2Q2020 COVID-19 Related Supplemental Instructions (FFIEC 101)

The Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board (Board), and the Office of the Comptroller of the Currency (collectively, the agencies) have requested and received emergency approval from the U.S. Office of Management and Budget for certain revisions to the three versions of the Call Report (FFIEC 031, FFIEC 041, and FFIEC 051) and the Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework (FFIEC 101), effective as of the June 30, 2020, report date. These revisions resulted from several interim final rules (IFRs) and a notice of proposed rulemaking (NPR) issued by one or all of the agencies in response to the impact on the financial markets and the strains on the U.S. economy as a result of Coronavirus Disease 2019 (COVID-19). These revisions also resulted from certain provisions of the 2020 Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which was enacted on March 27, 2020. The IFRs and NPR were published in the Federal Register from March through June 2020.

The revisions impacting the FFIEC 101 include updates to the calculation of certain amounts reported on Schedule A, Advanced Approaches Regulatory Capital, including the Supplementary Leverage Ratio (SLR) Tables.

The agencies will request public comment on these reporting changes through the standard Paperwork Reduction Act process at a later date.

For further information on the IFRs relevant to the FFIEC 101, see the following *Federal Register* notices:

- Regulatory Capital Rule: PPPLF and PPP Loans
- Temporary Exclusion of U.S. Treasury Securities and Deposits at Federal Reserve Banks from the Supplementary Leverage Ratio for Holding Companies
- Regulatory Capital Rule: Temporary Exclusion of U.S. Treasury Securities and Deposits at Federal Reserve Banks From the Supplementary Leverage Ratio for Depository Institutions

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I. Interim Final Rule for Paycheck Protection Program Liquidity Facility (PPPLF) and Paycheck Protection Program (PPP) Loans

To enhance the liquidity of small business lenders and improve the functioning of the broader credit markets, 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 will extend nonrecourse loans to eligible lenders, with the extensions of credit secured by SBA-guaranteed PPP loans that the lenders have originated or purchased. On April 13, 2020, the agencies published an interim final rule, which permits banking organizations to exclude from regulatory capital requirements Paycheck Protection Program (PPP)[1] covered loans pledged under the PPPLF.[2] The interim final rule also clarifies that PPP covered loans as defined in section 7(a)(36) of the Small Business Act (15 U.S.C. 636(a)(36)) receive a zero percent risk weight.

The interim final rule modifies the agencies' capital rule and allows PPPLF-eligible banking organizations to neutralize the regulatory effects of PPP covered loans on their risk-based capital ratios, as well as PPP covered loans pledged under the PPPLF on their leverage capital ratios. When calculating leverage capital ratios, a banking organization may exclude from average total consolidated assets and, as applicable, total leverage exposure a PPP covered loan as of the date that it has been pledged under the PPPLF. Accordingly, a PPP covered loan that has not been pledged as collateral in connection with an extension of credit under the PPPLF would be included in the calculation of the banking organization's average total consolidated assets and, as applicable, total leverage exposure. This treatment extends to the community bank leverage ratio. No new extensions of credit will be made under the PPPLF after September 30, 2020, unless the Federal Reserve Board and U.S. Department of Treasury jointly determine to extend the Facility.

Consistent with U.S. generally accepted accounting principles (U.S. GAAP), the agencies would expect banking organizations to report PPP covered loans on their balance sheets. Starting with the June 30, 2020, report date, advanced approaches banking organizations would not include PPP covered loans in "Total risk-weighted assets" reported in the FFIEC 101, Schedule A, item 60. For banking organizations subject to the supplementary leverage ratio requirement that file the FFIEC 101, PPP covered loans pledged to the PPPLF would be deducted as part of the calculation of total leverage exposure for the supplementary leverage ratio. Specifically, PPP covered loans pledged to the PPPLF would be reported in SLR Table 1, item 1.7.c, "Adjustments for deductions of qualifying central bank deposits for custodial banking organizations," and in SLR Table 2, item 2.2.b, "Deductions of qualifying central bank deposits from total on-balance sheet exposures for custodial banking organizations," even if a banking organization is not a custodial banking organization.[3]

II. Interim Final Rules for Temporary Exclusion of U.S. Treasury Securities and Deposits at Federal Reserve Banks from the Supplementary Leverage Ratio

On April 14, 2020, the Board published an interim final rule to temporarily exclude U.S. Treasury securities (Treasuries) and deposits in their accounts at Federal Reserve Banks (deposits at Federal Reserve Banks) from total leverage exposure for bank holding companies, savings and loan holding companies, and intermediate holding companies subject to the supplementary leverage ratio through March 31, 2021 (holding company SLR IFR).[4]

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[1] The Paycheck Protection Program was established by Section 1102 of the 2020 CARES Act.
[2] *See* 85 FR 20387 (April 13, 2020).
[3] A banking organization would report PPP covered loans pledged to the PPPLF in item 1.7.c of SLR Table 1 and item 2.2.b of SLR Table 2 as the average amount of these assets calculated as of each day of the reporting quarter.
[4] *See* 85 FR 20578 (April 14, 2020).

On June 1, 2020, the agencies published an interim final rule to provide depository institutions subject to the supplementary leverage ratio the ability to temporarily exclude Treasuries and deposits at Federal Reserve Banks from total leverage exposure (depository institution SLR IFR).[5] A depository institution that opts into this treatment (electing depository institution) is required to obtain prior approval of distributions from its primary Federal banking regulator. The prior approval requirement applies to distributions to be paid beginning in the third quarter of 2020. The interim final rule will terminate after March 31, 2021.

Under the holding company SLR IFR, top-tier advanced approaches and Category III bank holding companies, savings and loan holding companies, and intermediate holding companies would continue to report on-balance sheet Treasuries and deposits at Federal Reserve Banks in the FFIEC 101, Schedule A, SLR Table 1, item 1.1, “Total consolidated assets as reported in published financial statements,” and Table 2, item 2.1, “The balance sheet carrying value of all on-balance sheet assets.” To adjust their total leverage exposure in SLR Tables 1 and Table 2, these banking organizations would report on-balance sheet Treasuries and deposits at Federal Reserve Banks in SLR Table 1, item 1.7.c, “Adjustments for deductions of qualifying central bank deposits for custodial banking organizations,” and in SLR Table 2, item 2.2.b, “Deductions of qualifying central bank deposits from total on-balance sheet exposures for custodial banking organizations,” even if a holding company is not a custodial banking organization.[6,7] Custodial banking organizations would also exclude from total leverage exposure deposits with qualifying foreign central banks. Specifically, those organizations would be able to exclude such deposits from total leverage exposure up to the average amount of funds in deposit accounts at the custodial banking organization that are linked to fiduciary or custodial and safekeeping accounts at the custodial banking organization calculated as of each day of the reporting quarter; see SLR Table 1, item 1.7.c, and SLR Table 2, item 2.2.b.[8]

Under the depository institution SLR IFR, an electing depository institution (as defined above) that is a top-tier advanced approaches or Category III banking organization would exclude on-balance sheet U.S. Treasuries and deposits at Federal Reserve Banks from total leverage exposure in the same manner as discussed above for top-tier advanced approaches and Category III holding companies.[9] Custodial banking organizations would also exclude from total leverage exposure deposits with qualifying foreign central banks in the same manner as discussed above.

For purposes of reporting the supplementary leverage ratio as of June 30, 2020, holding companies and electing depository institutions would be permitted to exclude Treasuries and deposits at Federal Reserve Banks from total leverage exposure as if these interim final rules had been in effect for the entire second quarter of 2020. The temporary exclusions from total leverage exposure would be available through the March 31, 2021, report date.

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[5] *See* 85 FR 32980 (June 1, 2020).

[6] A banking organization may not deduct on-balance Treasuries in SLR Table 2, item 2.12, “Gross assets for repo-style transactions, with no recognition of netting,” if it already reports such on-balance sheet Treasuries in SLR Table 2, item 2.2.b.

[7] A banking organization would report Treasuries and deposits at Federal Reserve Banks in item 1.7.c of SLR Table 1 and item 2.2.b of SLR Table 2 as the average amount of these assets calculated as of each day of the reporting quarter.

[8] The agencies issued a final rule, effective April 1, 2020, which implements section 402 of the Economic Growth, Regulatory Relief, and Consumer Protection Act by amending the capital rule to allow a banking organization that qualifies as a custodial banking organization to exclude from total leverage exposure deposits at qualifying central banks, subject to limits (402 rule). 85 FR 4569 (January 27, 2020).

[9] Electing depository institutions should also refer to the “2Q2020 COVID-19 Related Supplemental Instructions (Call Report)” available on the FFIEC Reporting Forms webpage.