accounting Guide for Banks and Savings Institutions, dollar repurchase agreements (also called dollar rolls) are agreements to sell and repurchase similar but not identical securities. The dollar roll market consists primarily of agreements that involve mortgage-backed securities (MBS). Dollar rolls differ from regular repurchase agreements in that the securities sold and repurchased, which are usually of the same issuer, are represented by different certificates, are collateralized by different but similar mortgage pools (for example, single-family residential mortgages), and generally have different principal amounts.

General rule – Consistent with ASC Topic 860, Transfers and Servicing, repurchase and resale agreements involving financial assets (e.g., securities and loans), including dollar repurchase agreements, are either reported as (a) secured borrowings and loans or (b) sales and forward repurchase commitments based on whether the transferring ("selling") institution maintains control over the transferred assets. (See the Glossary entry for "transfers of financial assets" for further discussion of control criteria.)

**Repurchase/Resale Agreements (cont.):**

If a repurchase agreement both entitles and obligates the "selling" bank to repurchase or redeem the transferred assets from the transferee ("purchaser"), the "selling" bank should report the transaction as a secured borrowing if and only if the following conditions have been met:

(1) The assets to be repurchased or redeemed are the same or "substantially the same" as those transferred, as defined by ASC Topic 860.

(2) The "selling" institution has the ability to repurchase or redeem the transferred assets on substantially the agreed terms, even in the event of default by the transferee ("purchaser"). This ability is presumed to exist if the "selling" bank has obtained cash or other collateral sufficient to fund substantially all of the cost of purchasing replacement assets from others.

(3) The agreement is to repurchase or redeem the transferred assets before maturity, at a fixed or determinable price.

(4) The agreement is entered into concurrently with the transfer.

Participations in pools of securities are to be reported in the same manner as security repurchase/resale transactions.

Repurchase agreements reported as secured borrowings – If a repurchase agreement qualifies as a secured borrowing, the "selling" institution should report the transaction as indicated below based on whether the agreement involves a security or some other financial asset.

(1) Securities "sold" under agreements to repurchase are reported in Schedule RC, item 14.b, "Securities sold under agreements to repurchase."

(2) Financial assets (other than securities) "sold" under agreements to repurchase are reported as follows:

   (a) If the repurchase agreement has an original maturity of one business day (or is under a continuing contract) and is in immediately available funds, it should be reported in Schedule RC, item 14.a, "Federal funds purchased."
   (b) If the repurchase agreement has an original maturity of more than one business day or is not in immediately available funds, it should be reported in Schedule RC-M, item 5.b.

In addition, the "selling" institution may need to record further entries depending on the terms of the agreement. If the "purchaser" has the right to sell or repledge noncash assets, the "selling" institution should recategorize the transferred financial assets as "assets receivable" and report them in Schedule RC, item 11, "Other assets." Otherwise, the financial assets should continue to be reported in the same asset category as before the transfer (e.g., securities should continue to be reported in Schedule RC, item 2, "Securities," or item 5, "Trading assets," as appropriate).

Resale agreements reported as secured borrowings. Similarly, if a resale agreement qualifies as a secured borrowing, the "purchasing" institution should report the transaction as indicated below based on whether the agreement involves a security or some other financial asset.

(1) Securities "purchased" under agreements to resell are reported in Schedule RC, item 3.b, "Securities purchased under agreements to resell."

(2) Financial assets (other than securities) "purchased" under agreements to resell are reported as follows:

   (a) If the resale agreement has an original maturity of one business day (or is under a continuing contract) and is in immediately available funds, it should be reported in Schedule RC, item 3.a, "Federal funds sold."

**Repurchase/Resale Agreements (cont.):**

(b) If the resale agreement has an original maturity of more than one business day or is not in immediately available funds, it should be reported in Schedule RC, item 4.b, "Loans and leases held for investment."

In addition, the "purchasing" institution may need to record further entries depending on the terms of the agreement. If the "purchasing" institution has the right to sell the noncash assets it has "purchased" and sells these assets, it should recognize the proceeds from the sale and report its obligation to return the assets in Schedule RC, item 20, "Other liabilities." If the "selling" institution defaults under the terms of the repurchase agreement and is no longer entitled to redeem the noncash assets, the "purchasing" bank should recognize these assets on its own balance sheet (e.g., securities should be reported in Schedule RC, item 2, "Securities," or item 5, "Trading assets," as appropriate) and initially measure them at fair value. However, if the "purchasing" bank has already sold the assets it has "purchased," it should derecognize its obligation to return the assets. Otherwise, the "purchasing" bank should not recognize the transferred financial assets (i.e., the financial assets "purchased" under the resale agreement) on its balance sheet.

Repurchase/resale agreements reported as sales – If a repurchase agreement does not qualify as a secured borrowing under ASC Topic 860, the selling bank should account for the transaction as a sale of financial assets and a forward repurchase commitment. The selling bank should remove the transferred assets from its balance sheet, record the proceeds from the sale of the transferred assets (including the forward repurchase commitment), and record any gain or loss on the transaction. Similarly, if a resale agreement does not qualify as a borrowing under ASC Topic 860, the purchasing bank should account for the transaction as a purchase of financial assets and a forward resale commitment. The purchasing bank should record the transferred assets on its balance sheet, initially measure them at fair value, and record the payment for the purchased assets (including the forward resale commitment).

**Reserve Balances, Pass-through:** See "pass-through reserve balances."

**Retail Sweep Arrangements:** See "deposits."

**Revenue from Contracts with Customers:** ASC Topic 606, Revenue from Contracts with Customers, which became effective as a result of Accounting Standards Update (ASU) 2014-09, provides guidance on how an entity should recognize revenue from these transactions. The core principle of Topic 606 is that an entity should recognize revenue at an amount that reflects the consideration to which it expects to be entitled in exchange for transferring goods or services to a customer as part of the entity's ordinary activities. ASU 2014-09 also added Topic 610, Other Income, to the ASC. Topic 610 applies to income recognition that is not within the scope of Topic 606, other Topics (such as Topic 842 on leases), or other revenue or income guidance. Topic 610 applies to an institution's sales of repossessed nonfinancial assets, such as other real estate owned (OREO). See the Glossary entry for "foreclosed assets" for guidance on the accounting and reporting for the sale of OREO and other repossessed nonfinancial assets.

ASC Topic 606 specifically excludes financial instruments and other contractual rights or obligations within the scope of Topic 310, Receivables; Topic 320, Investments – Debt Securities; Topic 321, Investments – Equity Securities; Topic 815, Derivatives and Hedging; Topic 860, Transfers and Servicing, and certain other ASC Topics. Therefore, many common revenue streams in the financial

**Revenue from Contracts with Customers (cont.):**
sector, such as interest income, fair value adjustments, gains and losses on sales of financial instruments, and loan origination fees, are not within the scope of ASC Topic 606. However, the provisions of ASC Topic 606 may affect the timing for the recognition of, and the presentation of, those revenue streams within the scope of this accounting standard, such as certain fees associated with credit card arrangements, underwriting fees and costs, and deposit-related fees.

To achieve the core principle described above when accounting for transactions within the scope of ASC Topic 606, an institution should apply the following steps as set forth in Topic 606:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the institution satisfies a performance obligation.

For further guidance on applying these steps, refer to ASC Topic 606.

**Savings Deposits:** See "deposits."

**Securities Activities:** Institutions should categorize their investments in debt securities as trading, available-for-sale, or held-to-maturity consistent with ASC Topic 320, Investments-Debt Securities. Management should periodically reassess its security categorization decisions to ensure that they remain appropriate.

For purposes of the Consolidated Reports of Condition and Income, debt and equity securities that are intended to be held principally for the purpose of selling them in the near term should be classified as trading assets. Trading activity includes active and frequent buying and selling of securities for the purpose of generating profits on short-term fluctuations in price. Securities held for trading purposes must be reported at fair value on the balance sheet in Schedule RC, item 5, with unrealized gains and losses recognized in current earnings and regulatory capital.

Institutions may also elect to report debt securities within the scope of ASC Topic 320 at fair value in accordance with ASC Subtopic 825-10, Financial Instruments – Overall. For purposes of the Consolidated Reports of Condition and Income, debt securities for which the fair value option is elected should be classified as trading assets and reported on the balance sheet in Schedule RC, item 5, with unrealized gains and losses recognized in current earnings and regulatory capital. In general, the fair value option may be elected for an individual security only when it is first recognized; this election is irrevocable.

Held-to-maturity securities are debt securities that an institution has the positive intent and ability to hold to maturity. Held-to-maturity securities, which are generally reported at amortized cost, should be reported on the balance sheet in Schedule RC, item 2.a. The amortized cost and fair value of held-to-maturity securities are reported by securities category in Schedule RC-B, columns A and B, respectively. Debt securities not categorized as trading or held-to-maturity must be reported as available-for-sale. An institution must report its available-for-sale debt securities at fair value on the balance sheet, generally in Schedule RC, item 2.b, but unrealized gains and losses on such securities are excluded from earnings and reported in a separate component of equity capital (i.e., in Schedule RC, item 26.b, “Accumulated other comprehensive income”). The amortized cost and fair value of available-for-sale debt securities are reported by securities category in Schedule RC-B, columns C and D, respectively.

FASB Accounting Standards Update No. 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities” (ASU 2016-01), added ASC Topic 321, Investments – Equity Securities, to the

**Securities Activities (cont.):**

ASC. ASU 2016-01 eliminated the classification of equity securities with readily determinable fair values not held for trading as available-for-sale equity securities, which were measured at fair value with changes in fair value generally recognized in other comprehensive income. As a consequence, all institutions must measure investments in equity securities, except those accounted for under the equity method and those that result in consolidation, at fair value with changes in fair value recognized in net income. However, for an equity security not held for trading that does not have a readily determinable fair value, ASC Topic 321 permits an institution to elect to measure the security at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. When this measurement alternative is elected for an equity security without a readily determinable fair value not held for trading, ASC Topic 321 requires the equity security to be written down to its fair value, with a charge to earnings, if a qualitative assessment indicates the security is impaired and the fair value of the security is less than its carrying value. For each equity security accounted for using this measurement alternative, the qualitative assessment must be made each reporting period by qualitatively considering impairment indicators to evaluate whether the security is impaired. Impairment indicators that an institution should consider include, but are not limited to, the indicators identified in ASC Subtopic 321-10.

Except for equity investments accounted for under the equity method and those that result in consolidation, equity securities with readily determinable fair values not held for trading should be reported at fair value on the balance sheet in Schedule RC, item 2.c, and equity investments without readily determinable fair values not held for trading should be reported at fair value or using the measurement alternative described above in Schedule RC-F, item 4. In addition, insured state banks that have received FDIC approval in accordance with Section 362.3(a) of the FDIC's regulations to hold certain equity investments ("grandfathered equity securities") should report in Schedule RC-M, item 4, the aggregate cost basis of all equity securities with readily determinable fair values not held for trading that are reported in Schedule RC, item 2.c, not just the cost basis of those equity securities that are treated as "grandfathered."

The measurement guidance for investments in equity securities in ASC Topic 321 described above also applies to investments in other ownership interests, such as interests in partnerships, unincorporated joint ventures, and limited liability companies. However, the measurement guidance does not apply to Federal Home Loan Bank stock or Federal Reserve Bank stock, which should be reported in Schedule RC-F, item 4.

Impairment of Individual Available-for-Sale Debt Securities (ASC Topic 326) – For additional information on the maintenance of appropriate allowances for credit losses, institutions should refer to the Interagency Policy Statement on Allowances for Credit Losses (Revised April 2023).

Standards for the accounting for impairment of available-for-sale debt securities are set forth in ASC Subtopic 326-30, Financial Instruments–Credit Losses–Available-for-Sale Debt Securities. Under this subtopic, an available-for-sale debt security is impaired if its fair value is less than its amortized cost basis. Thus, as of the end of each quarter, or more frequently if warranted, an institution must determine whether a decline in fair value below the amortized cost basis of an individual available-for-sale debt security has resulted from a credit loss or other factors. Credit losses are calculated individually, rather than collectively, using a discounted cash flow method to compare the present value of the cash flows expected to be collected with the amortized cost basis of the security. An ACL is established, with a charge to the provision for credit losses, to reflect the credit loss component of the decline in fair value below amortized cost. The ACL for an available-for-sale debt security is limited by the amount that the fair value is less than the amortized cost basis, which is referred to as the fair value floor. Noncredit impairment on an available-for-sale debt security that is not required to be recorded through the ACL should be reported, net of applicable income taxes, in Schedule RI-A, item 10, "Other comprehensive income."

An institution must reassess the credit losses on an individual available-for-sale debt security each quarter when there is an ACL on the security. The institution should record subsequent changes in the

**Securities Activities (cont.):**

ACL in the period of the change with a corresponding adjustment recorded through a provision for credit losses included in Schedule RI, item 4. A previously recorded ACL on an available-for-sale debt security should not be reversed to an amount below zero.

When evaluating impairment for available-for-sale debt securities, an institution may evaluate the amortized cost basis including accrued interest receivable, or may evaluate the accrued interest receivable separately from the remaining amortized cost basis. If evaluated separately, accrued interest receivable is excluded from both the fair value of the available-for-sale debt security and its amortized cost basis.

If an institution intends to sell an available-for-sale debt security or will more likely than not be required to sell the security before recovery of the amortized cost basis, the security's ACL should be written off and the amortized cost basis of the security should be charged down to its fair value at the reporting date with any incremental impairment reported in Schedule RI, item 6.b, "Realized gains (losses) on available for sale securities." The previous amortized cost basis of the debt security, less the amount of the charge-off, becomes the new amortized cost basis of the security. This new amortized cost basis is not increased for subsequent recoveries in fair value; rather, a subsequent increase in fair value after charge-off is included in other comprehensive income. The difference between the new amortized cost basis and the cash flows expected to be collected should be accreted to interest income according to applicable accounting standards.

An institution that has available-for-sale debt securities accounted for in accordance with ASC Subtopic 325-40, Investments–Other–Beneficial Interests in Securitized Financial Assets, should refer to that subtopic to account for changes in cash flows expected to be collected.

Accounting for Expected Credit Losses on Held-to-Maturity Debt Securities (ASC Topic 326) – Institutions should refer to the Glossary entry for "Allowances for Credit Losses" for information on estimating the allowance for credit losses on held-to-maturity debt securities. Such institutions should include provisions for credit losses on held-to-maturity debt securities in Schedule RI, item 4.

Practices Considered Trading Activities – The proper categorization of securities is important to ensure that trading gains and losses are promptly recognized in earnings and regulatory capital. This will not occur when debt securities intended to be held for trading purposes are categorized as held-to-maturity or available-for-sale. The following practices are considered trading activities:

(1) Gains Trading – Gains trading is characterized by the purchase of a security and the subsequent sale of the same security at a profit after a short holding period, while securities acquired for this purpose that cannot be sold at a profit are typically retained in the available-for-sale or held-to-maturity portfolio. Gains trading may be intended to defer recognition of losses, as unrealized losses on available-for-sale and held-to-maturity debt securities do not directly affect regulatory capital and generally are not reported in income until the security is sold.

(2) When-Issued Securities Trading – When-issued securities trading is the buying and selling of securities in the period between the announcement of an offering and the issuance and payment date of the securities. A purchase of a "when-issued" security acquires the risks and rewards of owning a security and may sell the when-issued security at a profit before having to take delivery and pay for it. Because such transactions are intended to generate profits from short-term price movements, they should be categorized as trading.

(3) Pair-offs – Pair-offs are security purchase transactions that are closed-out or sold at, or prior to, settlement date. In a pair-off, an institution commits to purchase a security. Then, prior to the predetermined settlement date, the institution will pair-off the purchase with a sale of the same security. Pair-offs are settled net when one party to the transaction remits the difference between the purchase and the sale price to the counterparty. Pair-offs may also involve the same sequence of events using swaps, options on swaps, forward commitments, options on forward commitments, or other off-balance sheet derivative contracts.

**Securities Activities (cont.):**

(4) Extended Settlements – In the U.S., regular-way settlement for federal government and federal agency securities (except mortgage-backed securities and derivative contracts) is one business day after the trade date. Regular-way settlement for corporate and municipal securities is three business days after the trade date. For mortgage-backed securities, it can be up to 60 days or more after the trade date. The use of extended settlements may be offered by securities dealers in order to facilitate speculation on the part of the purchaser, often in connection with pair-off transactions. Securities acquired through the use of a settlement period in excess of the regular-way settlement periods in order to facilitate speculation should be reported as trading assets.

(5) Repositioning Repurchase Agreements – A repositioning repurchase agreement is a funding technique offered by a dealer in an attempt to enable an institution to avoid recognition of a loss. Specifically, an institution that enters into a "when-issued" trade or a "pair-off" (which may include an extended settlement) that cannot be closed out at a profit on the payment or settlement date will be provided dealer financing in an effort to fund its speculative position until the security can be sold at a gain. The institution purchasing the security typically pays the dealer a small margin that approximates the actual loss in the security. The dealer then agrees to fund the purchase of the security, typically buying it back from the purchaser under a resale agreement. Any securities acquired through a dealer financing technique such as a repositioning repurchase agreement that is used to fund the speculative purchase of securities should be reported as trading assets.

(6) Short Sales – A short sale is the sale of a security that is not owned. The purpose of a short sale generally is to speculate on a fall in the price of the security. (For further information, see the Glossary entry for "Short Position.")

Prohibited Practice – One other practice, referred to as "adjusted trading," is not acceptable under any circumstances. Adjusted trading involves the sale of a security to a broker or dealer at a price above the prevailing market value and the contemporaneous purchase and booking of a different security, frequently a lower-rated or lower quality issue or one with a longer maturity, at a price above its market value. Thus, the dealer is reimbursed for losses on the purchase from the institution and ensured a profit. Such transactions inappropriately defer the recognition of losses on the security sold and establish an excessive cost basis for the newly acquired security. Consequently, such transactions are prohibited and may be in violation of 18 U.S.C. Sections 1001–Statements or Entries Generally and 1005–Bank Entries, Reports and Transactions.

See also the Glossary entries for “Accrued Interest Receivable,” “Allowances for Credit Losses,” “Purchased Credit-Deteriorated Assets,” and “Trading Account.”

**Securities Borrowing/Lending Transactions:** Securities borrowing/lending transactions are typically initiated by broker-dealers and other financial institutions that need specific securities to cover a short sale or a customer's failure to deliver securities sold. A transferee ("borrower") of securities generally is required to provide "collateral" to the transferor ("lender") of securities, commonly cash but sometimes other securities or standby letters of credit, with a value slightly higher than that of the securities "borrowed."

Most securities borrowing/lending transactions do not qualify as sales under ASC Topic 860, Transfers and Servicing, because the securities borrowing/lending agreement entitles and obligates the securities lender to repurchase or redeem the transferred assets before their maturity. (See the Glossary entry for "Transfers of Financial Assets" for further discussion of sale criteria.) When such a transaction does not qualify as a sale, the securities lender (the transferor) and the securities borrower (the transferee) should account for the transaction as a secured borrowing 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" by the securities lender are considered pledged as collateral against the amount borrowed. The securities lender should recognize the cash or securities received as “collateral” as an asset on its balance sheet with a corresponding liability for the obligation to return the “collateral” received. The securities lender should

**Securities Borrowing/Lending Transactions (cont.):**

continue to report the "loaned" securities on its balance sheet in the same asset category as before the transfer, e.g., as available-for-sale securities, held-to-maturity securities, or trading assets, as appropriate. "Loaned" securities that the securities lender reports as available-for-sale or held-to-maturity securities in Schedule RC-B, Securities, should also be reported as "Pledged securities" in Memorandum item 1 of that schedule.

When a securities borrowing/lending transaction does not qualify as a sale, the securities borrower should not recognize at inception the "loaned" securities transferred to it as assets on its balance sheet. Rather, at the inception of a transaction in which the securities borrower pledges cash collateral, the securities borrower should derecognize the cash pledged to the securities lender and recognize a corresponding receivable for the borrower's claim on the cash that the securities lender is obligated to return in the future. If the securities borrower pledges securities as collateral to the securities lender, the securities borrower should record no balance sheet entry for the pledged securities at inception, but it should report these securities as pledged securities in the Call Report in the same manner as discussed above for a securities lender. If the securities lender later defaults under the terms of the securities borrowing/lending agreement and is no longer entitled to redeem the "loaned" securities, the securities lender should remove these securities from its balance sheet. Additionally, the securities borrower should now recognize the "loaned" securities as assets on its balance sheet (and report these securities, e.g., as available-for-sale securities, held-to-maturity securities, or trading assets, as appropriate, if debt securities had been loaned) and initially measure them at fair value.

If the securities borrowing/lending transaction meets the criteria for a sale under ASC Topic 860, the lender of the securities should remove the securities from its balance sheet, record the proceeds from the sale of the securities (including the forward repurchase commitment), and recognize any gain or loss on the transaction. The borrower of the securities should record the securities on its balance sheet at fair value and record the payment for the purchased assets (including the forward resale commitment).

**Securities, Participations in Pools of:** See "Repurchase/Resale Agreements."

**Servicing Assets and Liabilities:** The accounting and reporting standards for servicing assets and liabilities are set forth in ASC Subtopic 860-50, Transfers and Servicing – Servicing Assets and Liabilities, and ASC Topic 948, Financial Services-Mortgage Banking. A summary of the relevant sections of these accounting standards follows. For further information, see ASC Subtopic 860-50, ASC Topic 948, and the Glossary entry for "Transfers of Financial Assets."

Servicing of mortgage loans, credit card receivables, or other financial assets includes, but is not limited to, collecting principal, interest, and escrow payments from borrowers; paying taxes and insurance from escrowed funds; monitoring delinquencies; executing foreclosure if necessary; temporarily investing funds pending distribution; remitting fees to guarantors, trustees, and others providing services; and accounting for and remitting principal and interest payments to the holders of beneficial interests in the financial assets. Servicers typically receive certain benefits from the servicing contract and incur the costs of servicing the assets.

Servicing is inherent in all financial assets; it becomes a distinct asset or liability for accounting purposes only in certain circumstances as discussed below. Servicing assets result from contracts to service financial assets under which the benefits of servicing (estimated future revenues from contractually specified servicing fees, late charges, and other ancillary sources) are expected to more than adequately compensate the servicer for performing the servicing. Servicing liabilities result from contracts to service financial assets under which the benefits of servicing are not expected to

**Servicing Assets and Liabilities (cont.):**

adequately compensate the servicer for performing the servicing. Contractually specified servicing fees are all amounts that, per contract, are due to the servicer in exchange for servicing the financial asset and would no longer be received by a servicer if the beneficial owners of the serviced assets or their trustees or agents were to exercise their actual or potential authority under the contract to shift the servicing to another servicer. Adequate compensation is the amount of benefits of servicing that would fairly compensate a substitute servicer should one be required including the profit that would be demanded by a substitute servicer in the marketplace.

A bank must recognize and initially measure at fair value a servicing asset or a servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in either of the following situations:

(1) The bank's transfer of an entire financial asset, a group of entire financial assets, or a participating interest in an entire financial asset that meets the requirements for sale accounting; or

(2) An acquisition or assumption of a servicing obligation that does not relate to financial assets of the bank or its consolidated affiliates included in the Consolidated Reports of Condition and Income being presented.

If a bank sells a participating interest in an entire financial asset, it only recognizes a servicing asset or servicing liability related to the participating interest sold.

A bank that transfers its financial assets to an unconsolidated entity in a transfer that qualifies as a sale in which the bank obtains the resulting securities and classifies them as debt securities held-to-maturity in accordance with ASC Topic 320, Investments–Debt Securities, may either separately recognize its servicing assets or servicing liabilities or report those servicing assets or servicing liabilities together with the assets being serviced.

A bank should account for its servicing contract that qualifies for separate recognition as a servicing asset or servicing liability initially measured at fair value regardless of whether explicit consideration was exchanged. A bank that transfers or securitizes financial assets in a transaction that does not meet the requirements for sale accounting under ASC Topic 860 and is accounted for as a secured borrowing with the underlying assets remaining on the bank's balance sheet must not recognize a servicing asset or a servicing liability.

After initially measuring a servicing asset or servicing liability at fair value, a bank should subsequently measure each class of servicing assets and servicing liabilities using either the amortization method or the fair value measurement method. The election of the subsequent measurement method should be made separately for each class of servicing assets and servicing liabilities. A bank must apply the same subsequent measurement method to each servicing asset and servicing liability in a class. Each bank should identify its classes of servicing assets and servicing liabilities based on (a) the availability of market inputs used in determining the fair value of servicing assets and servicing liabilities, (b) the bank's method for managing the risks of its servicing assets or servicing liabilities, or (c) both. Different elections can be made for different classes of servicing. For a class of servicing assets and servicing liabilities that is subsequently measured using the amortization method, a bank may change the subsequent measurement method for that class of servicing by making an irrevocable decision to elect the fair value measurement method for that class at the beginning of any fiscal year. Once a bank elects the fair value measurement method for a class of servicing, that election must not be reversed.

Under the amortization method, all servicing assets or servicing liabilities in the class should be amortized in proportion to, and over the period of, estimated net servicing income for assets (servicing revenues in excess of servicing costs) or net servicing loss for liabilities (servicing costs in excess of servicing revenues). The servicing assets or servicing liabilities should be assessed for impairment or

**Servicing Assets and Liabilities (cont.):**

increased obligation based on fair value at each quarter-end report date. The servicing assets within a class should be stratified into groups based on one or more of the predominant risk characteristics of the underlying financial assets. If the carrying amount of a stratum of servicing assets exceeds its fair value, the bank should separately recognize impairment for that stratum by reducing the carrying amount to fair value through a valuation allowance for that stratum. The valuation allowance should be adjusted to reflect changes in the measurement of impairment subsequent to the initial measurement of impairment. For the servicing liabilities within a class, if subsequent events have increased the fair value of the liability above the carrying amount of the servicing liabilities, the bank should recognize the increased obligation as a loss in current earnings.

Under the fair value measurement method, all servicing assets or servicing liabilities in a class should be measured at fair value at each quarter-end report date. Changes in the fair value of these servicing assets and servicing liabilities should be reported in earnings in the period in which the changes occur.

For purposes of these reports, servicing assets resulting from contracts to service loans secured by real estate (as defined for Schedule RC-C, Part I, item 1, in the Glossary entry for "Loans secured by real estate") should be reported in Schedule RC-M, item 2.a, "Mortgage servicing assets." Servicing assets resulting from contracts to service all other financial assets should be reported in Schedule RC-M, item 2.c, "All other intangible assets." When reporting the carrying amount of mortgage servicing assets in Schedule RC-M, item 2.a, and nonmortgage servicing assets in Schedule RC-M, item 2.c, banks should include all classes of servicing accounted for under the amortization method as well as all classes of servicing accounted for under the fair value measurement method. The fair value of all recognized mortgage servicing assets should be reported in Schedule RC-M, item 2.a.(1), regardless of the subsequent measurement method applied to these assets. The amount of mortgage servicing assets reported in Schedule RC-M, item 2.a, should be used when determining the amount of such assets, net of associated deferred tax liabilities, that exceeds the common equity tier 1 capital deduction thresholds in Schedule RC-R, Part I. Servicing liabilities should be reported in Schedule RC-G, item 4, “All other liabilities.” In the Call Reports for June and December, if the amount of servicing liabilities is greater than $100,000 and exceeds 25 percent of “All other liabilities,” this amount should be itemized and described in Schedule RC-G, item 4.f, 4.g, or 4.h, as appropriate.

Servicing assets and servicing liabilities may not be netted on the balance sheet (Schedule RC), but must be reported gross as assets and liabilities, respectively.

Changes in the fair value of any class of servicing assets and servicing liabilities accounted for under the fair value measurement method should be included in earnings in Schedule RI, item 5.f, “Net servicing fees.” In addition, an institution must report in Schedule SU, item 6, whether it services any closed-end 1-4 family residential mortgage loans or more than $10 million of other financial assets. If so, the institutions must report information about the serviced assets in Schedule SU, item 6.a.

**Settlement Date Accounting:** See "trade date and settlement date accounting."

**Shell Branches:** Shell branches are limited service branches that do not conduct transactions with residents, other than with other shell branches, in the country in which they are located. Transactions at shell branches are usually initiated and effected by their head office or by other related branches outside the country in which the shell branches are located, with records and supporting documents maintained at the initiating offices. Examples of such locations are the Bahamas and the Cayman Islands.

**Short Position:** When an institution sells an asset that it does not own or sells more of an asset than it owns, it has established a short position. If an institution is in a short position with respect to a particular asset on the report date, the institution shall report its liability to purchase the asset in Schedule RC, item 15, “Trading liabilities.” In this situation, the right to receive payment shall be reported in Schedule RC-F, item 6, “All other assets.” Because short positions are reported as trading liabilities, each short position should be reported and measured at fair value as defined by ASC Topic 820, Fair Value Measurement. Changes in the fair value measurement of trading liabilities should be

**Short Position (cont.):**
recognized as trading revenue and reported on Schedule RI, item 5.l, “Other noninterest income.”

For Call Report purposes, if an institution holds a trading asset (i.e., a long position) and sells more of the identical trading asset than it owns, the institution may report the net amount of the long and short positions as a trading liability only if an identical unique identifier, such as a CUSIP or ISIN number,[1] is used to determine such net amount and the institution has determined that this reporting treatment is appropriate under U.S. GAAP.

**Significant Subsidiary:** See "subsidiaries."

**Standby Letter of Credit:** See "letter of credit."

**Start-Up Activities:** Guidance on the accounting and reporting for the costs of start-up activities, including organization costs, is set forth in ASC Subtopic 720-15, Other Expenses – Start-Up Costs (formerly AICPA Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities"). A summary of this accounting guidance follows. For further information, see ASC Subtopic 720-15.

Start-up activities are defined broadly as those one-time activities related to opening a new facility, introducing a new product or service, conducting business in a new territory, conducting business with a new class of customer, or commencing some new operation. Start-up activities include activities related to organizing a new entity, such as a new bank, the costs of which are commonly referred to as organization costs.[2]

Costs of start-up activities, including organization costs, should be expensed as incurred. Costs of acquiring or constructing premises and fixed assets and getting them ready for their intended use are not start-up costs, but the costs of using such assets that are allocated to start-up activities (e.g., depreciation of computers) are considered start-up costs.

For a new bank, pre-opening expenses such as salaries and employee benefits, rent, depreciation, supplies, directors' fees, training, travel, postage, and telephone are considered start-up costs.

Pre-opening income earned and expenses incurred from the bank's inception until the date the bank commences operations should be reported in the Consolidated Report of Income using one of the two following methods, consistent with the manner in which the bank reports pre-opening income and expenses for other financial reporting purposes:

(1) Pre-opening income and expenses for the entire period from the bank's inception until the date the bank commences operations should be reported in the appropriate items of Schedule RI, Income Statement, each quarter during the calendar year in which operations commence; or

(2) Pre-opening income and expenses for the period from the bank's inception until the beginning of the calendar year in which the bank commences operations should be included, along with the bank's opening (original) equity capital, in Schedule RI-A, item 5, "Sale, conversion, acquisition, or retirement of capital stock, net." The net amount of these pre-opening income and expenses should be identified and described in Schedule RI-E, item 7. Pre-opening income earned and expenses incurred during the calendar year in which the bank commences operations should be reported in the appropriate items of Schedule RI, Income Statement, each quarter during the calendar year in which operations commence.

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[1] A Committee on Uniform Securities Identification Procedures (CUSIP) number or an International Securities Identification Number (ISIN) is used to uniquely identify a specific security.

[2] Organization costs for a bank are the direct costs incurred to incorporate and charter the bank. Such costs include, but are not limited to, professional (e.g., legal, accounting, and consulting) fees and printing costs directly related to the chartering or incorporation process, filing fees paid to chartering authorities, and the cost of economic impact studies.

**Start-Up Activities (cont.):**

The organization costs of forming a holding company and the costs of other holding company start-up activities are sometimes paid by the bank that will be owned by the holding company. Because these are the holding company's costs, whether or not the holding company formation is successful, they 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.

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**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.

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 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

**Subsidiaries (cont.):**

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.

“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:
    (a) 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;
    (b) Transactions with the business customer have liquidity risk characteristics that are similar to comparable transactions with individuals; and
    (c) The total aggregate funding raised from the business customer is less than $1.5 million; or

**Sweep Deposits (cont.):**

(3) A living or testamentary trust that:
   (a) Is solely for the benefit of natural persons;
   (b) Does not have a corporate trustee; and
   (c) 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.

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."

**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.

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.

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**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, Investments-Debt Securities, 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."

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.

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 as trading revenue and reported in Schedule RI, item 5.l, "Other noninterest income." 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 institution does not own or sales of more of a security or other asset than the institution

**Trading Account (cont.):**
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 as trading revenue and reported in Schedule RI, item 5.l, “Other noninterest income.”

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."

**Transactions Between Entities under Common Control:** See “business combinations.”

**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 consolidated by the bank. If it is determined that consolidation would be required by the bank, then the transferred financial assets would not be treated as having been sold in the bank’s Consolidated Reports of Condition and Income even if all of the other provisions listed below are met.[2]

Determining Whether a Transfer Should be Accounted for as a Sale or a Secured Borrowing – A transfer of an entire financial asset, a group of entire financial assets, or a participating interest in an entire financial asset in which the transferor surrenders control over those financial assets shall be accounted for as a sale if and only if all of the following conditions are met:

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[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.

[2] The requirements in ASC Subtopic 810-10, Consolidation – Overall, should be applied to determine when a variable interest entity should be consolidated. For further information, refer to the Glossary entry for “variable interest entity.”

**Transfers of Financial Assets (cont.):**

(1) The transferred financial assets have been isolated from the transferor, i.e., put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership. Transferred financial assets are isolated in bankruptcy or other receivership only if the transferred financial assets would be beyond the reach of the powers of a bankruptcy trustee or other receiver for the transferor or any of its consolidated affiliates included in the financial statements being presented. For multiple step transfers, an entity that is designed to make remote the possibility that it would enter bankruptcy or other receivership (bankruptcy-remote entity) is not considered a consolidated affiliate for purposes of performing the isolation analysis. Notwithstanding the isolation analysis, each entity involved in the transfer is subject to the applicable guidance on whether it must be consolidated.

(2) Each transferee (or, if the transferee is an entity whose sole purpose is to engage in securitization or asset-backed financing activities and that entity is constrained from pledging or exchanging the assets it receives, each third-party holder of its beneficial interest) has the right to pledge or exchange the assets (or beneficial interests) it received, and no condition both constrains the transferee (or third-party holder of its beneficial interests) from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the transferor.

(3) The transferor, its consolidated affiliates included in the financial statements being presented, or its agents do not maintain effective control over the transferred financial assets or third-party beneficial interests related to those transferred assets. Examples of a transferor's effective control over the transferred financial assets include, but are not limited to (a) an agreement that both entitles and obligates the transferor to repurchase or redeem the transferred financial assets before their maturity, (b) an agreement that provides the transferor with both the unilateral ability to cause the holder to return specific financial assets and a more-than-trivial benefit attributable to that ability, other than through a cleanup call, or (c) an agreement that permits the transferee to require the transferor to repurchase the transferred financial assets at a price that is so favorable to the transferee that it is probable that the transferee will require the transferor to repurchase them.

If a transfer of an entire financial asset, a group of entire financial assets, or a participating interest in an entire financial asset does not meet the conditions for sale treatment, or if a transfer of a portion of an entire financial interest does not meet the definition of a participating interest (discussed below), the transferor and the transferee shall account for the transfer as a secured borrowing with pledge of collateral. The transferor shall continue to report the transferred financial assets in its financial statements with no change in their measurement (i.e., the original basis of accounting for the transferred financial assets is retained).

Accounting for a Transfer of an Entire Financial Asset or a Group of Entire Financial Assets That Qualifies as a Sale[1] – Upon the completion of a transfer of an entire financial asset or a group of entire financial assets that satisfies all three of the conditions to be accounted for as a sale, the transferee(s) (i.e., purchaser(s)) must recognize all assets obtained and any liabilities incurred and initially measure them at fair value. The transferor (seller) should:

(1) Derecognize or remove the transferred financial assets from the balance sheet.

(2) Recognize and initially measure at fair value servicing assets, servicing liabilities, and any other assets obtained (including a transferor's beneficial interest in the transferred financial assets) and liabilities incurred in the sale.

(3) Recognize in earnings any gain or loss on the sale.

[1] The guidance in this section of this Glossary entry does not apply to a transfer of a participating interest in an entire financial asset that qualifies as a sale. The accounting for such a transfer is discussed in a separate section later in this Glossary entry.

**Transfers of Financial Assets (cont.):**

If, as a result of a change in circumstances, a bank transferor regains control of a transferred financial asset after a transfer that was previously accounted for as a sale because one or more of the conditions for sale accounting in ASC Topic 860 are no longer met or a transferred portion of an entire financial asset no longer meets the definition of a participating interest, such a change generally should be accounted for in the same manner as a purchase of the transferred financial asset from the former transferee (purchaser) in exchange for a liability assumed. The transferor should recognize (rebook) the financial asset on its balance sheet together with a liability to the former transferee, measuring the asset and liability at fair value on the date of the change in circumstances. If the rebooked financial asset is a loan, it must be reported as a loan in Schedule RC-C, Part I, either as a loan held for sale or a loan held for investment, based on facts and circumstances, in accordance with generally accepted accounting principles. The liability to the former transferee should be reported as a secured borrowing in Schedule RC-M, item 5.b, "Other borrowings." This accounting and reporting treatment applies, for example, to U.S. Government-guaranteed or -insured residential mortgage loans backing Government National Mortgage Association (GNMA) mortgage-backed securities that a bank services after it has securitized the loans in a transfer accounted for as a sale. If and when individual loans later meet delinquency criteria specified by GNMA, they are eligible for repurchase (buy-back) and the bank is deemed to have regained effective control over these loans. The delinquent loans must be brought back onto the bank's books and recorded as loans, regardless of whether the bank intends to exercise the buy-back option.

Banks should refer to ASC Topic 860 for implementation guidance for accounting for transfers of certain lease receivables, securities lending transactions, repurchase agreements including "dollar rolls," "wash sales," loan syndications, loan participations (discussed below), risk participations in bankers acceptances, factoring arrangements, and transfers of receivables with recourse. However, this accounting standard does not provide guidance on the accounting for most assets and liabilities recorded on the balance sheet following a transfer accounted for as a sale. As a result, after their initial measurement or carrying amount allocation, these assets and liabilities should be accounted for in accordance with the existing generally accepted accounting principles applicable to them.

Participating Interests – Before considering whether the conditions to be accounted for as a sale have been met (as discussed above), the transfer of a portion of an entire financial asset must first meet the definition of a participating interest. If the transferred portion of the entire financial asset is a qualifying participating interest (as defined below), then it should be determined whether the transfer of the participating interest meets the sales conditions discussed above.

A participating interest in an entire financial asset, as defined by ASC Topic 860, has all of the following characteristics:

(1) From the date of the transfer, it must represent a proportionate (pro rata) ownership interest in an entire financial asset;
(2) From the date of the transfer, all cash flows received from the entire financial asset, except any cash flows allocated as compensation for servicing or other services performed (which must not be subordinated and must not significantly exceed an amount that would fairly compensate a substitute service provider should one be required), must be divided proportionately among the participating interest holders in an amount equal to their share of ownership;
(3) The rights of each participating interest holder (including the lead lender) must have the same priority, no interest is subordinated to another interest, and no participating interest holder has recourse to the lead lender or another participating interest holder other than standard representations and warranties and ongoing contractual servicing and administration obligations; and
(4) No party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

Thus, under ASC Topic 860, so-called "last-in, first-out" (LIFO) participations in which all principal cash flows collected on the loan are paid first to the party acquiring the participation do not meet

**Transfers of Financial Assets (cont.):**

the definition of a participating interest. Similarly, so-called “first-in, first-out” (FIFO) participations in which all principal cash flows collected on the loan are paid first to the lead lender do not meet the definition of a participating interest. As a result, neither LIFO nor FIFO participations transferred on or after the beginning of an institution’s first annual reporting period that begins after November 15, 2009 (i.e., January 1, 2010, for a bank with a calendar year fiscal year) will qualify for sale accounting and instead must be reported as secured borrowings.

The participating interest definition also applies to transfers of government-guaranteed portions of loans, such as those guaranteed by the Small Business Administration (SBA). In this regard, for a transfer of the guaranteed portion of an SBA loan at a premium that settled before February 15, 2011, the "seller" was obligated by the SBA to refund the premium to the “purchaser” if the loan was repaid within 90 days of the transfer. This premium refund obligation was a form of recourse, which meant that the transferred guaranteed portion of the loan did not meet the definition of a "participating interest" for the 90-day period that the premium refund obligation existed. As a result, the transfer was required to be accounted for as a secured borrowing during this period. After the 90-day period, assuming the transferred guaranteed portion and the retained unguaranteed portion of the SBA loan then met the definition of a "participating interest," the transfer of the guaranteed portion could be accounted for as a sale if all of the conditions for sale accounting were met. In contrast, for transfers of guaranteed portions of SBA loans at a premium that settled on or after February 15, 2011, the SBA has eliminated the premium refund requirement. With the elimination of the premium refund obligation from such transfers, the transferred guaranteed portion and the retained unguaranteed portion of the SBA loan should normally meet the definition of a “participating interest” on the transfer date. Assuming the definition of “participating interest” is met and all of the conditions for sale accounting are met, the transfer of the guaranteed portion of an SBA loan at a premium on or after February 15, 2011, would qualify as a sale on the transfer date. The conditions for sale accounting are described above under “Determining Whether a Transfer Should be Accounted for as a Sale or a Secured Borrowing” in this Glossary entry.

On the other hand, if the guaranteed portion of the SBA loan is transferred at par in a so-called “par sale” in which the “seller” agrees to pass interest through to the “purchaser” at less than the contractual interest rate and the spread between the contractual rate and the pass-through interest rate significantly exceeds an amount that would fairly compensate a substitute servicer, the excess spread is viewed as an interest-only strip. The existence of this interest-only strip results in a disproportionate sharing of the cash flows on the entire SBA loan, which means that the transferred guaranteed portion and the retained unguaranteed portion of the SBA loan do not meet the definition of a "participating interest," which precludes sale accounting. Instead, the transfer of the guaranteed portion must be accounted for as a secured borrowing.

Accounting for a Transfer of a Participating Interest That Qualifies as a Sale – Upon the completion of a transfer of a participating interest that satisfies all three of the conditions to be accounted for as a sale, the participating institution(s) (the transferee(s)) shall recognize the participating interest(s) obtained, other assets obtained, and any liabilities incurred and initially measure them at fair value. The originating lender (the transferor) must:

(1) Allocate the previous carrying amount of the entire financial asset between the participating interest(s) sold and the participating interest that it continues to hold based on their relative fair values at the date of the transfer.

(2) Derecognize the participating interest(s) sold.

(3) Recognize and initially measure at fair value servicing assets, servicing liabilities, and any other assets obtained and liabilities incurred in the sale.

**Transfers of Financial Assets (cont.):**

(4) Recognize in earnings any gain or loss on the sale.

(5) Report any participating interest(s) that continue to be held by the originating lender as the difference between the previous carrying amount of the entire financial asset and the amount derecognized.

Additional Considerations Pertaining to Participating Interests – When evaluating whether the transfer of a participating interest in an entire financial asset satisfies the conditions for sale accounting under ASC Topic 860, an originating lender's right of first refusal on a bona fide offer to the participating institution from a third party, a requirement for a participating institution to obtain the originating lender's permission to sell or pledge the participating interest that shall not be unreasonably withheld, or a prohibition on the participating institution's sale of the participating interest to the originating lender's competitor (if other potential willing buyers exist) is a limitation on the participating institution's rights, but is presumed not to constrain a participant from exercising its right to pledge or exchange the participating interest. However, if the participation agreement constrains the participating institution from pledging or exchanging its participating interest, the originating lender presumptively receives more than a trivial benefit, has not relinquished control over the participating interest, and should account for the transfer of the participating interest as a secured borrowing.

A loan participation agreement may give the originating lender the contractual right to repurchase a participating interest at any time. In this situation, the right to repurchase is effectively a call option on a specific participating interest, i.e., a participating interest that is not readily obtainable in the marketplace. Regardless of whether this option is freestanding or attached, it either constrains the participating institution from pledging or exchanging its participating interest or results in the originating lender maintaining effective control over the participating interest. As a consequence, the contractual right to repurchase precludes sale accounting and the transfer of the participating interest should be accounted for as a secured borrowing, not as a sale.

In addition, under a loan participation agreement, the originating lender may give the participating institution the right to resell the participating interest, but reserves the right to call the participating interest at any time from whoever holds it and can enforce that right by discontinuing the flow of interest to the holder of the participating interest at the call date. In this situation, the originating lender has maintained effective control over the participating interest and the transfer of the participating interest should be accounted for as a secured borrowing, not as a sale.

When an originating FDIC-insured lender transfers a loan participation with recourse, the participation generally will not be considered isolated from the transferor, i.e., the originating lender, in the event of an FDIC receivership. Section 360.6 of the FDIC's regulations limits the FDIC's ability to reclaim loan participations transferred "without recourse," as defined in the regulations, but does not limit the FDIC's ability to reclaim loan participations transferred with recourse. Under Section 360.6, a participation that is subject to an agreement that requires the originating lender to repurchase the participation or to otherwise compensate the participating institution due to a default on the underlying loan is considered a participation "with recourse." As a result, a loan participation transferred "with recourse" generally should be accounted for as a secured borrowing and not as a sale for financial reporting purposes. This means that the originating lender should not remove the participation from its loan assets on the balance sheet, but should report the secured borrowing in Schedule RC-M, item 5.b, “Other borrowings.”

Reporting Transfers of Loan Participations That Do Not Qualify for Sale Accounting – If a transfer of a portion of an entire financial asset does not meet the definition of a participating interest, or if a transfer of a participating interest does not meet all of the conditions for sale accounting under ASC Topic 860, the transfer must be reported as a secured borrowing with pledge of collateral. In these situations, because the transferred loan participation does not qualify for sale accounting, the originating lender must continue to report the transferred participation (as well as the retained portion of the loan) as a loan on the Consolidated Report of Condition balance sheet (Schedule RC), normally in item 4.b,

**Transfers of Financial Assets (cont.):**

"Loans and leases held for investment," and in the appropriate loan category in Schedule RC-C, Part I, Loans and Leases. The originating lender should report the transferred loan participation as a secured borrowing on the Call Report balance sheet in Schedule RC, item 16, "Other borrowed money," and in the appropriate subitem or subitems in Schedule RC-M, item 5.b, "Other borrowings;" in Schedule RC-M, item 10.b, "Amount of 'Other borrowings' that are secured;" and in Schedule RC-C, Part I, Memorandum item 14, "Pledged loans and leases." As a consequence, the transferred loan participation should be included in the originating lender's loans and leases for purposes of determining the appropriate level for the lender's allowance for credit losses on loans and leases.

A bank that acquires a nonqualifying loan participation (or a qualifying participating interest in a transfer that does not does not meet all of the conditions for sale accounting) should normally report the loan participation or participating interest in item 4.b, "Loans and leases held for investment," on the Consolidated Report of Condition balance sheet (Schedule RC) and in the loan category appropriate to the underlying loan, e.g., as a "commercial and industrial loan" in item 4 or as a "loan secured by real estate" in item 1, in Schedule RC-C, Part I, Loans and Leases. Furthermore, for risk-based capital purposes, the acquiring bank should assign the loan participation or participating interest to the risk-weight category appropriate to the underlying borrower or, if relevant, the guarantor or the nature of the collateral.

"Purchased" Loans Originated By Others – Some institutions have entered into various residential mortgage loan purchase programs. These programs often function like traditional warehouse lines of credit; however, in some cases, the mortgage loan transfers are legally structured as purchases by the institution rather than as pledges of collateral to secure the funding. Under these programs, an institution provides funding to a mortgage loan originator while simultaneously obtaining an interest in the mortgage loans subject to a takeout commitment. A takeout commitment is a written commitment from an approved investor (generally, an unrelated third party) to purchase one or more mortgage loans from the originator.

Although the facts and circumstances of each program must be carefully evaluated to determine the appropriate accounting, an institution should generally account for a mortgage purchase program with continuing involvement by the originator, including takeout commitments, as a secured borrowing with pledge of collateral, i.e., a loan to the originator secured by the residential mortgage loans, rather than a purchase of mortgage loans.

When loans obtained in a mortgage purchase program do not qualify for sale accounting, the financing provided to the originator (if not held for trading purposes) should be reported in Schedule RC-C, Part I, item 9.a, "Loans to nondepository financial institutions," and on the balance sheet in Schedule RC, item 4.a, "Loans and leases held for sale," or item 4.b, "Loans and leases, net of unearned income," as appropriate. For risk-based capital purposes, a loan to a mortgage loan originator secured by residential mortgages that is reported in Schedule RC-C, Part I, item 9.a, should be assigned a 100 percent risk weight, or if relevant, the risk weight category appropriate to the exposure as discussed in the regulatory capital rules, and included in the appropriate column of Schedule RC-R, Part II, item 4.d or 5.d, based on its balance sheet classification.

In situations where the transaction between the mortgage loan originator and the transferee (acquiring) institution is accounted for as a secured borrowing with pledge of collateral, the transferee (acquiring) institution's designation of the financing provided to the originator as held for sale is appropriate only when the conditions in ASC Subtopic 310-10, Receivables – Overall and the 2001 Interagency Guidance on Certain Loans Held for Sale have been met. In these situations, the mortgage loan originator's planned sale of the pledged collateral (i.e., the individual residential mortgage loans) to a takeout investor is not relevant to the

**Transfers of Financial Assets (cont.):**

transferee institution's designation of the loan to the originator as held for investment or held for sale. In situations where the transferee institution simultaneously extends a loan to the originator and transfers an interest (for example, a participation interest) in the loan to the originator to another party, the transfer to the other party also should be evaluated to determine whether the conditions in ASC Topic 860 for sale accounting treatment have been met. If this transfer qualifies to be accounted for as a sale, the portion of the loan to the originator that is retained by the transferee institution should be classified as held for investment when the transferee has the intent and ability to hold that portion for the foreseeable future or until maturity or payoff (which is generally in the near term).

Financial Assets Subject to Prepayment – Financial assets such as interest-only strips receivable, other beneficial interests, loans, debt securities, and other receivables, but excluding financial instruments that must be accounted for as derivatives, that can contractually be prepaid or otherwise settled in such a way that the holder of the financial asset would not recover substantially all of its recorded investment do not qualify to be accounted for at amortized cost. After their initial recording on the balance sheet, financial assets of this type must be subsequently measured at fair value like available-for-sale securities or trading securities.

**Traveler's Letter of Credit:** See "letter of credit."

**Treasury Receipts:** See "coupon stripping, Treasury receipts, and STRIPS."

**Treasury Stock:** Treasury stock is stock that the bank has issued and subsequently acquired, but that has not been retired or resold. As a general rule, treasury stock, whether carried at cost or at par value, is a deduction from a bank's total equity capital. For purposes of the Consolidated Reports of Condition and Income, the carrying value of treasury stock should be reported (as a negative number) in Schedule RC, item 26.c, "Other equity capital components."

"Gains" and "losses" on the sale, retirement, or other disposal of treasury stock are not to be reported in Schedule RI, Income Statement, but should be reflected in Schedule RI-A, item 6, "Treasury stock transactions, net." Such gains and losses, as well as the excess of the cost over the par value of treasury stock carried at par, are generally to be treated as adjustments to Schedule RC, item 25, "Surplus."

For further information, see ASC Subtopic 505-30, Equity – Treasury Stock.

**Trust Preferred Securities:** As bank investments, trust preferred securities are hybrid instruments possessing characteristics typically associated with debt obligations. Although each issue of these securities may involve minor differences in terms, under the basic structure of trust preferred securities a corporate issuer, such as a bank holding company, first organizes a business trust or other special purpose entity. This trust issues two classes of securities: common securities, all of which are purchased and held by the corporate issuer, and trust preferred securities, which are sold to investors. The business trust's only assets are deeply subordinated debentures of the corporate issuer, which the trust purchases with the proceeds from the sale of its common and preferred securities. The corporate issuer makes periodic interest payments on the subordinated debentures to the business trust, which uses these payments to pay periodic dividends on the trust preferred securities to the investors. The subordinated debentures have a stated maturity and may also be redeemed under other circumstances. Most trust preferred securities are subject to mandatory redemption upon the repayment of the debentures.

Trust preferred securities meet the definition of a security in ASC Topic 320, Investments–Debt Securities, and in ASC Topic 321, Investments–Equity Securities. Because of the mandatory redemption provision in the typical trust preferred security, investments in trust preferred securities would normally be considered debt securities for financial accounting purposes. Accordingly, regardless of the authority under which a bank is permitted to invest in trust preferred securities, banks should report these investments as debt securities for purposes of these reports (unless, based on the specific facts and circumstances of a particular issue of trust preferred securities, the securities would be considered equity securities under ASC Topic 321 rather than debt securities under ASC Topic 320). If not held for trading purposes, an investment in trust preferred securities issued by a single U.S. business trust should be reported in Schedule RC-B, item 6.a, "Other domestic debt securities." If not held for trading purposes, an investment in a structured financial product, such as a collateralized debt obligation, for which the underlying collateral is a pool of trust preferred securities issued by U.S. business trusts should be reported in Schedule RC-B, item 5.b, "Structured financial products."

**U.S. Banks:** See "Banks, U.S. and Foreign."

**U.S. Territories and Possessions:** United States territories and possessions include American Samoa, Guam, the Northern Mariana Islands, and the U.S. Virgin Islands.

**Valuation Allowance:** In general, a valuation allowance is an account established against a specific asset category or to recognize a specific liability, with the intent of absorbing some element of estimated loss. Such allowances are created by charges to expense in the Consolidated Report of Income. Except for the allowance for credit losses on loans and leases, which is reported in Schedule RC, item 4.c, those allowances established against asset accounts are netted from the accounts to which they relate for presentation in the Consolidated Report of Condition.

Provisions establishing or augmenting valuation allowances are to be reported in Schedule RI, item 7.d, as "Other noninterest expense" except for:

(1) Provisions for credit losses on financial assets and off-balance-sheet credit exposures within the scope of ASC Topic 326, Financial Instruments–Credit Losses, which are reported in Schedule RI. item 4, "Provisions for credit losses," and
(2) Provisions for declines in the fair value minus the estimated costs to sell of a foreclosed real estate asset below the asset's cost, and subsequent recoveries of such declines, which are to be reported in Schedule RI, item 5.j, "Net gains (losses) on sales of other real estate owned." See also the Glossary entries for "Allowances for Credit Losses" and "Foreclosed Assets."

**Variable Interest Entity:** A variable interest entity (VIE), as described in ASC Subtopic 810-10, Consolidation – Overall, is an entity in which equity investors do not have sufficient equity at risk for that entity to finance its activities without additional subordinated financial support or, as a group, the holders of the equity investment at risk lack one or more of the following three characteristics: (a) the power, through voting rights or similar rights, to direct the activities of an entity that most significantly impact the entity's economic performance, (b) the obligation to absorb the expected losses of the entity, or (c) the right to receive the expected residual returns of the entity.

Variable interests in a VIE are contractual, ownership, or other pecuniary interests in an entity that change with changes in the fair value of the entity's net assets exclusive of variable interests. For example, equity ownership in a VIE would be a variable interest as long as the equity ownership is considered to be at risk of loss.

ASC Subtopic 810-10 provides guidance for determining when a bank or other company must consolidate certain special purposes entities, such as VIEs. Under ASC Subtopic 810-10, a bank must perform a qualitative assessment to determine whether it has a controlling financial interest in a VIE. This must include an assessment of the characteristics of the bank's variable interest or interests and other involvements (including involvement of related parties and de facto agents), if any, in the VIE, as well as the involvement of other variable interest holders. The assessment must also consider the entity's purpose and design, including the risks that the entity was designed to create and pass through to its variable interest holders. In making this assessment, only substantive terms, transactions, and arrangements, whether contractual or noncontractual, are to be considered. Any term, transaction, or arrangement that does not have a substantive effect on an entity's status as a VIE, the bank's power over a VIE, or the bank's obligation to absorb losses or its right to receive benefits of the VIE are to be disregarded when applying the provisions of ASC Subtopic 810-10.

If a bank has a controlling financial interest in a VIE, it is deemed to be the primary beneficiary of the VIE and, therefore, must consolidate the VIE. An entity is deemed to have a controlling financial interest in a VIE if it has both of the following characteristics:

- The power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance.
- The obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity.

If a bank holds a variable interest in a VIE, it must reassess each reporting period to determine whether it is the primary beneficiary. Based on a bank's reassessment it may be required to consolidate or deconsolidate the VIE if a change in the bank's status as the primary beneficiary has occurred. ASC Subtopic 810-10 provides guidance on the initial measurement of a VIE that the primary beneficiary must consolidate. For example, if the primary beneficiary and the VIE are not under common control, the initial consolidation of a VIE that is a business is a business combination and must be accounted for in accordance with ASC Topic 805, Business Combinations. If a bank is required to deconsolidate a VIE, it must follow the guidance for deconsolidating subsidiaries in ASC Subtopic 810-10.

When a bank is required to consolidate a VIE because it is the primary beneficiary, the standard principles of consolidation apply after initial measurement (see "Rules of Consolidation" in the General Instructions). The assets and liabilities of consolidated VIEs should be reported on the Consolidated Report of Condition balance sheet (Schedule RC) in the balance sheet category appropriate to the asset or liability. An institution that consolidates one or more VIEs must complete Schedule SU, items 7.a and 7.b, to report (a) the total assets of consolidated VIEs and (b) the total liabilities of consolidated VIEs.

**When-Issued Securities Transactions:** Transactions involving securities described as "when-issued" or "when-as-and-if-issued" are, by their nature, conditional, i.e., their completion is contingent upon the issuance of the securities. The accounting for contracts for the purchase or sale of when-issued securities or other securities that do not yet exist is addressed in ASC Topic 815, Derivatives and Hedging. Such contracts are excluded from the requirements of ASC Topic 815 as a regular-way security trade only if:

(1) There is no other way to purchase or sell that security;

(2) Delivery of that security and settlement will occur within the shortest period possible for that type of security; and

(3) It is probable at inception and throughout the term of the individual contract that the contract will not settle net and will result in physical delivery of a security when it is issued.

A contract for the purchase or sale of when-issued securities may qualify for the regular-way security trade exclusion even though the contract permits net settlement or a market mechanism to facilitate net settlement of the contract exists (as described in ASC Topic 815). A bank should document the basis for concluding that it is probable that the contract will not settle net and will result in physical delivery.

If a when-issued securities contract does not meet the three criteria above, it should be accounted for as a derivative at fair value on the balance sheet (Schedule RC) and the notional amount of the contract should be reported in the appropriate subitem of Schedule SU, item 1. Such contracts should be reported on a gross basis on the balance sheet unless the criteria for netting in ASC Subtopic 210-20, Balance Sheet – Offsetting, are met. (See the Glossary entry for "Offsetting" for further information.)

If a when-issued securities contract qualifies for the regular-way security trade exclusion, it is not accounted for as a derivative. If the bank accounts for these contracts on a trade-date basis, it should recognize the acquisition or disposition of the when-issued securities on its balance sheet (Schedule RC) at the inception of the contract. If the bank accounts for these contracts on a settlement-date basis, contracts for the purchase of when-issued securities should be reported as "Other off-balance sheet liabilities" in Schedule RC-L, item 9, and contracts for the sale of when-issued securities should be reported as "Other off-balance sheet assets" in Schedule RC-L, item 10, subject to the existing reporting thresholds for these two items.

Trading in when-issued securities normally begins when the U.S. Treasury or some other issuer of securities announces a forthcoming issue. (In some cases, trading may begin in anticipation of such an announcement and should also be reported as described herein.) Since the exact price and terms of the security are unknown before the auction date, trading prior to that date is on a "yield" basis. On the auction date the exact terms and price of the security become known and when-issued trading continues until settlement date, when the securities are delivered and the issuer is paid. If physical delivery is taken on settlement date and settlement date accounting is used, the securities purchased by the bank shall be reported on the balance sheet as held-to-maturity securities in Schedule RC, item 2.a; available-for-sale debt securities in Schedule RC, item 2.b; or trading assets in Schedule RC, item 5, as appropriate.