CALL REPORT

INSTRUCTION BOOK UPDATE

MARCH 2006

FILING INSTRUCTIONS

NOTE: The pages listed in the column below headed “Remove Pages” are no longer needed in the *Instructions for Preparation of Reports of Condition and Income* and should be removed and discarded. The pages listed in the column headed “Insert Pages” are included in this instruction book update and should be filed promptly in your instruction book.

Remove Pages	**Insert Pages**
3 – 4 (9-05)	3 – 4 (3-06)
RI-5 – RI-6 (6-05)	RI-5 – RI-6 (3-06)
RI-31 (3-04)	RI-31 (3-06)
RI-A-1 – RI-A-2 (3-01)	RI-A-1 – RI-A-2 (3-06)
RI-D-1 – RI-D-2 (3-01)	RI-D-1 – RI-D-3 (3-06)
RC-3 – RC-4 (3-01)	RC-3 – RC-4 (3-06)
RC-7 – RC-10b (3-02 and 3-03)	RC-7 – RC-10b (3-06)
RC-A-1 – RC-A-6 (3-01)	RC-A-1 – RC-A-6 (3-06)
RC-B-1 – RC-B-2 (3-01)	RC-B-1 – RC-B-2 (3-06)
RC-B-7 – RC-B-8 (6-02)	RC-B-7 – RC-B-8 (3-06)
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RC-E-3 – RC-E-4 (3-01)	RC-E-3 – RC-E-4 (3-06)
RC-F-1 – RC-F-5 (3-03 and 6-03)	RC-F-1 – RC-F-5 (3-06)
RC-G-1 – RC-G-3 (3-01 and 3-03)	RC-G-1 – RC-G-3 (3-06)
RC-H-1 – RC-H-2 (3-02)	RC-H-1 – RC-H-2 (3-06)
RC-L-5 – RC-L-8 (3-02 and 6-05)	RC-L-5 – RC-L-8 (3-06)
RC-M-5 – RC-M-8 (3-01 and 3-02)	RC-M-5 – RC-M-8 (3-06)
RC-O-9 – RC-O-11 (3-02 and 3-03)	RC-O-9 – RC-O-11 (3-06)
RC-R-5 – RC-R-6 (6-03)	RC-R-5 – RC-R-6 (3-06)
RC-R-22a – RC-R-22b (3-05)	RC-R-22a – RC-R-22b (3-06)
RC-R-29 – RC-R-32 (3-03 and 3-04)	RC-R-29 – RC-R-32 (3-06)
RC-S-1 – RC-S-2 (6-03)	RC-S-1 – RC-S-2 (3-06)
RC-S-7 – RC-S-10 (3-03 and 3-05)	RC-S-7 – RC-S-10 (3-06)
A-2a – A-2b (6-05)	A-2a – A-2b (3-06)
A-5 – A-8 (6-01 and 3-05)	A-5 – A-8 (3-06)
A-31 – A-32 (3-05)	A-31 – A-32 (3-06)
A-37 – A-38 (6-01)	A-37 – A-38a (3-06)
A-75 – A-78 (6-01 and 3-03)	A-75 – A-78 (3-06)

(4) Banks with total fiduciary assets greater than $100 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.

In addition, within the FFIEC 031 report form, banks whose foreign office assets, revenues, or net income account for more than 10 percent of the bank's consolidated total assets, total revenues, or net income must complete Schedule RI-D, Income from Foreign Offices.

Shifts in Reporting Status

All shifts in reporting status within the FFIEC 041 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 (or, in one case, loans) as reflected in the Report of Condition for June of the previous calendar year equal or exceed the following criteria:

(1) *When total assets exceed $100 million*, a bank must begin to complete Schedule RC-K, items 7 and 13, for the quarterly averages of "Trading assets" and "Other borrowed money."

(2) *When loans to finance agricultural production and other loans to farmers exceed 5 percent of total loans, net of unearned income*, 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, and charge-offs and recoveries.

(3) *When total assets exceed $300 million*, a bank must begin to complete:

- Certain items providing additional detail on the composition of the loan and lease portfolio in Schedule RC-C, part I, Loans and Leases; past due and nonaccrual loans and leases in Schedule RC-N; and loan and lease charge-offs and recoveries in Schedule RI-B, part I;
- Schedule RC-A, Cash and Balances Due From Depository Institutions;
- Schedule RC-N, Memorandum item 6, on past due derivative contracts; and
- Schedule RI, Memorandum item 10, "Credit losses on derivatives."

(4) *When total assets exceed $1 billion*, a bank must begin to complete:

- Schedule RC-B, Memorandum items 5.a through 5.f, which provide a breakdown of the bank's holdings of asset-backed securities; and
- Schedule RC-O, Memorandum item 2, "Estimated amount of uninsured deposits (in domestic offices of the bank and in insured branches in Puerto Rico and U.S. territories and possessions)."[1]

Once a bank surpasses the $100 million, $300 million, or $1 billion total asset threshold or the agricultural loan percentage threshold and begins to report the additional required information described above, it *must* continue to report the additional information in subsequent years without regard to whether it later falls below the total asset or loan percentage threshold.

Other shifts in reporting status occur when:

(1) A bank with domestic offices only 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

[1] This shift in reporting status applies to both the FFIEC 031 and the FFIEC 041 report forms.

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) A bank is involved in a business combination (poolings of interests, purchase acquisitions, or reorganizations) or branch acquisition. Beginning with the first quarterly report date following the effective date of a business combination involving a bank and one or more other depository institutions, the resulting bank, regardless of its size prior to the business combination, must (a) file the FFIEC 031 report form if it acquires any "foreign" office, or (b) report the additional required information described above on the FFIEC 041 report form if its total assets or agricultural loans after the consummation of the transaction surpass the $100 million, $300 million, or $1 billion total asset threshold or the agricultural loan percentage.

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 bank, it must (a) file the FFIEC 031 report form if it has any "foreign" office, or (b) report the additional required information described above on the FFIEC 041 report form based on its total assets and agricultural loans at the time it becomes an FDIC-insured bank.

ORGANIZATION OF THE INSTRUCTION BOOKS

This instruction book covers both the FFIEC 031 and 041 report forms. It is divided into the following sections:

(1) The General Instructions describe overall reporting requirements.

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

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

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

(4) The Glossary presents, in alphabetical order, definitions and discussions of accounting 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.

Banks may obtain additional copies of the instruction books from their appropriate federal bank supervisory agency -- the Federal Reserve Banks, the Office of the Comptroller of the Currency (OCC), or the FDIC. The instructions are also available on the Internet on the FFIEC's Web site (www.ffiec.gov) and on the FDIC's Web site (www.fdic.gov).

FFIEC 031 and 041
Item No. Caption and Instructions

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

Exclude from income from lease financing receivables:

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

(2) Provision for possible losses on leases (report in Schedule RI, item 4, "Provision for loan and lease 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."

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

Include interest and dividends on securities held in the bank's held-to-maturity and available-for-sale portfolios, 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 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 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."

Exclude from interest and dividend income on securities:

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

(2) Net unrealized holding gains (losses) on available-for-sale 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").

Item No.	Caption and Instructions
1.d (cont.)	(3) 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," item 6, "Other debt securities," and item 7, "Investments in mutual funds and other equity securities with readily determinable fair values." 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 extraordinary items and other adjustments as "Noninterest income" in the appropriate subitem of Schedule RI, item 5, and report extraordinary items and other adjustments in Schedule RI, item 11).
1.e	**Interest income on trading assets.** Report the interest income earned on assets reportable in Schedule RC, item 5, "Trading assets." Include 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 in Schedule RI, item 5.c, "Trading revenue." Also exclude revaluation adjustments from the periodic marking to market of derivative contracts held for trading purposes, which should be reported as trading revenue in Schedule RI, item 5.c. 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.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." 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 FASB Interpretation No. 41, the income and expense from these agreements may be reported on a net basis in Schedule RI, Income Statement.

Memoranda

Item No.	Caption and Instructions
9	Not applicable.
10	**Credit losses on derivatives**.

10 **Credit losses on derivatives**.

Memorandum item 10 is applicable to all banks filing the FFIEC 031 report forms and to those banks filing the FFIEC 041 report forms that have $300 million or more in total assets.

Report the bank's year-to-date credit losses incurred on derivative contracts (as defined for Schedule RC-L, items 7 and 12), net of recoveries (e.g., net charge-offs). The amount reported in this item should include all credit losses recognized in the bank's income statement in any manner, e.g., as a charge against trading revenue.

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 75 qualifying shareholders and having only one class of stock outstanding.

SCHEDULE RI-A – CHANGES IN EQUITY CAPITAL

General Instructions

This schedule is to be completed quarterly by all banks.

Total 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. Enclose all net decreases and losses (net reductions in equity capital) in parentheses.

Item No. **Caption and Instructions**

1 **Total 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 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 or the word "none" 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 **Restatements due to corrections of material accounting errors and changes in accounting principles.** Report the sum of all corrections, net of applicable income taxes, resulting from material accounting errors which 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 and the cumulative effect, net of applicable income taxes, of those 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.

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.

The cumulative effect, if any, of all other changes in accounting principles adopted during the calendar year-to-date reporting period must be reported in Schedule RI, item 11, "Extraordinary items and other adjustments, net of income taxes."

State the dollar amount of and describe each accounting error correction and cumulative effect 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).** Report the net income (loss) for the calendar year-to-date as reported in Schedule RI, item 12, "Net income (loss)."

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 FASB Statement No. 123 (Revised 2004), 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.

SCHEDULE RI-D – INCOME FROM FOREIGN OFFICES

General Instructions

Schedule RI-D is applicable only to certain banks that file the FFIEC 031 report forms.

Banks with foreign offices are required to complete this schedule if their foreign office assets, revenues, or net income account for more than 10 percent of the bank's consolidated total assets, total revenues, or net income; otherwise, banks need not complete this schedule. Banks should use foreign office and consolidated total revenues (net interest income plus noninterest income) and net income from the preceding calendar year and foreign office and consolidated total assets as of the preceding calendar year end when determining whether they exceed the 10 percent threshold for completing this schedule each quarter during the next calendar year.

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.

Banks that are required to complete Schedule RI-D should report all income and expense in foreign offices and related amounts for the calendar year-to-date. Amounts should be reported in this schedule (except items 7, 11, and 12) on a foreign office consolidated basis, i.e., before eliminating the effects of transactions with domestic offices, but after eliminating the effects of transactions between foreign offices. For the most part, the income and expense items in Schedule RI-D mirror categories of income and expense reported in Schedule RI. Therefore, where appropriate, banks should refer to the instructions for Schedule RI for the definitions of the income and expense items in this schedule.

Item Instructions

Item No.	Caption and Instructions
1	**Total interest income in foreign offices.** Report total interest income (as defined for Schedule RI, item 1.h) in foreign offices, including fees and similar charges associated with foreign office assets.
2	**Total interest expense in foreign offices.** Report total interest expense (as defined for Schedule RI, item 2.e) on deposits, borrowings, and other liabilities in foreign offices.
3	**Provision for loan and lease losses in foreign offices.** Report the provision for loan and lease losses (as defined for Schedule RI, item 4) in foreign offices. If the amount to be reported in this item is negative, enclose it in parentheses.
4	**Noninterest income in foreign offices:**
4.a	**Trading revenue.** Report trading revenue (as defined for Schedule RI, item 5.c) in foreign offices, including the net gain or loss from trading cash instruments and derivative contracts (including commodity contracts), related revaluation adjustments, and incidental income that has been recognized in foreign offices. If the amount to be reported in this item is a net loss, enclose it in parentheses.

Item No.	Caption and Instructions
4.b	**Investment banking, advisory, brokerage, and underwriting fees and commissions.** Report investment banking, advisory, brokerage and underwriting fees and commissions (as defined for Schedule RI, item 5.d) in foreign offices.
4.c	**Net securitization income.** Report net securitization income (as defined for Schedule RI, item 5.g) in foreign offices. If the amount to be reported in this item is a net loss, enclose it in parentheses.
4.d	**Other noninterest income.** Report all other noninterest income (as defined for Schedule RI, items 5.a, 5.b, 5.e, 5.f, and 5.h.(1) through 5.l) in foreign offices. If the amount to be reported in this item is negative, enclose it in parentheses.
5	**Realized gains (losses) on held-to-maturity and available-for-sale securities in foreign offices.** Report realized gains (losses) on held-to-maturity and available-for-sale securities (as defined for Schedule RI, items 6.a and 6.b) in foreign offices. If the amount to be reported in this item is a net loss, enclose it in parentheses.
6	**Total noninterest expense in foreign offices.** Report total noninterest expense (as defined for Schedule RI, item 7.e) in foreign offices.
7	**Adjustments to pretax income in foreign offices for internal allocations to foreign offices to reflect the effects of equity capital on overall bank funding costs.** Report any amounts credited to estimated pretax income in foreign offices that reflects management's estimate of the effect of equity capital allocable to foreign office operations. Equity capital, which is interest-free, helps to reduce a bank's overall funding costs and increase net interest income.
8	**Applicable income taxes (on items 1 through 7).** Report the total estimated income tax expense (as defined for Schedule RI, item 9) applicable to pretax income in foreign offices. If the amount is a net benefit rather than tax expense, enclose it in parentheses.
9	**Extraordinary items and other adjustments, net of income taxes, in foreign offices.** Report the amount of extraordinary items and other adjustments, net of income taxes (as defined for Schedule RI, item 11), in foreign offices. If the amount to be reported in this item is a net loss, enclose it in parentheses.
10	**Net income attributable to foreign offices before internal allocations of income and expense.** The amount to be reported in this item generally will be determined by taking Schedule RI-D, item 1, minus items 2 and 3, plus items 4.a through 4.d, plus item 5, minus item 6, plus item 7, minus item 8, plus item 9.
11	**Internal allocations of income and expense applicable to foreign offices.** Report the bank's best estimate of all appropriate internal allocations of income and expense applicable to foreign offices, whether or not "booked" that way in the bank's formal accounting records. For example, include allocations of income and expense in domestic offices applicable to foreign offices and allocations of income and expense in foreign offices (and included in the preceding items of Schedule RI-D) applicable to domestic offices. If the amount to be reported in this item is a net expense, enclose it in parentheses.

Item No.	Caption and Instructions
12	**Eliminations arising from the consolidation of foreign offices with domestic offices.** Report the net effect of eliminating transactions between foreign and domestic offices of the reporting bank on net income attributable to foreign offices. If the amount to be reported in this item is a net reduction in net income attributable to foreign offices, enclose it in parentheses.
13	**Consolidated net income attributable to foreign offices.** Report the sum of Schedule RI-D, items 10 through 12.

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. All banks including an amount for unposted debits in this item should also see Schedule RC-O, item 1.a or 1.b, "Unposted debits."

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 Federal Reserve Banks (including reserve and other balances), 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."

Item No.	Caption and Instructions
1.a (cont.)	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).

(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) 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").

(2) 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 savings or time balances, including certificates of deposit, but excluding certificates of deposit held for trading. Include balances due from 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.

On the FFIEC 031, the components of this item will also be included in the appropriate items of Schedule RC-A, column A. On the FFIEC 041, for banks with $300 million or more in total assets, the components of this item will also be included in the appropriate items of Schedule RC-A.

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).

Item No. **Caption and Instructions**

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

5 **Trading assets**. Banks that (a) regularly underwrite or deal in securities; interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts; other financial instruments; and other assets for resale; (b) acquire or take 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) acquire or take positions in such items as an accommodation to customers or for other trading purposes shall report in this item the value of such assets or positions on the report date. Assets and other financial instruments held for trading shall be consistently valued at fair value.

Do not include in this item the carrying value of any available-for-sale securities or of any loans or leases that are held for sale. Available-for-sale securities are reported in Schedule RC, item 2.b, and in Schedule RC-B, columns C and D. Loans 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.

Trading assets include but are not limited to U.S. Treasury securities, U.S. Government agency obligations, securities issued by states and political subdivisions in the U.S., other bonds, notes, and debentures, certificates of deposit, commercial paper, and bankers acceptances. Trading assets also include the amount of revaluation gains (i.e., assets) from the "marking to market" of interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts held for trading purposes. Revaluation gains and losses (i.e., assets and liabilities) from the "marking to market" of the reporting bank's derivative contracts with the same counterparty that meet the criteria for a valid right of setoff contained in FASB Interpretation No. 39 (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.")

For those banks that must complete Schedule RC-D, this item must equal Schedule RC-D, item 12, "Total trading assets."

6 **Premises and fixed assets.** Report the book value, less accumulated depreciation or amortization, of all premises, equipment, furniture and fixtures purchased directly or acquired by means of a capital lease. 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 bank, its branches, or its consolidated subsidiaries.

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

(3) Remodeling costs to existing premises.

Item No.	Caption and Instructions
6 (cont.)	(4) Real estate acquired and intended to be used for future expansion. (5) Parking lots that are used by customers or employees of the bank, its branches, and its consolidated subsidiaries. (6) Furniture, fixtures, and movable equipment of the bank, its branches, and its consolidated subsidiaries. (7) Automobiles, airplanes, and other vehicles owned by the bank and used in the conduct of its business. (8) The amount of capital lease property (with the bank as lessee): premises, furniture, fixtures, and equipment. See the discussion of accounting with bank as lessee in the Glossary entry for "lease accounting." (9) Stocks and bonds issued by nonmajority-owned corporations whose principal activity is the ownership of land, buildings, equipment, furniture, or fixtures occupied or used (or to be occupied or used) by the bank, its branches, or its consolidated subsidiaries. <u>Exclude</u> 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, item 10.b, "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.b, as "All other real estate owned."
7	**<u>Other real estate owned.</u>** Report the total amount of other real estate owned from Schedule RC-M, item 3.c. 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	**<u>Investments in unconsolidated subsidiaries and associated companies.</u>** Report the total amount of the bank's investments in unconsolidated subsidiaries and associated companies from Schedule RC-M, item 4.c. For further information on unconsolidated subsidiaries and associated companies, see the instruction to Schedule RC-M, item 4.
9	Not applicable.

Item No.	Caption and Instructions
10	**Intangible assets:**
10.a	**Goodwill.** Report the carrying amount of goodwill. Goodwill represents the excess of the cost of a company over the sum of the fair values of the tangible and identifiable intangible assets acquired less the fair value of liabilities assumed in a business combination accounted for as a purchase.
	Goodwill should not be amortized, but must be tested for impairment as described in the instructions to Schedule RI, item 7.c.(1), "Goodwill impairment losses." However, until interpretive guidance concerning the application of the purchase method of accounting for business combinations between two or more mutual institutions is issued by the FASB and takes effect, goodwill acquired in a combination between two or more mutual enterprises must continue to be amortized over its estimated useful life, generally not to exceed 25 years, and tested for impairment in accordance with APB Opinion No. 17.
	Exclude unidentifiable intangible assets recorded in accordance with FASB Statement No. 72 (report such intangible assets in Schedule RC, item 10.b, "Other intangible assets.")
10.b	**Other intangible assets.** Report the total amount of intangible assets other than goodwill from Schedule RC-M, item 2.d. For further information on intangible assets, see the instruction to Schedule RC-M, item 2.
11	**Other assets.** Report the amount from Schedule RC-F, item 7, "Total."
12	**Total assets.** Report the sum of items 1 through 11. This item must equal Schedule RC, item 29, "Total liabilities, minority interest, 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 in domestic offices of the reporting bank. This item must equal the sum of Schedule RC-E, (part I), item 7, columns A and C.

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

13.a.(1) **Noninterest-bearing**. On the FFIEC, 041, report the total of all noninterest-bearing deposits included in Schedule RC-E, Deposit Liabilities. On the FFIEC 031, report the total of all noninterest-bearing deposits in domestic offices included in Schedule RC-E, part I, Deposits in Domestic Offices. Noninterest-bearing deposits include total demand deposits and noninterest-bearing time and savings deposits.

13.a.(2) **Interest-bearing**. On the FFIEC 041, report the total of all interest-bearing deposits included in Schedule RC-E, Deposit Liabilities. On the FFIEC 031, report the total of all interest-bearing deposits in domestic offices included in Schedule RC-E, part I, Deposits in Domestic Offices.

NOTE: Items 13.b, 13.b.(1), and 13.b.(2) are applicable only to banks filing the FFIEC 031 report form.

13.b **In foreign offices, Edge and Agreement subsidiaries, and IBFs**. Report the total of all deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs. This item must equal the amount reported in Schedule RC-E, part II, item 6, "Total."

This item must also equal the sum of items 13.b.(1) and 13.b.(2) below.

13.b.(1) **Noninterest-bearing**. Report the total of all noninterest-bearing deposits in foreign offices reported in Schedule RC-E, part II, Deposits in Foreign Offices.

13.b.(2) **Interest-bearing**. Report the total of all interest-bearing deposits in foreign offices reported in Schedule RC-E, part II, Deposits in Foreign Offices.

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

14.a **Federal funds purchased (in domestic offices)**. Report the outstanding amount of federal funds purchased, i.e., immediately available funds borrowed (in domestic offices) 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.

Item No.	Caption and Instructions

14.a (cont.) Report federal funds purchased on a gross basis; i.e., do not net them against federal funds sold, except to the extent permitted under FASB Interpretation No. 39.

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").

(3) Borrowings from a Federal Home Loan Bank or a Federal Reserve Bank (report those in the form of securities repurchase agreements in Schedule RC, item 14.b, and all other borrowings in Schedule RC, item 16).

(4) Borrowing 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 repurchase agreements (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 FASB Interpretation No. 41.

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 and office location of the transaction).

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

(3) 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."

(4) So-called yield maintenance dollar repurchase agreements (see the Glossary entry for "repurchase/resale agreements").

Item No.	Caption and Instructions
14.b (cont.)	For further information, see the Glossary entry for "repurchase/resale agreements."
15	**Trading liabilities**. Report the amount of liabilities from the reporting bank's trading activities. 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. For those banks that must complete Schedule RC-D, Trading Assets and Liabilities, the amount reported in this item must equal Schedule RC-D, item 15.
16	**Other borrowed money**. Report the amount from Schedule RC-M, item 5.c.
17	Not applicable.
18	Not applicable.
19	**Subordinated notes and debentures**. Report the amount of subordinated notes and debentures (including mandatory convertible debt) (see the Glossary entry for "subordinated notes and debentures"). 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.)

SCHEDULE RC-A – CASH AND BALANCES DUE FROM DEPOSITORY INSTITUTIONS

General Instructions

Schedule RC-A is to be completed by banks with foreign offices or with $300 million or more in total assets.

On the FFIEC 031, this schedule has two columns for banks with foreign offices to report detail on "Cash and balances due from depository institutions." In column A report amounts for the fully consolidated bank, and in column B report amounts for domestic offices only. See the Glossary entry for "domestic office" for the definition of this term. Refer to the General Instructions section of this book for a detailed discussion of consolidation.

On the FFIEC 041, this schedule has a single column for banks with $300 million or more in total assets to report detail on "Cash and balances due from depository institutions."

For purposes of these reports, deposit accounts "due from" other depository institutions that are overdrawn are to be reported as other borrowings with a remaining maturity of one year or less in Schedule RC-M, item 5.b.(1), 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 <u>not</u> 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."

<u>Treatment of reciprocal balances with depository institutions</u> -- 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 when a right of setoff exists. Net "due from" balances should be reported in this schedule. Net "due to" balances should be reported as deposit liabilities in Schedule RC-E. <u>See</u> the Glossary entry for "offsetting" for the conditions that must be met for a right of setoff to exist. See also the Glossary entry for "reciprocal balances."

<u>Exclude</u> from this schedule:

(1) All intrabank transactions, i.e., all transactions between any offices of the consolidated bank.

(2) Claims on banks or other depository institutions that the reporting bank holds for trading purposes (report in Schedule RC, item 5, "Trading assets").

(3) 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").

(4) Loans to depository institutions (report in Schedule RC-C, part I, item 2).

Item Instructions

Item No. **Caption and Instructions**

1 **Cash items in process of collection, unposted debits, and currency and coin**. On the FFIEC 031, report this item as a single total for the fully consolidated bank in column A, but with a breakdown between cash items in process of collection and unposted debits (Schedule RC-A, item 1.a) and currency and coin (Schedule RC-A, item 1.b) for domestic offices of the bank in column B. On the FFIEC 041, report cash items in process of collection and unposted debits in Schedule RC-A, item 1.a, and currency and coin in Schedule RC-A, item 1.b.

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 (or, for purposes of the FFIEC 031, in the country where the reporting bank's office which is clearing or collecting the check or draft is located). 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, report the amount of such checks or drafts in Schedule RC-A, item 2, "Balances due from depository institutions in the U.S.," or item 3, "Balances due from banks in foreign countries and foreign central banks."

(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 or in such other country where the reporting bank's office which is clearing or collecting the item is located, 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.

Item No.	Caption and Instructions

1 (cont.)

(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 should be reported in Schedule RC-A, item 4, "Balances due from Federal Reserve Banks."

(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 drafts 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.)

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 (report in Schedule RC-A, item 2, 3, or 4, below, as appropriate).

(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 should be reported in Schedule RC-A, item 2, "Balances due from depository institutions in the U.S.," or item 3, "Balances due from banks in foreign countries and foreign central banks," as appropriate.

(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. All banks including an amount for unposted debits in this item should also see Schedule RC-O, item 1.a or 1.b, "Unposted debits."

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.

Item No. **Caption and Instructions**

1.a **Cash items in process of collection and unposted debits**. Report (on the FFIEC 031, in column B) the total amount outstanding (at domestic offices) of cash items in process of collection and unposted debits that are immediately payable upon presentation in the United States.

1.b **Currency and coin**. Report (on the FFIEC 031, in column B) all currency and coin owned and held (in domestic offices) by the reporting bank.

2 **Balances due from depository institutions in the U.S.** On the FFIEC 031, report this item as a single total for the domestic offices of the bank in column B, but with a breakdown between balances due from U.S. branches and agencies of foreign banks, including their IBFs, (Schedule RC-A, item 2.a) and balances due from other commercial banks in the U.S. and other depository institutions in the U.S., including their IBFs, (Schedule RC-A, item 2.b) for the fully consolidated bank in column A. On the FFIEC 041, report balances due from U.S. branches and agencies of foreign banks in Schedule RC-A, item 2.a, and balances due from other commercial banks in the U.S. and other depository institutions in the U.S. in Schedule RC-A, item 2.b.

Depository institutions in the U.S. cover:

(1) U.S. branches and agencies of foreign banks (refer to the Glossary entry for "banks, U.S. and foreign" for the definition of this term); and

(2) All other depository institutions in the U.S., i.e.,
- (a) U.S. branches of U.S. banks (refer to the Glossary entry for "banks, U.S. and foreign");
- (b) savings or building and loan associations, homestead associations, and cooperative banks;
- (c) mutual and stock savings banks; and
- (d) credit unions.

For purposes of this schedule, also include Federal Home Loan Banks in "all other depository institutions in the U.S."

Balances due from such institutions cover all interest-bearing and noninterest-bearing balances whether in the form of demand, savings, or time balances, including certificates of deposit, but excluding certificates of deposit held for trading. Balances, as reported in these items, should reflect funds on deposit at other depository institutions in the U.S. 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 to be reported as "cash items in process of collection."

Included in the amounts to be reported as balances due from depository institutions in the U.S. are:

(1) 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
2 (cont.)	(2) 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.")
	Exclude from Schedule RC-A, items 2, 2.a, and 2.b:
	(1) Cash items in process of collection (including cash letters and "ledger credit" items) and unposted debits (report in Schedule RC-A, item 1, above).
	(2) All balances that the reporting bank's trust department maintains with other depository institutions.
	(3) Loans to depository institutions (report in Schedule RC-C, part I, item 2).
	(4) Certificates of deposit held for trading (report in Schedule RC, item 5).
2.a	**U.S. branches and agencies of foreign banks (including their IBFs)**. Report (on the FFIEC 031, in column A) all balances due from U.S. branches and agencies of foreign banks (including their IBFs).
2.b	**Other depository institutions in the U.S. (including their IBFs)**. Report (on the FFIEC 031, in column A) all balances due from depository institutions in the U.S., other than U.S. branches and agencies of foreign banks.
3	**Balances due from banks in foreign countries and foreign central banks**. On the FFIEC 031, report this item as a single total for the domestic offices of the bank in column B, but with a breakdown between balances due from foreign branches of other U.S. banks (Schedule RC-A, item 3.a) and balances due from other banks in foreign countries and foreign central banks (Schedule RC-A, item 3.b) for the fully consolidated bank in column A. On the FFIEC 041, report balances due from foreign branches of other U.S. banks in Schedule RC-A, item 3.a, and balances due from other banks in foreign countries and foreign central banks in Schedule RC-A, item 3.b.
	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 a description of banks in foreign countries.
	For purposes of this item, foreign central banks cover:
	(1) Central banks in foreign countries;
	(2) Departments of foreign central governments that have, as an important part of their functions, activities similar to those of a central bank;

Item No.	Caption and Instructions

3 (cont.)

(3) Nationalized banks and banking institutions owned by central governments that have, as an important part of their functions, activities similar to those of a central bank; and

(4) The Bank for International Settlements (BIS).

Balances due from banks in foreign countries and foreign central banks cover all interest-bearing and noninterest-bearing balances excluding any balances that the reporting bank holds for trading. Balances, as reported in this item, should reflect funds on deposit at other banks in foreign countries and at foreign central banks for which the reporting bank has already received credit. Balances with foreign central banks should include all balances with such entities, including reserve, operating, and investment balances. On the FFIEC 031, balances reported in column A should include "placements and redeposits" between foreign offices of the reporting bank and foreign offices of other banks.

Exclude from Schedule RC-A, items 3, 3.a, and 3.b:

(1) Balances with U.S. branches and agencies of foreign banks (report in Schedule RC-A, item 2 above).

(2) Loans to foreign central banks (report in Schedule RC-C, part I, item 7).

(3) Loans to banks in foreign countries (report in Schedule RC-C, part I, item 2.c).

(4) Cash items in process of collection and unposted debits (report in Schedule RC-A, item 1 above).

(5) Any balances held for trading (report in Schedule RC, item 5).

3.a **Foreign branches of other U.S. banks**. Report (on the FFIEC 031, in column A) all balances due from foreign-domiciled branches of other U.S. banks.

3.b **Other banks in foreign countries and foreign central banks**. Report (on the FFIEC 031, in column A) all balances due from banks in foreign countries, other than foreign-domiciled branches of other U.S. banks, and foreign central banks.

4 **Balances due from Federal Reserve Banks**. Report (on the FFIEC 031, in columns A and B, as appropriate) the total balances due from Federal Reserve Banks as shown by the reporting bank's books. This amount includes reserves and other balances. Include the amount of reserve balances actually passed through to a Federal Reserve Bank by the reporting bank on behalf of its respondent depository institutions. On the FFIEC 031, include in column A balances of the bank's Edge and Agreement subsidiaries with a Federal Reserve Bank.

5 **Total**. On the FFIEC 041, report the sum of items 1 through 4. On the FFIEC 031, report the sum of items 1 through 4 in column A for the fully consolidated bank and in column B for its domestic offices. On the FFIEC 041, this item must equal Schedule RC, sum of items 1.a and 1.b. On the FFIEC 031, the total of column A must equal Schedule RC, sum of items 1.a and 1.b.

SCHEDULE RC-B – SECURITIES

General Instructions

This schedule has four columns for information on securities, two columns for held-to-maturity securities and two columns for available-for-sale securities.[1] Report the amortized cost and the current fair (market) value of held-to-maturity securities in columns A and B, respectively. Report the amortized cost and the current fair (market) value of available-for-sale debt securities in columns C and D, respectively. Information on equity securities with readily determinable fair values is reported in the columns for available-for-sale securities only (columns C and D). For these equity securities, historical cost (not amortized cost) is reported in column C and fair (market) value is reported in column D. See the Glossary entry for "market value of securities" for a discussion of acceptable valuation methods.

Exclude from this schedule all securities held for trading. Securities held for trading are to be reported in Schedule RC, item 5, "Trading assets," and, for certain banks that file the FFIEC 031 and 041 report forms, in Schedule RC-D -- Trading Assets and Liabilities.

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.")

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 FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. For further information, see the Glossary entries for "transfers of financial assets" and "repurchase/resale agreements."

(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 FASB Statement No. 140. For further information, see the Glossary entries for "transfers of financial assets" and "repurchase/resale agreements."

(3) Pledged securities -- Pledged 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 FASB Statement No. 140.

[1] Available-for-sale 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 "securities" in FASB Statement No. 115 (e.g., certain industrial development obligations) that the bank has designated as "available-for-sale" which are reported for purposes of the Report of Condition in a balance sheet category other than "Securities" (e.g., "Loans and lease financing receivables").

General Instructions (cont.)

(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 FASB Statement No. 140. 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 in Schedule RC-L, item 12.

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 in trading accounts. 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."

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 obligations.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all U.S. Government agency obligations (excluding mortgage-backed securities) not held for trading.

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, below).

(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, below).

(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).

Item No.	Caption and Instructions
4.b.(1)	**Issued or guaranteed by FNMA, FHLMC, or GNMA**. 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 by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC) or guaranteed by the Government National Mortgage Association (GNMA). For purposes of these reports, also include REMICs issued by the U.S. Department of Veterans Affairs (VA) in this item.
4.b.(2)	**Other mortgage-backed securities collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA**. 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) pass-throughs, FNMA (Fannie Mae) pass-throughs, FHLMC (Freddie Mac) participation certificates, or other mortgage-backed securities (i.e., classes of CMOs or REMICs, CMO or REMIC residuals, and stripped mortgage-backed securities) issued or guaranteed by FNMA, FHLMC, GNMA, or VA.
4.b.(3)	**All other mortgage-backed securities**. Report in the appropriate columns the amortized cost and fair value of all 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 does not consist of GNMA (Ginnie Mae) pass-throughs, FNMA (Fannie Mae) pass-throughs, FHLMC (Freddie Mac) participation certificates, or other mortgage-backed securities (i.e., classes of CMOs or REMICs, CMO or REMIC residuals, and stripped mortgage-backed securities) issued or guaranteed by FNMA, FHLMC, GNMA, or VA.
5	**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. On the FFIEC 041 for banks with $1 billion or more in total assets and on the FFIEC 031, this item must equal Schedule RC-B, sum of Memorandum items 5.a through 5.f.

Item No.	Caption and Instructions
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, which are not categorized as securities for purposes of this report.
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, including trust preferred securities subject to mandatory redemption.

Memoranda

Item No. **Caption and Instructions**

4 (cont.) 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).

(2) Callable federal agency securities that have continuous call features after an explicit call date, except step-up bonds (which are structured notes).

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:

(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.

(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 off-balance sheet derivative instrument.

5 **Asset-backed securities.** On the FFIEC 041, Memorandum items 5.a through 5.f are to be completed by banks with $1 billion or more in total assets. On the FFIEC 031, Memorandum items 5.a through 5.f are to be completed by all banks.

Report in the appropriate columns of the appropriate subitems 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. For each column, the sum of Memorandum items 5.a through 5.f must equal Schedule RC-B, item 5.

For purposes of categorizing asset-backed securities in Schedule RC-B, Memorandum items 5.a through 5.f, below, each individual asset-backed security should be included in the item that most closely describes the predominant type of asset that collateralizes the security

Memoranda

Item No. **Caption and Instructions**

5 (cont.) and this categorization should be used consistently over time. For example, an asset-backed security may be collateralized by automobile loans to both individuals and business enterprises. If the prospectus for this asset-backed security or other available information indicates that these automobile loans are predominantly loans to individuals, the security should be reported in Schedule RC-B, Memorandum item 5.c, as being collateralized by automobile loans.

5.a **Credit card receivables.** Report in the appropriate columns the amortized cost and fair value of all asset-backed securities collateralized by credit card receivables, i.e., extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards as defined for Schedule RC-C, part I, item 6.a.

5.b **Home equity lines.** Report in the appropriate columns the amortized cost and fair value of all asset-backed securities collateralized by home equity lines of credit, i.e., revolving, open-end lines of credit secured by 1-to-4 family residential properties as defined for Schedule RC-C, part I, item 1.c.(1).

5.c **Automobile loans.** Report in the appropriate columns the amortized cost and fair value of all asset-backed securities collateralized by automobile loans, i.e., loans to individuals for the purpose of purchasing private passenger vehicles, including minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use. Such loans are a subset of "Other consumer loans," as defined for Schedule RC-C, part I, item 6.c.

5.d **Other consumer loans.** Report in the appropriate columns the amortized cost and fair value of all asset-backed securities collateralized by other consumer loans, i.e., loans to individuals for household, family, and other personal expenditures as defined for Schedule RC-C, part I, items 6.b and 6.c, excluding automobile loans as described in Schedule RC-B, Memorandum item 5.c, above.

5.e **Commercial and industrial loans.** Report in the appropriate columns the amortized cost and fair value of all asset-backed securities collateralized by commercial and industrial loans, i.e., loans for commercial and industrial purposes to sole proprietorships, partnerships, corporations, and other business enterprises, whether secured (other than by real estate) or unsecured, single-payment or installment, as defined for Schedule RC-C, part I, item 4.

5.f **Other.** Report in the appropriate columns the amortized cost and fair value of all asset-backed securities collateralized by non-mortgage loans other than those described in Schedule RC-B, Memorandum items 5.a through 5.e, above, i.e., loans as defined for Schedule RC-C, part I, items 2, 3, and 7 through 9; lease financing receivables as defined for Schedule RC-C, part I, item 10; and all other assets.

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: Deposits carried in suspense accounts that have not been reclassified as deposits and reported in Schedule RC-E must be reported as unposted credits in Schedule RC-O, item 2.

(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.")

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 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 Monetary Control Act of 1980 and the resulting revision to Federal Reserve Regulation D, "Reserve Requirements of Depository Institutions," established, for purposes of federal reserve requirements on deposit liabilities, a category of deposits designated as "transaction accounts." The distinction between transaction and nontransaction accounts is discussed in detail in the Glossary entry for "deposits." NOTE: Money market deposit accounts (MMDAs) are regarded as savings deposits and are specifically excluded from the "transaction account" classification.

Summary of Transaction Account Classifications (See the Glossary entry for "deposits" for detailed definitions and further information.)

A. Always regarded as transaction accounts:

1. Demand deposits.

2. NOW accounts.

3. ATS accounts.

4. Accounts (other than savings deposits) from which payments may be made to third parties by means of an automated teller machine (ATM), a remote service unit (RSU), or another electronic device, including by debit card.

5. Accounts (other than savings deposits) that permit third party payments through use of checks, drafts, negotiable instruments, or other similar instruments.

B. Deposits or accounts that are regarded as transaction accounts if the following specified conditions exist:

1. Accounts that otherwise meet the definition of savings deposits but that authorize or permit the depositor to exceed the transfer and withdrawal rules for a savings deposit.

2. Any deposit or account that otherwise meets the definition of a time deposit but that allows withdrawals within the first six days after the date of deposit and that does not require an early withdrawal penalty of at least seven days' simple interest on amounts withdrawn within those first six days, unless the deposit or account meets the definition of a savings deposit. Any such deposit or account that meets the definition of a savings deposit shall be reported as a savings deposit, otherwise it shall be reported as a demand deposit, which is a transaction account.

3. The remaining balance of a time deposit from which a partial early withdrawal is made, unless the remaining balance either (a) is subject to additional early withdrawal penalties of at least seven days' simple interest on amounts withdrawn within six days after each partial withdrawal (in which case the deposit or account continues to be reported as a time deposit) or (b) is placed in an account that meets the definition of a savings deposit (in which case the deposit or account shall be reported as a savings deposit). Otherwise, the deposit or account shall be reported as a demand deposit, which is a transaction account.

C. Not regarded as transaction accounts (unless specified above):

1. Savings deposits (including accounts commonly known as money market deposit accounts (MMDAs)).

2. Accounts that permit telephone or preauthorized transfers or transfers by ATMs or RSUs to repay loans made or serviced by the same depository institution.

3. Accounts that permit telephone or preauthorized withdrawals where the proceeds are to be mailed to or picked up by the depositor.

4. Accounts that permit transfers to other accounts of the depositor at the same institution through ATMs or RSUs.

SCHEDULE RC-F – OTHER ASSETS

General Instructions

Complete this schedule for the fully consolidated bank. Eliminate all intrabank transactions between offices of the consolidated bank.

Item Instructions

Item No. **Caption and Instructions**

1 **Accrued interest receivable.** Report the amount of interest earned or accrued on earning assets and applicable to current or prior periods that has not yet been collected.

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 or the word "none" 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) on.** As defined in FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, 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."

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.

[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 FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

Item No.	Caption and Instructions

3.a **Mortgage loans.** Report the fair value of interest-only strips receivable (not in the form of a security) on mortgage loans.

3.b **Other financial assets.** Report the fair value of interest-only strips receivable (not in the form of a security) on financial assets other than mortgage loans.

4 **Equity securities that do not have readily determinable fair values.** Report the historical cost of equity securities without readily determinable fair values. These equity securities are outside the scope of FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. An equity security does not have a readily determinable fair value if sales or bid-and-asked quotations are not currently available on a securities exchange registered with the Securities and Exchange Commission (SEC) and are not publicly reported by the National Association of Securities Dealers Automated Quotations systems or the National Quotation Bureau. 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 referenced above.

Equity securities that do not have readily determinable fair values may have been purchased by the reporting bank or acquired for debts previously contracted.

Include in this item:

(1) Paid-in stock of a Federal Reserve Bank.

(2) Stock of a Federal Home Loan Bank.

(3) Common and preferred stocks that do not have readily determinable fair values, such as stock of bankers' banks and voting common stock of the Federal Agricultural Mortgage Corporation (Farmer Mac).

(4) "Restricted stock," as defined in FASB Statement No. 115, 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.

(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) 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.)

(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) or other real estate owned (report in Schedule RC, item 7). (See the Glossary entry for "subsidiaries" for the definition of corporate joint venture.)

Item No.	Caption and Instructions

4 (cont.) Exclude from this item:

(1) 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").

(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 the amount of the bank's holdings of life insurance assets. Include the cash surrender value of life insurance reported by the insurance carrier, less any applicable surrender charges not reflected by the carrier in this reported 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 and regardless of whether the insurance is a general account obligation of the insurer or a separate account obligation of the insurer.

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.

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.

Disclose in items 6.a through 6.g each component of all other assets, and the dollar amount of such component, that is greater than $25,000 and exceeds 25 percent of the amount reported for this item. For each component of all other assets that exceeds this disclosure threshold for which a preprinted caption has not been provided in items 6.a through 6.d, describe the component with a clear but concise caption in items 6.e through 6.g. 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 operations in future periods.[1] (Report the amount of prepaid expenses in Schedule RC-F, item 6.a, if this amount is greater than $25,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.)

[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.)

(2) Automobiles, boats, equipment, appliances, and similar personal property repossessed or otherwise acquired for debts previously contracted. (Report the amount of repossessed personal property in Schedule RC-F, item 6.b, if this amount is greater than $25,000 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 $25,000 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." (Report the amount of these retained interests in Schedule RC-F, item 6.d, if this amount is greater than $25,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.)

(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.

(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," and, if applicable, in Schedule RC-A, item 2, "Balances due from depository institutions in the U.S.," or item 3, "Balances due from banks in foreign countries and foreign central banks," as appropriate).

(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 FASB Statement No. 86.

(10) Bullion (e.g., gold or silver) not held for trading purposes.

Item No. **Caption and Instructions**

6 (cont.)

(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) Cost of issuing subordinated notes and debentures, net of accumulated amortization.

(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.

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," and, if applicable, in Schedule RC-A, item 1, "Cash items in process of collection, unposted debits, 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, regardless of whether formal foreclosure proceedings have been instituted against the borrower (report as "All other real estate owned" in Schedule RC-M, item 3.b).

(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

General Instructions

Complete this schedule for the fully consolidated bank. Eliminate all intrabank transactions between offices of the consolidated bank.

Item Instructions

Item No. **Caption and Instructions**

1.a **Interest accrued and unpaid on deposits (in domestic offices)**. Report the amount of interest on deposits (in domestic offices) 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. On the FFIEC 031, exclude from this item interest accrued and unpaid on deposits in foreign offices (report such accrued interest in Schedule RC-G, item 1.b below).

1.b **Other expenses accrued and unpaid**. Report the amount of income taxes, interest on nondeposit liabilities (and, on the FFIEC 031, deposits in foreign offices), 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 in domestic offices (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 or the word "none" 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 **Allowance for credit losses on off-balance sheet credit exposures**. Report the amount of any allowance for credit losses on off-balance sheet exposures established in accordance with generally accepted accounting principles.

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.

Disclose in items 4.a through 4.g each component of all other liabilities, and the dollar amount of such component, that is greater than $25,000 and exceeds 25 percent of the amount reported for this item.

For each component of all other liabilities that exceeds this disclosure threshold for which a preprinted caption has not been provided in items 4.a through 4.d, describe the component with a clear but concise caption in items 4.e through 4.g. These descriptions should not exceed 50 characters in length (including spacing between words).

Item No.	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 $25,000 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 $25,000 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 $25,000 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 $25,000 and exceeds 25 percent of the amount reported in Schedule RC-G, item 4.)

(5) Deferred gains from sale-leaseback transactions.

(6) 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).

(7) Bank's liability for deferred payment letters of credit.

(8) Recourse liability accounts arising from asset transfers with recourse that are reported as sales.

(9) Unearned insurance premiums, claim reserves and claims adjustment expense reserves, policyholder benefits, contractholder funds, and "separate account liabilities" of the reporting bank's insurance subsidiaries.

(10) 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.

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.

Item No.	Caption and Instructions
4 (cont.)	(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 due bills or similar instruments representing the bank's receipt of payment and the bank's liability on capital lease obligations (report in Schedule RC, item 16, "Other borrowed money").
5	**Total**. Report the sum of items 1 through 4. This amount must equal Schedule RC, item 20, "Other liabilities."

SCHEDULE RC-H – SELECTED BALANCE SHEET ITEMS FOR DOMESTIC OFFICES

General Instructions

Schedule RC-H is applicable only to banks filing the FFIEC 031 report forms.

For the following items, report balances outstanding in the bank's *domestic offices only*.

Item Instructions

Item No. **Caption and Instructions**

1 Not applicable.

2 Not applicable.

3 **Securities purchased under agreements to resell.** Report the amount of securities purchased under agreements to resell (as defined for Schedule RC, item 3.b) held in domestic offices of the reporting bank. See the Glossary entry for "repurchase/resale agreements" for further information.

4 **Securities sold under agreements to repurchase.** Report the amount of securities sold under agreements to repurchase (as defined for Schedule RC, item 14.b) held in domestic offices of the reporting bank. See the Glossary entry for "repurchase/resale agreements" for further information.

5 **Other borrowed money.** Report the amount of other borrowed money (as defined for Schedule RC, item 16, "Other borrowed money") held in domestic offices of the reporting bank.

6 **Net due from own foreign offices, Edge and Agreement subsidiaries, and IBFs.** (See the instructions following item 7 of this schedule.)

OR

7 **Net due to own foreign offices, Edge and Agreement subsidiaries, and IBFs.** Report in the appropriate item *either* the "net due from" (item 6) or the "net due to" (item 7) position of the domestic offices of the bank relative to all the bank's Edge and Agreement subsidiaries, foreign branches, IBFs, consolidated foreign subsidiaries, and branches in Puerto Rico and U.S. territories and possessions. These items must reflect all intrabank transactions of domestic offices with such other offices of the reporting bank, including investments (both equity and debt) in consolidated foreign subsidiaries. All other items in the Report of Condition (except for the memorandum item below) must exclude intrabank transactions.

Calculate a *single* net amount for all the intrabank due to and due from positions of the domestic offices and enter it *either* in item 6 *or* in item 7 of this schedule, depending on the nature of the single net amount.

Item No.	**Caption and Instructions**
8	**Total assets.** Report the amount of total assets (as defined for Schedule RC, item 12, "Total assets") held in domestic offices of the reporting bank. For purposes of this report, "Net due from own foreign offices, Edge and Agreement subsidiaries, and IBFs" should be excluded from total assets in domestic offices.
9	**Total liabilities.** Report the amount of total liabilities (as defined for Schedule RC, item 21, "Total liabilities") held in domestic offices of the reporting bank. For purposes of this report, "Net due to own foreign offices, Edge and Agreement subsidiaries, and IBFs" should be excluded from total liabilities in domestic offices.

NOTE: Items 10 through 17 include held-to-maturity and available-for-sale securities in domestic offices. Report the amortized cost of both held-to-maturity and available-for-sale debt securities in these items. Report the historical cost of investments in mutual funds and other equity securities with readily determinable fair values in these items. These amounts will have been included in the amounts reported in Schedule RC-B, columns A and C.

10	**U.S. Treasury securities.** Report the amortized cost of both held-to-maturity and available-for-sale U.S. Treasury securities (as defined for Schedule RC-B, item 1) held in domestic offices of the reporting bank.
11	**U.S. Government agency obligations.** Report the amortized cost of both held-to-maturity and available-for-sale U.S. Government agency obligations (as defined for Schedule RC-B, items 2.a and 2.b) held in domestic offices of the reporting bank. Exclude mortgage-backed securities (report in Schedule RC-H, item 13 below).
12	**Securities issued by states and political subdivisions in the U.S.** Report the amortized cost of both held-to-maturity and available-for-sale securities issued by states and political subdivisions in the U.S. (as defined for Schedule RC-B, item 3) held in domestic offices of the reporting bank.
13	**Mortgage-backed securities:**
13.a	**Pass-through securities.** Report in the appropriate subitem the amortized cost of both held-to-maturity and available-for-sale mortgage pass-through securities (as defined for Schedule RC-B, item 4.a) held in domestic offices of the reporting bank.

Item No.	Caption and Instructions
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**. Report the appropriate amount of all securities lent against collateral or on an uncollateralized basis. Report the book value of bank-owned securities that have been lent. In addition, for customers who have been indemnified against any losses by the reporting bank, report the market 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 has indemnified its customers against any losses on their securities that have been lent by the bank, 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.
7	**Credit derivatives.** Report in the appropriate subitem and column the notional amount and fair value of all credit derivatives. In general, credit derivatives are arrangements that allow one party (the "beneficiary") to transfer the credit risk of a "reference asset" or “reference entity” to another party (the "guarantor"). Banks should report the notional amounts of credit derivatives by type of instrument in Schedule RC-L, items 7.a.(1) through 7.a.(4). Banks should report the gross positive and negative fair values of all credit derivatives in Schedule RC-L, items 7.b.(1) and 7.b.(2). For both the notional amounts and gross fair values, report credit derivatives for which the bank is the guarantor in column A and those on which the bank is the beneficiary in column B. All credit derivative transactions within the consolidated bank 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 this item. Therefore, do not net the notional amounts or fair values of: (1) credit derivatives with third parties on which the reporting bank is the beneficiary against credit derivatives with third parties on which the reporting bank is the guarantor, or (2) contracts subject to bilateral netting agreements. The notional amount of credit derivatives should not be included in Schedule RC-L, items 12 through 14, and the fair value of credit derivatives should not be included in Schedule RC-L, item 15.
7.a	**Notional amounts.** Report in the appropriate subitem and column the notional amount (stated in U.S. dollars) of all credit derivatives. 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 bank’s credit derivative cash flows are based.
7.a.(1)	**Credit default swaps.** Report in the appropriate column the notional amount of all credit default swaps. A credit default swap is a contract in which a guarantor (risk taker), for a fee, agrees to reimburse a 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 guarantor makes no payments to the beneficiary

Item No. **Caption and Instructions**

7.a.(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.

7.a.(2) **Total return swaps.** Report in the appropriate column the notional amount of all total return swaps. A total return swap transfers the total economic performance of a reference asset, which includes all associated cash flows, as well as capital appreciation or depreciation. The protection buyer 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 guarantor receives cash flows on the reference asset, plus any appreciation, and it pays any depreciation to the beneficiary, plus a floating interest rate. A total return swap may terminate upon a default of the reference asset.

7.a.(3) **Credit options.** Report in the appropriate column the notional amount of all credit options. A credit option is 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 (guarantor) assumes the obligation to purchase or sell the reference asset at a specified “strike” spread level. The option purchaser (beneficiary) buys the right to sell the reference asset to, or purchase it from, the option writer at the strike spread level.

7.a.(4) **Other credit derivatives.** Report in the appropriate column the notional amount of all other credit derivatives. Other credit derivatives consist of any credit derivatives not reportable as a credit default swap, a total return swap, or a credit option. Credit linked notes are cash securities and should not be reported as other credit derivatives.

7.b **Gross fair values.** Report in the appropriate subitem and column the gross fair values of all credit derivatives.

As defined in FASB Statement No. 133, fair value is the amount at which an asset (liability) could be bought (incurred) or sold (settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Quoted market prices in active markets are the best evidence of fair value and should be used as the basis for the measurement, if available. If a quoted market price is available, the fair value is the product of the number of trading units times that market price. If a quoted market price is not available, the estimate of fair value should be based on the best information available in the circumstances. The estimate of fair value should consider prices for similar assets or similar liabilities and the results of valuation techniques to the extent available in the circumstances. For purposes of this item, the reporting bank should determine the fair value of its credit derivative contracts in the same manner that it determines the fair value of these contracts for other financial reporting purposes.

7.b.(1) **Gross positive fair value.** Report in the appropriate column the total fair value of those credit derivatives reported in Schedule RC-L, items 7.a.(1) through 7.a.(4), above, with positive fair values.

7.b.(2) **Gross negative fair value.** Report in the appropriate column the total fair value of those credit derivatives reported in Schedule RC-L, items 7.a.(1) through 7.a.(4), above, with negative fair values. Report the total fair value as an absolute value; do not enclose the total fair value in parentheses or use a minus (-) sign.

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8 **Spot foreign exchange contracts**. Report the gross amount (stated in U.S. dollars) of all spot 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. All transactions within the consolidated bank should be reported on a net basis.

A spot contract is an agreement for the immediate delivery, usually within two business days, of a foreign currency at the prevailing cash market rate. Spot contracts are considered outstanding (i.e., open) until they have been cancelled by acquisition or delivery of the underlying currencies.

Only one side of a spot foreign exchange contract 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 bank enters into a spot contract which obligates the bank to purchase U.S. dollar exchange against which it sells Japanese yen, then the bank would report (in U.S. dollar equivalent values) the amount of Japanese yen sold in this item. In cross-currency spot foreign exchange 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).

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 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 28. If the bank has no types of "other off-balance sheet liabilities" that individually exceed 10 percent of total equity capital, report a zero or the word "none."

Disclose in items 9.a 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 28. 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) Securities borrowed against collateral (other than cash), or on an uncollateralized basis, for such purposes as a pledge against deposit liabilities or delivery against short sales. Report borrowed securities that are fully collateralized by similar securities of equivalent value at market value at the time they are borrowed. Report other borrowed securities at market value as of the report date. (Report the amount of securities borrowed in Schedule RC-L, item 9.a, if this amount exceeds 25 percent of the bank's total equity capital reported in Schedule RC, item 28.)

(2) Contracts for the purchase of when-issued securities that are excluded from the requirements of FASB Statement No. 133, as amended (and therefore not reported as

Item No. **Caption and Instructions**

9 (cont.)

forward contracts in Schedule RC-L, item 12.b, below), and accounted for on a settlement-date basis. (Report the amount of these commitments in Schedule RC-L, item 9.b, if this amount exceeds 25 percent of the bank's total equity capital reported in Schedule RC, item 28.)

(3) Standby letters of credit issued by a Federal Home Loan Bank on behalf of the reporting bank, which is the account party on the letters of credit and therefore is obligated to reimburse the issuing Federal Home Loan Bank 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 28.)

(4) Financial guarantee insurance which insures the timely payment of principal and interest on bond issues.

(5) Letters of indemnity other than those issued in connection with the replacement of lost or stolen or official checks.

(6) 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.

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 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 28. 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 or the word "none."

Disclose in items 10.a 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 28. For each type of off-balance sheet asset that exceeds this disclosure threshold for which a preprinted caption has not been provided, 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 FASB Statement No. 133, as amended (and therefore not reported as forward contracts in Schedule RC-L, item 12.b, below), and accounted for on a settlement-date basis. (Report the amount of these commitments in Schedule RC-L, item 10.a, if this amount exceeds 25 percent of the bank's total equity capital reported in Schedule RC, item 28.)

(2) Internally developed intangible assets.

Item No. **Caption and Instructions**

3.b **All other real estate owned**. Report the net book value of all other real estate owned. Include as all 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, regardless of whether formal foreclosure proceedings have been instituted against the borrower.

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 loan and lease losses 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 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 backing mortgage loans insured by the Federal Housing Administration (FHA) or the Farmers Home Administration (FmHA) or guaranteed by the Veterans Administration (VA) that back Government National Mortgage Association (GNMA) securities, i.e., "GNMA loans."

(3) Property originally acquired for future expansion but no longer intended to be used for that purpose.

(4) Foreclosed real estate sold under contract and accounted for under the deposit method of accounting in accordance with FASB Statement No. 66, *Accounting for Sales of Real Estate*. Under this method, the seller does not record notes receivable, but continues to report the real estate and any related existing debt on its balance sheet. The deposit method is used when a sale has not been consummated and is commonly used when recovery of the carrying value of the property is not reasonably assured. If the full accrual, installment, cost recovery, reduced profit, or percentage-of-completion method of accounting under FASB Statement No. 66 is being used to account for the sale, the receivable resulting from the sale of the foreclosed real estate should be reported as a loan in Schedule RC-C and any gain on the sale should be recognized in accordance

Item No. **Caption and Instructions**

3.b (cont.) with FASB Statement No. 66. 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.b.(1) **Construction, land development, and other land (in domestic offices)**. Report the net book value of all other real estate owned (in domestic offices) 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, column B.

3.b.(2) **Farmland (in domestic offices)**. Report the net book value of all other real estate owned (in domestic offices) 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, column B.

3.b.(3) **1-4 family residential properties (in domestic offices)**. Report the net book value of all other real estate owned (in domestic offices) in the form of, or for which the underlying real estate consists of, 1-to-4 family residential properties. Exclude 1-to-4 family residential properties resulting from foreclosures on real estate backing delinquent “GNMA loans” (report in Schedule RC-M, item 3.b.(6)).

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, column B.

3.b.(4) **Multifamily (5 or more) residential properties (in domestic offices)**. Report the net book value of all other real estate owned (in domestic offices) 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 the instruction to 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, column B.

Item No.	Caption and Instructions
3.b.(5)	**Nonfarm nonresidential properties (in domestic offices)**. Report the net book value of all other real estate owned (in domestic offices) 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, column B.
3.b.(6)	**Foreclosed properties from "GNMA loans."** Report the net book value of all other real estate owned (in domestic offices) resulting from foreclosures on real estate backing delinquent "GNMA loans."

NOTE: Item 3.b.(7) is not applicable to banks filing the FFIEC 041 report form.

3.b.(7)	**In foreign offices**. Report the net book value of all other real estate owned which is held in foreign offices of the reporting bank.
3.c	**Total**. On the FFIEC 041, report the sum of items 3.a through 3.b.(6). On the FFIEC 031, report the sum of items 3.a through 3.b.(7). This amount must equal Schedule RC, item 7, "Other real estate owned."
4	**Investments in unconsolidated subsidiaries and associated companies**. Report in the appropriate subitem the amount of the bank's investments in subsidiaries that have not been consolidated; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence (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 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."
4.a	**Direct and indirect investments in real estate ventures**. Report the amount of the bank's investments in investees (as defined above) that are primarily engaged in the holding of real estate for development, resale, or other investment purposes. 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 as described above. Include in this item real estate

Item No.	Caption and Instructions

4.a (cont.) acquisition, development, or construction (ADC) arrangements which are accounted for as real estate joint ventures in accordance with guidance prepared by the American Institute of Certified Public Accountants (AICPA) in Notices to Practitioners issued in November 1983, November 1984, and February 1986.

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.

4.b **All other investments in unconsolidated subsidiaries and associated companies**. Report the amount of the bank's investments in investees (as defined above) that are not primarily engaged in the holding of real estate for development, resale, or other investment purposes. 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 as described above.

4.c **Total**. Report the sum of items 4.a and 4.b. This amount must equal Schedule RC, item 8, "Investments in unconsolidated subsidiaries and associated companies."

5 **Other borrowed money.** Report in the appropriate subitem by remaining maturity the amount borrowed by the consolidated bank.

Remaining maturity is amount of time remaining from the report date until the final contractual maturity without regard to the borrowing's repayment schedule, if any. Callable Federal Home Loan Bank advances should be reported without regard to their next call date unless the advance has actually been called. When an advance has been called, it should be reported based on the time remaining until the call date. Puttable Federal Home Loan Bank advances should be reported without regard to put dates if the bank has not exercised the put. If a put has been exercised but the advance has not yet been repaid, the puttable advance should be reported based on its scheduled repayment date.

For banks filing the FFIEC 031, for a discussion of borrowings in foreign offices, see the Glossary entry for "borrowings and deposits in foreign offices."

5.a **Federal Home loan bank advances.** Report in the appropriate subitem by remaining maturity the amount of any outstanding advances obtained from a Federal Home Loan Bank. Report all outstanding advances regardless of maturity.

5.a.(1) **With a remaining maturity of one year or less.** Report the amount of Federal Home Loan Bank advances with a remaining maturity of one year or less, including overnight advances.

5.a.(2) **With a remaining maturity of more than one year through three years.** Report the amount of Federal Home Loan Bank advances with a remaining maturity of more than one year through three years.

5.a.(3) **With a remaining maturity of more than three years.** Report the amount of Federal Home Loan Bank advances with a remaining maturity of more than three years.

5.b **Other borrowings.** Report in the appropriate subitem by remaining maturity the amount borrowed by the consolidated bank:

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Item No. **Caption and Instruction**

1 **Total deposits (in domestic offices) of the bank (and in insured branches in Puerto Rico and U.S. territories and possessions).** Memorandum items 1.a.(1), 1.b.(1), and 1.b.(2) are to be completed each quarter. Memorandum item 1.a.(2) is to be completed for the June report only. The dollar amounts used as the basis for reporting the number and amount of deposit accounts in these four Memorandum items reflect the deposit insurance limits in effect on the report date.

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.

On the FFIEC 041 report form, the sum of Memorandum items 1.a.(1) and 1.b.(1) must equal Schedule RC, item 13.a, "Deposits in domestic offices." On the FFIEC 031 report form, the sum of Memorandum items 1.a.(1) and 1.b.(1) must equal the sum of Schedule RC, item 13.a, "Deposits in domestic offices," plus Schedule RC-O, items 5.a, "Demand deposits in insured branches" in Puerto Rico and U.S. territories and possessions, and 5.b, "Time and savings deposits in insured branches" in Puerto Rico and U.S. territories and possessions.

1.a **Deposit accounts of $100,000 or less.** Report in the appropriate subitem the amount outstanding and the number of accounts with a balance of $100,000 or less as of the report date.

1.a.(1) **Amount of deposit accounts of $100,000 or less.** Report the aggregate balance of all deposit accounts, certificates, or other evidences of deposit (demand, savings, and time) with balances on the report date of $100,000 or less. This amount should represent the total of the balances of the accounts enumerated in Memorandum item 1.a.(2) below.

1.a.(2) **Number of deposit accounts of $100,000 or less.** (To be completed for the June report only.) Report the total number of deposit accounts (demand, savings, and time) with balances on the report date of $100,000 or less. Count each certificate, passbook, account, and other evidence of deposit which has a balance of $100,000 or less.

1.b **Deposit accounts of more than $100,000.** Report in the appropriate subitem the amount outstanding and the number of accounts with a balance of more than $100,000 as of the report date.

1.b.(1) **Amount of deposit accounts of more than $100,000.** Report the aggregate balance of each deposit account, certificate, or other evidence of deposit (demand, savings, and time) with a balance on the report date of more than $100,000. This amount should represent the total of the balances of the accounts enumerated in Memorandum item 1.b.(2) below.

1.b.(2) **Number of deposit accounts of more than $100,000.** Report the total number of deposit accounts (demand, savings, and time) with balances on the report date of more than $100,000. Count each certificate, passbook, account, and other evidence of deposit which has a balance of more than $100,000.

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Item No.	Caption and Instruction

2 **Estimated amount of uninsured deposits (in domestic offices of the bank and in insured branches in Puerto Rico and U.S. territories and possessions).**

Schedule RC-O, Memorandum item 2, is to be completed by banks with $1 billion or more in total assets.

Report the estimated amount of the bank's deposits (in domestic offices and in insured branches in Puerto Rico and U.S. territories and possessions) that is not covered by federal deposit insurance. The reporting of this information is mandated by Section 7(a)(9) of the Federal Deposit Insurance Act, which directs the FDIC to ensure that each insured institution maintains information on the total amount of uninsured deposits and provides this information to the FDIC on a regular basis.

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, "Fully insured brokered deposits," to determine its best estimate of the uninsured portion of its brokered deposits.

(2) If the bank has deposit accounts with balances of $100,000 or more 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.

    A bank with fiduciary deposit accounts with balances of $100,000 or more must diligently use the available data on these deposit accounts, including data indicating the existence of different principal and income beneficiaries, to determine its best estimate of the uninsured portion of these accounts.

(3) If the bank has deposit accounts with balances of $100,000 or more of employee benefit plans and eligible deferred compensation 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, in general, that the bank met each applicable regulatory capital standard at the time the deposit was accepted. In some instances, eligibility for this "pass-through" coverage is subject to written notification requirements.

    A bank with employee benefit plan and eligible deferred compensation plan deposit accounts with balances of $100,000 or more must diligently use the available data on these deposit accounts to determine its best estimate of the uninsured portion of these accounts.

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Item No.	**Caption and Instruction**
2 (cont.)	(4) If the bank's deposit accounts include benefit-responsive "Depository Institution Investment Contracts," which must be reported in Schedule RC-O, item 10, 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, and, on the FFIEC 031 report form, in Schedule RC-E, part II, item 5), 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 $100,000 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.
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 or Thrift Financial Report?** If the reporting bank is owned by another bank or savings association and that parent bank or parent savings association is consolidating the reporting bank as part of the parent institution's Call Report or Thrift Financial Report for this report date, report the legal title and FDIC Certificate Number of the parent institution in this item.

Item No.	**Caption and Instructions**

9.a (cont.) Banks are permitted, but not required, to deduct disallowed servicing assets on a basis that is net of a proportional amount of any associated deferred tax liability recorded on the balance sheet. Any deferred tax liability used in this manner would not be available for the bank to use in determining the amount of disallowed deferred tax assets in Schedule RC-R, item 9.b, below.

9.b **LESS: Disallowed deferred tax assets.** Report the portion of net deferred tax assets included in Schedule RC-F, item 2, that **does not** qualify for inclusion in Tier 1 capital based on the capital guidelines of the reporting bank's primary federal supervisory authority. Generally, deferred tax assets that are dependent upon future taxable income are limited to the lesser of: (i) the amount of such deferred tax assets that the bank expects to realize within one year of the calendar quarter-end date, based on its projected future taxable income for that year or (ii) 10% of the amount of the bank's Tier 1 capital. A bank may calculate one overall limit on deferred tax assets that covers all tax jurisdictions in which the bank operates.

Deferred tax assets that are dependent upon future taxable income are (a) deferred tax assets arising from deductible temporary differences that exceed the amount of taxes previously paid that a bank could recover through loss carrybacks if the bank's temporary differences (both deductible and taxable) fully reverse at the report date and (b) deferred tax assets arising from operating loss and tax credit carryforwards. Therefore, for purposes of this item, all temporary differences should be assumed to fully reverse at the report date.

A bank may use its future taxable income projection for its current fiscal year (adjusted for any significant changes that have occurred or are expected to occur) when determining the regulatory capital limit for its deferred tax assets at an interim calendar quarter-end date rather than preparing a new projection each quarter. Projected future taxable income should not include net operating loss carryforwards expected to be used within one year of the quarter-end report date or the amount of existing temporary differences expected to reverse within that year, but should include the estimated effect of tax planning strategies that are expected to be implemented to realize carryforwards that will otherwise expire during that year.

When determining the amount to be reported in this item, each reporting bank's calculations should be made on a separate entity basis. Under the separate entity method, a bank (together with its consolidated subsidiaries) that is a subsidiary of a holding company is treated as a separate taxpayer rather than as part of the consolidated group of which it is a member.

Deferred tax assets which can be realized from taxes paid in prior carryback years and from future reversals of existing taxable temporary differences should generally not be reported in this item. However, for a bank that is a subsidiary of a holding company, the parent holding company may not have the financial capability to reimburse the reporting bank for tax benefits derived from the bank's carryback of net operating losses or tax credits. In such a situation, when determining the amount of deferred tax assets that are dependent upon future taxable income, the amount of carryback potential the bank may consider as being available for the realization of its deferred tax assets shall be limited to the amount which the bank could reasonably expect to have refunded by its parent.

Treatment of deferred tax assets relating to available-for-sale securities – In accordance with FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, available-for-sale securities are reported in the Reports of Condition and Income at fair value, with unrealized holding gains and losses on such securities, net of tax effects, included in a separate component of equity capital. These tax effects may increase or decrease the reported amount of a bank's deferred tax assets. The federal banking agencies exclude from regulatory capital the amount of net unrealized holding gains and losses on available-for-sale

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9.b (cont.) securities (except net unrealized holding losses on available-for-sale equity securities with readily determinable fair values). When determining the regulatory capital limit for deferred tax assets, a bank may, but is not required to, adjust the amount of its deferred tax assets for any deferred tax assets and liabilities arising from marking-to-market available-for-sale debt securities for purposes of these reports. A bank must follow a consistent approach with respect to such adjustments.

Banks may use the following approach to determine the amount of disallowed deferred tax assets.

Disallowed Deferred Tax Assets Calculation

(a) Enter the amount from Schedule RC-R, item 8 ________

(b) Enter 10% of the amount in (a) above ________

(c) Enter the amount of deferred tax assets reported in Schedule RC-F, item 2 ________

(d) Enter the amount of taxes previously paid that the bank could recover through loss carrybacks if the bank's temporary differences (both deductible and taxable) fully reverse at the report date ________

(e) Amount of deferred tax assets that is dependent upon future taxable income: subtract (d) from (c); enter 0 if the result is a negative amount ________

(f) Enter the portion of (e) that the bank could realize within the next 12 months based on its projected future taxable income. Future taxable income should not include net operating loss carryforwards to be used during the next 12 months or existing temporary differences that are expected to reverse over the next 12 months. ________

(g) Enter the lesser of (b) and (f) ________

(h) Disallowed net deferred tax assets - subtract (g) from (e); enter 0 if the result is a negative amount ________

10 **Other additions to (deductions from) Tier 1 capital.** Report the amount of any additions to or deductions from Tier 1 capital based on the capital guidelines of the reporting bank's primary federal supervisory authority that are not included in Schedule RC-R, items 1 through 9.b, above. If the amount to be reported in this item is a net deduction, enclose the amount in parentheses.

For example, include the portion of credit-enhancing interest-only strips included in the bank's total assets that **does not** qualify for inclusion in Tier 1 capital based on the capital guidelines of the bank's primary federal supervisory authority. A credit-enhancing interest-only strip is defined in the capital guidelines as "an on-balance sheet asset that, in form or in substance: (i) represents the contractual right to receive some or all of the interest due on transferred assets; and (ii) exposes the bank to credit risk directly or indirectly associated with the transferred assets that exceeds a pro rata share of the bank's claim on the assets, whether through subordination provisions or other credit enhancement techniques." Credit-enhancing interest-only strips include other similar "spread" assets and can be either retained or purchased. In general, credit-enhancing interest-only strips are limited to 25 percent of Tier 1

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41 (cont.) value of those mortgage-backed and asset-backed securities reported in Schedule RC-D, item 4, "Mortgage-backed securities," item 5, "Other debt securities," and, on the FFIEC 031 report form, item 10, "Trading assets in foreign offices," that are rated in the highest or second highest investment grade, e.g., AAA or AA, in the case of long-term ratings, or in the highest rating category, e.g., A-1 or P-1, in the case of short-term ratings. If the bank does not complete Schedule RC-D, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of these types of trading assets.

- *In column E--50% risk weight*, if the bank completes Schedule RC-D, include the portion of the amount reported in RC-D, item 3, that represents the fair value of revenue obligations issued by states and political subdivisions in the U.S. Also include the fair value of those mortgage-backed and asset-backed securities reported in Schedule RC-D, item 4, "Mortgage-backed securities," item 5, "Other debt securities," and, on the FFIEC 031 report form, item 10, "Trading assets in foreign offices," that are rated in the third highest investment grade category, e.g., A, in the case of long-term ratings, or in the second highest rating category, e.g. A-2 or P-2, in the case of short-term ratings (excluding interest-only strips that are not credit-enhancing and principal-only strips, which must be assigned a 100 percent risk weight). If the bank does not complete Schedule RC-D, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of these types of securities.

- *In column F--100% risk weight*, include the fair value of trading assets reported in Schedule RC, item 5, that is not included in columns B through E. However, for those mortgage-backed and asset-backed securities reported in Schedule RC, item 5, that are rated one category below investment grade, e.g., BB, include in column F the fair value of these securities multiplied by 2.

42 **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, "Customers' liability to this bank on acceptances outstanding," item 10.a, "Goodwill," item 10.b, "Other intangible assets," and item 11, "Other assets."

The carrying value of any bank-owned general account insurance product included in Schedule RC, item 11, should be risk weighted 100 percent. If the bank owns a separate account insurance product that qualifies for the "look-through" approach, the qualifying portion of the carrying value of this product included in Schedule RC, item 11, may be eligible for a risk weight less than 100 percent, but in no case less than 20 percent. Any general account and stable value protection (SVP) portions of the carrying value of a separate account insurance product should be risk weighted at the risk weights applicable to claims on the insurer (100 percent) and the SVP provider (100 percent or, if appropriate, 20 percent), respectively. A separate account insurance product that does not qualify for the "look-through" approach should receive a 100 percent risk weight. For further information, see the Interagency Statement on the Purchase and Risk Management of Life Insurance, issued December 7, 2004.

- *In column B*, include the amount of any disallowed goodwill and other disallowed intangible assets reported in Schedule RC-R, item 7; disallowed servicing assets and purchased credit card relationships reported in Schedule RC-R, item 9.a; disallowed deferred tax assets reported in Schedule RC-R, item 9.b; all credit-enhancing

Item No. **Caption and Instructions**

42 (cont.) interest-only strips reported in Schedule RC, item 11; all residual interests (as defined in the instructions for Schedule RC-R, item 50) not eligible for the ratings-based approach; the fair value of derivative contracts that are reported as assets in Schedule RC, item 11; and the carrying value of other assets reported in Schedule RC, item 11, that act as credit enhancements for those recourse transactions that must be reported in Schedule RC-R, items 49 and 51. Also include the amount of the bank's investments in unconsolidated banking and finance subsidiaries that are reported in Schedule RC, item 8, and are deducted for risk-based capital purposes in Schedule RC-R, item 20.

If the bank has residual interests in asset securitizations that are eligible for the ratings-based approach, report the difference between these residuals' fair value carrying amount and their amortized cost in column B as a positive number if fair value exceeds cost and as a negative number (i.e., in parentheses) if cost exceeds fair value. Also, include *in column B* as a negative number the amortized cost of any residual interests in asset securitizations (other than credit-enhancing interest-only strips) included in Schedule RC, item 11, that are rated one category below investment grade, e.g., BB.

- *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, items 34 through 41); and 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.

- *In column D--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 D of Schedule RC-R, items 34 through 41); and the portion of customers' acceptance liability reported in Schedule RC, item 11, that has been participated to other depository institutions. Also include the amortized cost of residual interests in asset securitizations (other than credit-enhancing interest-only strips) included in Schedule RC, item 11, that are rated in the highest or second highest investment grade, e.g., AAA or AA, in the case of long-term ratings, or in the highest rating category, e.g., A-1 or P-1, in the case of short-term ratings.

- *In column E--50% risk weight*, include accrued interest receivable on assets included in the 50 percent risk weight category (column E of Schedule RC-R, items 34 through 41). Also include the amortized cost of residual interests in asset securitizations (other than credit-enhancing interest-only strips) included in Schedule RC, item 11, that are rated in the third highest investment grade, e.g., A, in the case of long-term ratings, or in the second highest rating category, e.g., A-2 or P-2, in the case of short-term ratings.

- *In column F--100% risk weight*, include the amount of all other assets reported in column A that is not included in columns B through E. However, for residual interests in asset securitizations (other than credit-enhancing interest-only strips) included in Schedule RC, item 11, include the amortized cost of those that are rated in the lowest investment grade category, e.g., BBB, and the amortized cost multiplied by 2 of those that are rated one category below investment grade, e.g., BB.

43 **Total assets.** For columns A through F, report the sum of items 34 through 42. The sum of columns B through F must equal column A.

Item No. **Caption and Instructions**

58 (cont.) could decline due to expected losses in the bank's portfolio due to market movements during a given period, measured with a specified confidence level. A bank's measure for market risk equals the sum of its VAR-based capital charge, the specific risk add-on (if any), and the capital charge for de minimus exposures (if any). A bank's market risk equivalent assets equal its measure for market risk multiplied by 12.5 (the reciprocal of the minimum 8.0 percent capital ratio).

Banks subject to the market risk capital guidelines must maintain an overall minimum 8.0 percent ratio of total qualifying capital (the sum of Tier 1 capital (both allocated and excess), Tier 2 capital (both allocated and excess), and Tier 3 capital (allocated for market risk), net of all deductions) to risk-weighted assets and market risk equivalent assets. Banks should refer to the capital guidelines of their primary federal supervisory authority for specific instructions on the calculation of the measure for market risk.

59 **Risk-weighted assets before deductions for excess allowance for loan and lease losses and allocated transfer risk reserve.** Report the sum of item 57, columns C through F, and item 58.

60 **LESS: Excess allowance for loan and lease losses.** Report the amount, if any, by which the bank's allowance for loan and lease losses exceeds 1.25 percent of the bank's ***gross*** risk-weighted assets. The amount to be reported in this item equals Schedule RC, item 4.c, "Allowance for loan and lease losses," less Schedule RI-B, part II, Memorandum item 1, "Allocated transfer risk reserve included in Schedule RI-B, part II, item 7, above," plus Schedule RC-G, item 3, "Allowance for credit losses on off-balance sheet credit exposures." less Schedule RC-R, item 14, "Allowance for loan and lease losses includible in Tier 2 capital."

61 **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 Part 20 of the Comptroller of the Currency's Regulations), 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 reported in Schedule RI-B, part II, Memorandum item 1) plus the ATRR for assets other than loans and leases held for investment.

62 **Total risk-weighted assets.** Report the amount derived by subtracting items 60 and 61 from item 59.

Memoranda

Item No. Caption and Instructions

1 **Current credit exposure across all derivative contracts covered by the risk-based capital standards.** Report the total current credit exposure amount for all interest rate, foreign exchange, commodity, and equity derivative contracts covered by the risk-based capital standards after considering applicable legally enforceable bilateral netting agreements. Exclude the current credit exposure for all credit derivative contracts from this item. Banks that are subject to the market risk capital guidelines should exclude all covered positions subject to these guidelines, except for foreign exchange derivatives that are outside of the trading account and all over-the-counter (OTC) derivatives. Foreign exchange derivatives that are outside of the trading account and all OTC 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.

The following types of derivative contracts are not covered by the risk-based capital standards:

(1) interest rate, foreign exchange, equity, commodity and other derivative contracts traded on exchanges that require daily payment of variation margin,

(2) foreign exchange contracts with an original maturity of fourteen calendar days or less, and

(3) all written option contracts except for those that are, in substance, financial guarantees.

Purchased options held by the reporting bank that are traded on an exchange are covered by the risk-based capital standards 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.

If a written option contract acts as a financial guarantee, then it will be treated as a direct credit substitute for risk-based capital purposes and the notional amount of the option should be included in Schedule RC-R, item 52, column A, as an "other off-balance sheet liability." An example of such a contract occurs when the reporting bank writes a put option to a second bank which 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.

Current credit exposure (sometimes referred to as the replacement cost) is the fair value of a contract when that fair value is positive. The current credit exposure is zero when the fair value is negative or zero. Current credit exposure should be derived as follows: Determine whether a legally enforceable bilateral netting agreement 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. Next, for all other contracts covered by the risk-based capital standards 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 legally enforceable bilateral netting agreements and (ii) the total positive fair values of all other contracts covered by the risk-based capital standards. 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, item 54, column B.

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Item No.	Caption and Instructions
1 (cont.)	Consistent with the risk-based capital guidelines, if a bilateral netting agreement covers off-balance sheet derivative contracts that are normally not covered by the risk- based capital standards (e.g., foreign exchange contracts with an original maturity of 14 calendar days or less and contracts traded on exchanges that require daily payment of variation margin), the reporting bank may elect to consistently either include or exclude the fair values of all such derivative contracts when determining the net current credit exposure for that agreement. The definition of a legally enforceable bilateral netting agreement for purposes of this item is the same as that set forth in the risk-based capital rules. These rules require a written bilateral netting contract that creates a single legal obligation covering all included individual contracts and that does not contain a walkaway clause. The bilateral netting agreement must be supported by a written and reasoned legal opinion representing that an organization's claim or obligation, in the event of a legal challenge, including one resulting from default, insolvency, bankruptcy, or similar circumstances, would be found by the court and administrative authorities of all relevant jurisdictions to be the net sum of all positive and negative fair values of contracts included in the bilateral netting contract.
2	**<u>Notional principal amounts of derivative contracts.</u>** Report in the appropriate subitem and column the notional amount or par value of all derivative contracts, including credit derivatives, that are subject to risk-based capital requirements. Such contracts include swaps, forwards, and purchased options. Report notional amounts and par values in the column corresponding to the 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. Do not report the notional amount for single currency interest rate swaps in which payments are made based upon two floating rate indices, so-called floating/floating or basis swaps; foreign exchange contracts with an original maturity of 14 days or less; and futures contracts. The notional amount or par value to be reported for an off-balance-sheet 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% and LIBOR multiplied by 10 has an effective notional amount of $10,000,000.) The notional amount to be reported for an amortizing 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. For descriptions of "interest rate contracts," "foreign exchange contracts," "commodity and other contracts," and "equity derivative contracts," refer to the instructions for Schedule RC-L, item 12. For a description of “credit derivative contracts,” refer to the instructions for Schedule RC-L, item 7.
2.a	**<u>Interest rate contracts.</u>** Report the remaining maturities of interest rate contracts that are subject to risk-based capital requirements.
2.b	**<u>Foreign exchange contracts.</u>** Report the remaining maturities of foreign exchange contracts that are subject to risk-based capital requirements.
2.c	**<u>Gold contracts.</u>** Report the remaining maturities of gold contracts that are subject to risk-based capital requirements.

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Item No.	Caption and Instructions
2.d	**Other precious metals contracts.** Report the remaining maturities of other precious metals contracts that are subject to risk-based capital requirements. Report all silver, platinum, and palladium contracts.
2.e	**Other commodity contracts.** Report the remaining maturities of other commodity contracts that are subject to risk-based capital requirements. 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.
2.f	**Equity derivative contracts.** Report the remaining maturities of equity derivative contracts that are subject to risk-based capital requirements.
2.g	**Credit derivative contracts.** Report in the appropriate subitem the remaining maturities of credit derivative contracts that are subject to risk-based capital requirements. The credit derivative contracts included in this item should not be reported in Schedule RC-R, item 54, but should be reported in Schedule RC-R, item 52, if they have not been reported in one of the items preceding item 52 in the Derivatives and Off-Balance Sheet Items section of this schedule.
2.g.(1)	**Investment grade.** Report the remaining maturities of credit derivative contracts where the underlying reference asset is rated investment grade or, if not rated, is the equivalent of investment grade under the bank's internal credit rating system
2.g.(2)	**Subinvestment grade.** Report the remaining maturities of credit derivative contracts where the underlying reference asset is rated below investment grade, i.e., subinvestment grade, or, if not rated, is the equivalent of below investment grade under the bank's internal credit rating system.

SCHEDULE RC-S – SERVICING, SECURITIZATION, AND ASSET SALE ACTIVITIES

General Instructions

Schedule RC-S should be completed on a fully consolidated basis. Schedule RC-S includes information on 1-4 family residential mortgages and other financial assets serviced for others (in Memorandum items 2.a, 2.b, and 2.c). Schedule RC-S also includes information on assets that have been securitized or sold and are not reportable on the balance sheet of the Report of Condition, except for credit-enhancing interest-only strips (which are reported in item 2.a of this schedule), subordinated securities and other enhancements (which are reported in items 2.b, 2.c, and 9 and Memorandum items 3.a.(1) and (2)), and seller's interests (which are reported in items 6.a and 6.b).

Column Instructions

Column A, 1-4 Family Residential Loans**:** 1-4 family residential loans are permanent closed-end loans secured by first or junior liens on 1-to-4 family residential properties as defined for Schedule RC-C, part I, items 1.c.(2)(a) and 1.c.(2)(b).

Column B, Home Equity Lines: Home equity lines are revolving, open-end lines of credit secured by 1-to-4 family residential properties as defined for Schedule RC-C, part I, item 1.c.(1).

Column C, Credit Card Receivables: Credit card receivables are extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards as defined for Schedule RC-C, part I, item 6.a.

Column D, Auto Loans**:** Auto loans are loans to individuals for the purpose of purchasing private passenger vehicles, including minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use, and are a subset of "Other consumer loans," as defined for Schedule RC-C, part I, item 6.c.

Column E, Other Consumer Loans: Other consumer loans are loans to individuals for household, family, and other personal expenditures as defined for Schedule RC-C, part I, items 6.b and 6.c, excluding auto loans as described in Column D of this schedule.

Column F, Commercial and Industrial Loans: Commercial and industrial loans are loans for commercial and industrial purposes to sole proprietorships, partnerships, corporations, and other business enterprises, whether secured (other than by real estate) or unsecured, single-payment or installment, as defined for Schedule RC-C, part I, item 4.

Column G, All Other Loans, All Leases, and All Other Assets: All other loans are loans that cannot properly be reported in Columns A through F of this schedule as defined for Schedule RC-C, part I, items 1.a, 1.b, 1.d, 1.e, 2, 3, and 7 through 9. All leases are all lease financing receivables as defined for Schedule RC-C, part I, item 10. All other assets are all assets other than loans and leases, e.g., securities.

For purposes of items 1 through 10 of Schedule RC-S on bank securitization activities and other securitization facilities, information about each separate securitization should be included in only one of the seven columns of this schedule. The appropriate column for a particular securitization should be based on the predominant type of loan included in the securitization and this column should be used consistently over time. For example, a securitization may include auto loans to individuals and to business enterprises. If these auto loans are predominantly loans to individuals, all of the requested information about this securitization should be included in Column D, Auto Loans.

Definitions

For purposes of this schedule, the following definitions of terms are applicable.

Recourse or other seller-provided credit enhancement means an arrangement in which the reporting bank 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 bank when it transfers an asset, or assumed by the bank when it services a transferred asset, that obligates the bank to absorb credit losses on the transferred asset. Such an arrangement typically exists when a bank 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 bank provides this protection by retaining:

(a) 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
(b) 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 a bank when it securitizes assets expose the bank to more than its pro rata share of loss and thus are considered a form of credit enhancement to the securitization structure.

Credit-enhancing interest-only strip, as defined in the banking agencies' regulatory capital standards, means an on-balance sheet asset that, in form or in substance: (i) represents the contractual right to receive some or all of the interest due on transferred assets; and (ii) exposes the bank to credit risk directly or indirectly associated with the transferred assets that exceeds a pro rata share of the bank’s claim on the assets, whether through subordination provisions or other credit enhancement techniques. Credit-enhancing interest-only strips include other similar "spread" assets and can be either retained or purchased.

Liquidity facility means any arrangement, including servicer cash advances, in which the reporting bank is obligated to provide funding to a securitization structure to ensure investors of timely payments on issued securities, e.g., by smoothing timing differences in the receipt of interest and principal payments on the underlying securitized assets, or to ensure investors of payments in the event of market disruptions. Advances under such a facility are typically reimbursed from subsequent collections by the securitization structure and are not subordinated to other claims on the cash flows from the underlying assets and, therefore, should generally not be construed to be a form of credit enhancement. However, if the advances under such a facility are subordinated to other claims on the cash flows, the facility should be treated as a credit enhancement for purposes of this schedule.

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 should be reported on Schedule RC – Balance Sheet – as securities or as loans depending on the form in which the interest is held. However, 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.

Item No. **Caption and Instructions**

Bank Asset Sales

11 **Assets sold with recourse or other seller-provided credit enhancements and not securitized by the reporting bank.** Report in the appropriate column the unpaid principal balance as of the report date of loans and leases, which the reporting bank has sold with recourse or other seller-provided credit enhancements, but which were not securitized by the reporting bank. Include loans and leases that the reporting bank 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 bank. Include 1-4 family residential mortgages that the reporting bank 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.

Exclude small business obligations transferred with recourse under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994, which are to be reported in Schedule RC-S, Memorandum item 1, below.

12 **Maximum amount of credit exposure arising from recourse or other seller-provided credit enhancements provided to assets reported in item 11.** Report in the appropriate column the maximum contractual credit exposure remaining as of the report date under recourse arrangements or other seller-provided credit enhancements provided by the reporting bank in connection with its sales of the loans and leases reported in Schedule RC-S, item 11, above. Report the unused portion of standby letters of credit, the carrying value of retained interests, and the maximum contractual amount of recourse or other credit exposure arising from other on- and off-balance sheet credit enhancements that the reporting bank has provided. Do not report as the remaining maximum contractual exposure a reasonable estimate of the probable loss under the recourse arrangements or credit enhancement provisions or the fair value of any liability incurred under such provisions. Furthermore, do not reduce the remaining maximum contractual exposure by the amount of any associated recourse liability account. Report exposure amounts gross rather than net of any tax effects, e.g., any associated deferred tax liability.

Memoranda

Item No. **Caption and Instructions**

1 **Small business obligations transferred with recourse under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994.** Report in the appropriate subitem the outstanding principal balance of and recourse exposure on small business loans and leases on personal property (small business obligations) which the bank has transferred with recourse during the time the bank was a "qualifying institution" and did not exceed the retained recourse limit set forth in banking agency regulations implementing Section 208. Transfers of small business obligations with recourse that were consummated during such a time should be reported as sales for Call Report purposes if the transactions are treated as sales under generally accepted accounting principles (GAAP) and the institution establishes a recourse liability account that is sufficient under GAAP.

1.a **Outstanding principal balance.** Report the principal balance outstanding as of the report date for small business obligations which the bank has transferred with recourse while it was a “qualifying institution” and did not exceed the retained recourse limit.

1.b **Amount of retained recourse on these obligations as of the report date.** Report the maximum contractual amount of recourse the bank has retained on the small business obligations whose outstanding principal balance was reported in Schedule RC-S, Memorandum item 1.a, above, not a reasonable estimate of the probable loss under the recourse provision and not the fair value of the liability incurred under this provision. Furthermore, the remaining maximum contractual exposure should not be reduced by the amount of any associated recourse liability account. The amount of recourse exposure to be reported should not include interest payments the bank has advanced on delinquent obligations. For small business obligations transferred with full (unlimited) recourse, the amount of recourse exposure to be reported is the outstanding principal balance of the obligations as of the report date. For small business obligations transferred with limited recourse, the amount of recourse exposure to be reported is the maximum amount of principal the transferring bank would be obligated to pay the holder of the obligations in the event the entire outstanding principal balance of the obligations transferred becomes uncollectible.

2 **Outstanding principal balance of assets serviced for others.** Report in the appropriate subitem the outstanding principal balance of loans and other financial assets the bank services for others. Include (1) the principal balance of loans and other financial assets owned by others for which the reporting bank has purchased the servicing (i.e., purchased servicing) and (2) the principal balance of loans and other financial assets that the reporting bank 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).

2.a **Closed-end 1–4 family residential mortgages serviced with recourse or other servicer-provided credit enhancements.** Report the outstanding principal balance of closed-end 1-to-4 family residential mortgage loans (as defined for Schedule RC-C, part I, item 1.c.(2)) that the reporting bank services for others under servicing arrangements in which the reporting bank also provides recourse or other servicer-provided credit enhancements. 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.

Memoranda

Item No.	Caption and Instructions
2.b	**Closed-end 1–4 family residential mortgages serviced with no recourse or other servicer-provided credit enhancements.** Report the outstanding principal balance of closed-end 1-to-4 family residential mortgage loans (as defined for Schedule RC-C, part I, item 1.c.(2)) that the reporting bank services for others under servicing arrangements in which the reporting bank does not provide recourse or other servicer-provided credit enhancements.
2.c	**Other financial assets.** *NOTE: Memorandum item 2.c is to be completed if the principal balance of loans and other financial assets serviced for others is more than $10 million.* Report the outstanding principal balance of loans and other financial assets, other than closed-end 1-to-4 family residential mortgage loans, that the reporting bank services for others. These 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.
3	**Asset-backed commercial paper conduits.** Report the requested information on credit enhancements and liquidity facilities provided to asset-backed commercial paper conduits in Memorandum items 3.a and 3.b, respectively, regardless of whether the reporting bank must consolidate the conduit for reporting purposes in accordance with FASB Interpretation No. 46 (Revised).
3.a	**Maximum amount of credit exposure arising from credit enhancements provided to conduit structures in the form of standby letters of credit, subordinated securities, and other enhancements.** Report in the appropriate subitem the maximum contractual credit exposure remaining as of the report date under standby letters of credit, subordinated securities, and other credit enhancements provided by the reporting bank to asset-backed commercial paper conduit structures. Do not report in these subitems a reasonable estimate of the probable loss under the credit enhancement provisions or the fair value of any liability incurred under such provisions.
3.a.(1)	**Conduits sponsored by the bank, a bank affiliate, or the bank's holding company.** Report the unused portion of standby letters of credit, the carrying value of subordinated securities, and the maximum contractual amount of credit exposure arising from other credit enhancements that the reporting bank has provided to asset-backed commercial paper conduit structures sponsored by the reporting bank, an affiliate of the reporting bank, or the reporting bank's holding company.
3.a.(2)	**Conduits sponsored by other unrelated institutions.** Report the unused portion of standby letters of credit, the carrying value of subordinated securities, and the maximum contractual amount of credit exposure arising from other credit enhancements that the reporting bank has provided to asset-backed commercial paper conduit structures *other than those* sponsored by the reporting bank, an affiliate of the reporting bank, or the reporting bank's holding company.
3.b	**Unused commitments to provide liquidity to conduit structures.** Report in the appropriate subitem the unused portions of commitments provided by the reporting bank that function as liquidity facilities to asset-backed commercial paper conduit structures. Typically, these facilities take the form of a *Backstop Line (Loan Agreement)* or an *Asset Purchase Agreement*. Under a backstop line, the reporting bank advances funds to the conduit when a draw is required under the liquidity facility. The advance is secured by the cash flow of the underlying asset pools. Under an asset purchase agreement, the reporting bank purchases a

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Item No. Caption and Instructions

3.b (cont.) specific pool of assets from the conduit when a draw is required under the liquidity facility. Typically, the reporting bank is repaid from the cash flow on the purchased assets or from the sale of the purchased pool of assets.

3.b.(1) **Conduits sponsored by the bank, a bank affiliate, or the bank's holding company.** Report the unused portions of commitments provided by the reporting bank that function as liquidity facilities to asset-backed commercial paper conduit structures sponsored by the reporting bank, an affiliate of the reporting bank, or the reporting bank's holding company.

3.b.(2) **Conduits sponsored by other unrelated institutions.** Report the unused portions of commitments provided by the reporting bank that function as liquidity facilities to asset-backed commercial paper conduit structures *other than those* sponsored by the reporting bank, an affiliate of the reporting bank, or the reporting bank's holding company.

NOTE: Memorandum item 4 is to be completed only by those banks that:

(1) either individually or on a combined basis with their affiliated depository institutions, report 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 (column B on the FFIEC 041, column A on the FFIEC 031);
- (b) Schedule RC-S, item 1, column C; and
- (c) Schedule RC-S, item 6.a, column C.

(Include comparable data on managed credit card receivables for any affiliated savings association.)

OR

(2) are credit card specialty banks as defined for purposes of the Uniform Bank Performance Report (UBPR). According to the UBPR Users Guide, credit card specialty banks are currently defined as those banks that exceed 50% 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.

4 **Outstanding credit card fees and finance charges.** Report the amount outstanding of credit card fees and finance charges that the bank has securitized and sold in connection with its securitization and sale of the credit card receivables reported in Schedule RC-S, item 1, column C.

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 FASB Statement No. 140, 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.

Accounting at Inception of the Securitization Transaction -- Generally, if a securitization transaction meets the criteria for sale treatment and the AIR is subordinated either because the asset has been isolated from the transferor[1] or because of the operation of the cash flow distribution (or “waterfall”) through the securitization trust, the total AIR asset (both the “billed and uncollected” and “accrued and unbilled”) should be considered one of the components of the sale transaction. Thus, when accounting for a credit card securitization, an institution should allocate the previous carrying amount of the AIR (net of any related allowance for uncollectible amounts) and the other transferred assets between the assets that are sold and the retained interests, based on their relative fair values at the date of transfer. As a result, after a securitization, the allocated carrying amount of the AIR asset will typically be lower than its face amount.

Subsequent Accounting -- After securitization, the AIR asset should be accounted for at its allocated cost basis (as discussed above). In addition, an institution should treat the AIR asset as a retained (subordinated) beneficial interest. Accordingly, it should be reported as an “All other asset” in Schedule RC-F, item 6, and in Schedule RC-S, item 2.b, column C, (if reported as a stand-alone asset) and not as a loan receivable.

Although the AIR asset is a retained beneficial interest in transferred assets, it is not required to be subsequently measured like an investment in debt securities classified as available for sale or trading under FASB Statements Nos. 115 and 140 because the AIR asset cannot be contractually prepaid or settled in such a way that the holder would not recover substantially all of its recorded investment. Rather, institutions should follow existing applicable accounting standards, including FASB Statement No. 5, *Accounting for Contingencies*, in subsequent accounting for the AIR asset. Statement No. 5 addresses the accounting for various loss contingencies, including the collectibility of receivables.

For further guidance, banks should refer to the Interagency Advisory on the Accounting Treatment of Accrued Interest Receivable Related to Credit Card Securitizations dated December 4, 2002. See also the Glossary entry for “Transfers of Financial Assets.”

[1] See paragraph 9(a) of FASB Statement No. 140.

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 guidance presented by the American Institute of Certified Public Accountants in a Notice to Practitioners issued in February 1986 (or, if appropriate, in notices issued in November 1983 and November 1984).

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).

Agreement Corporation: See "Edge and Agreement corporation."

Bankers Acceptances (cont.):

The following description covers the treatment in the Report of Condition of (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 the exceptions described below, 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.

Exceptions to the mandatory reporting by the accepting bank of the full amount of all outstanding drafts accepted by the reporting bank in both “Other liabilities” (Schedule RC, item 20) and “Other assets” (Schedule RC, item 11) on the balance sheet of the Consolidated Report of Condition occur in the following situations:

(a) One exception occurs in situations where the accepting bank acquires -- through initial discounting or subsequent purchase -- and holds its own acceptance (i.e., a draft that it has itself accepted). In this case, the reporting bank's own acceptances that are held by it should not be reported in the ”Other liabilities” and “Other assets” items noted above. The bank's holdings of its own acceptances should be reported in "Loans and leases held for sale" (Schedule RC, item 4.a), "Loans and leases, net of unearned income" (Schedule RC, item 4.b), or "Trading assets" (Schedule RC, item 5), as appropriate.

(b) Another exception occurs in situations where the account party anticipates its liability to the reporting bank on an acceptance outstanding by making a payment to the bank that reduces the customer's liability in advance of the maturity of the acceptance. In this case, the reporting bank should decrease ”Other assets” (Schedule RC, item 11) by the amount of such prepayment; the prepayment will not affect the bank’s “Other liabilities” (Schedule RC, item 20), which would continue to reflect the full amount of the acceptance until the bank has repaid the holder of the acceptance at the maturity date specified in the instrument. If the account party's payment to the accepting bank before the maturity date is not for the purpose of immediate reduction of its indebtedness to the reporting bank or if receipt of the payment does not immediately reduce or extinguish that indebtedness, such advance payment will not reduce item 11 of Schedule RC but should be reflected in the bank's deposit liabilities.

In all situations other than these two exceptions just described, the accepting bank must report the full amount of its acceptances in “Other liabilities” (Schedule RC, item 20) and in ”Other assets” (Schedule RC, item 11). There are no other circumstances in which the accepting bank can report as a balance sheet liability anything less than the full amount of the obligation to put the holder of the acceptance in funds at maturity. Moreover, there are no circumstances in which the reporting bank can net its acceptance assets against its acceptance liabilities.

Bankers Acceptances (cont.):

NOTE: The amount of a reporting member (both national and state) bank's acceptances that are subject to statutory limitations on eligible acceptances as set forth in federal statute 12 USC 372 and in Federal Reserve regulation 12 CFR Part 250 may differ from the required reporting of acceptances on the balance sheet of the Consolidated Report of Condition, as described above. These differences are mainly attributable to ineligible acceptances, to participations in the reporting bank's acceptances conveyed to others, to participations acquired by the reporting bank in other banks' acceptances, and to the effect of the consolidation of subsidiaries in the Report of Condition.

(2) "Participations" in acceptances -- The general requirement for the accepting bank to report on its balance sheet the full amount of the total obligation to put the holder of the acceptance in funds applies also, in particular, to any situation in which the accepting bank enters into any kind of arrangement with others for the purpose of having the latter share, or participate, in the obligation to put the holder of the acceptance in funds at maturity or in the risk of loss in the event of default on the part of the account party.[1] In any such sharing arrangement or participation agreement -- regardless of its form or its contract provisions, regardless of the terminology (e.g., "funded," "risk," "unconditional," or "contingent") used to describe it and the relationships under it, regardless of whether it is described as a participation in the customer's liability or in the accepting bank's obligation or in the risk of default by the account party, and regardless of the system of debits and credits used by the accepting bank to reflect the participation arrangement -- the existence of the 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 to put the holder of the acceptance in funds or shares in its risk of loss in the event of default on the part of the account party, 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, item 47, “Risk participations in bankers acceptances acquired by the reporting institution.” This same reporting treatment applies to a bank that acquires a participation in an acceptance of another (accepting) bank and subsequently conveys the participation to others and to a bank that acquires such a participation. Moreover, the bank that both acquires and conveys a participation in another bank's acceptance must report the amount of the participation in the acceptance participation item in Schedule RC-R.

[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.):

(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." Banks that must complete Schedule RC-D, Trading Assets and Liabilities, will identify these holdings (in domestic offices) in item 9, "Other trading assets (in domestic offices)." Banks with foreign offices that must complete Schedule RC-D will identify these holdings in foreign offices in item 10, "Trading assets in foreign offices."

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, net of unearned income," as appropriate, and in Schedule RC-C, part I, "Loans and Lease financing receivables."

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, "Loans to foreign governments and official institutions" (item 7).

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: FASB Technical Bulletin No. 85-4, "Accounting for Purchases of Life Insurance," addresses the accounting for bank-owned life insurance. According to this technical bulletin, only the amount that could be realized under the insurance contract as of the balance sheet date should be reported as an asset. 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. 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.

Bank-Owned Life Insurance (cont.):

The net cash surrender value of 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 net cash surrender value of bank-owned life insurance 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 net cash surrender value 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." If the earnings (losses) on or the increases (decreases) in the net cash surrender value that are reported in Schedule RI, item 5.l, are greater than 1 percent of the sum of total interest income and total 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 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.

Derivative Contracts (cont.):

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 Statement No. 133 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.

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. 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 Statement No. 133), the derivative gain or loss reported in “Accumulated other comprehensive income” should be reclassified into earnings immediately.

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 in order to qualify for hedge accounting, an institution should not recognize 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.

With certain limited exceptions, a nonderivative instrument, such as a U.S. Treasury security, may not be designated as a hedging instrument.

Reporting Derivative Contracts

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).

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 (that is, gains and losses) of trading derivatives should be recognized currently in earnings and included in Schedule RI, item 5.c, “Trading revenue.”

Freestanding derivatives held for purposes other than trading (and embedded derivatives that must be accounted for separately under Statement No. 133, 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." If the total fair value of these derivatives 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 must be accounted for separately under Statement No. 133, 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." If the total fair value of these derivatives 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 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.

Netting of derivative assets and liabilities is prohibited on the balance sheet except as permitted under FASB Interpretation No. 39. See the Glossary entry for "offsetting."

Derivative Contracts (cont.):

Banks must report the notional amounts of their derivative contracts (both freestanding derivatives and embedded derivatives that must be accounted for separately from their host contract under Statement No. 133) by risk exposure in Schedule RC-L, first by type of contract in Schedule RC-L, item 12, and then by purpose of contract (i.e., trading, other than trading) in Schedule RC-L, items 13 and 14. Banks must then report the gross fair values of their derivatives, both positive and negative, by risk exposure and purpose of contract in Schedule RC-L, item 15. However, these items exclude credit derivatives, the notional amounts and gross fair values of which must be reported in Schedule RC-L, item 7.

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.

Domicile: Domicile is used to determine the foreign (non-U.S. addressee) or domestic (U.S. addressee) status of a customer of the reporting bank for the purposes of these reports. Domicile is determined by the principal residence address of an individual or the principal business address of a corporation, partnership, or sole proprietorship. If other addresses are used for correspondence or other purposes, only the principal address, insofar as it is known to the reporting bank, should be used in determining whether a customer should be regarded as a U.S. or non-U.S. addressee.

Foreclosed Assets (cont.):

from five percent to 25 percent of the property's sales value. These guideline percentages vary by type of property and are primarily based on the inherent risk assumed for the type and characteristics of the property. To meet the continuing investment criteria, the contractual loan payments must be sufficient to repay the loan over the customary loan term for the type of property involved. Such periods may range up to 30 years for loans on single family residential property.

Installment Method -- Dispositions of foreclosed real estate that do not qualify for the full accrual method may qualify for the installment method. This method recognizes a sale and the corresponding loan. Any profits on the sale are only recognized as the bank receives payments from the purchaser/borrower. Interest income is recognized on an accrual basis, when appropriate.

The installment method is used when the buyer's down payment is not adequate to allow use of the full accrual method but recovery of the cost of the property is reasonably assured if the buyer defaults. Assurance of recovery requires careful judgment on a case-by-case basis. Factors which should be considered include: the size of the down payment, loan-to-value ratios, projected cash flows from the property, recourse provisions, and guarantees.

Since default on the loan usually results in the seller's reacquisition of the real estate, reasonable assurance of cost recovery may often be achieved with a relatively small down payment. This is especially true in situations involving loans with recourse to borrowers who have verifiable net worth, liquid assets, and income levels. Reasonable assurance of cost recovery may also be achieved when the purchaser/borrower pledges additional collateral.

Cost Recovery Method -- Dispositions of foreclosed real estate that do not qualify for either the full accrual or installment methods are sometimes accounted for using the cost recovery method. This method recognizes a sale and the corresponding loan, but all income recognition is deferred. Principal payments are applied as a reduction of the loan balance and interest increases the unrecognized gross profit. No profit or interest income is recognized until either the aggregate payments by the borrower exceed the recorded amount of the loan or a change to another accounting method is appropriate (e.g., installment method). Consequently, the loan is maintained in nonaccrual status while this method is being used.

Reduced-Profit Method -- This method is used in certain situations where the bank receives an adequate down payment, but the loan amortization schedule does not meet the requirements for use of the full accrual method. The method recognizes a sale and the corresponding loan. However, like the installment method, any profit is apportioned over the life of the loan as payments are received. The method of apportionment differs from the installment method in that profit recognition is based on the present value of the lowest level of periodic payments required under the loan agreement.

Since sales with adequate down payments are generally not structured with inadequate loan amortization requirements, this method is seldom used in practice.

Deposit Method -- The deposit method is used in situations where a sale of the foreclosed real estate has not been consummated. It may also be used for dispositions that could be accounted for under the cost recovery method. Under this method a sale is not recorded and the asset continues to be reported as foreclosed real estate. Further, no profit or interest income is recognized. Payments received from the borrower are reported as a liability until sufficient payments or other events have occurred which allow the use of one of the other methods.

The preceding discussion represents a brief summary of the methods included in FASB Statement No. 66 for accounting for sales of real estate. Refer to FASB Statement No. 66 for a more complete description of the accounting principles that apply to sales of real estate, including the determination of the down payment percentage.

<u>Foreign Banks</u>: <u>See</u> "banks, U.S. and foreign."

<u>Foreign Currency Transactions and Translation</u>: <u>Foreign currency transactions</u> 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).

<u>Foreign currency translation</u>, 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 <u>functional currency</u> is the currency of the primary economic environment in which an office operates. For most banks, the functional currency will be the U.S. dollar. However, if a bank has foreign offices, one or more foreign offices may have a functional currency other than the U.S. dollar.

<u>Accounting for foreign currency transactions</u> -- 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 section, 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 in Schedule RI, item 5.c, "Trading revenue."

<u>Foreign currency transaction gains or losses to be excluded from the determination of net income</u> -- Gains and losses on the following foreign currency transactions shall not be included in "Noninterest income" or "Noninterest expense," but shall be reported in the same manner as translation adjustments (as described below):

(1) Foreign currency transactions that are designated as, and are effective as, economic hedges of a net investment in a foreign office.

(2) Intercompany foreign currency transactions that are 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 Reports of Condition and Income.

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).

<u>See</u> the Glossary entry for "derivative contracts" for information on the accounting and reporting for foreign currency derivatives.

Foreign Currency Transactions and Translation (cont.):

Accounting for foreign currency translation (applicable only to banks with foreign offices) --The Reports of Condition and Income must be reported in U.S. dollars. Balances of foreign subsidiaries or branches of the reporting bank denominated in a functional currency other than U.S. dollars shall be converted to U.S. dollar equivalents and consolidated into the reporting bank's Reports of Condition and Income. The translation adjustments for each reporting period, determined utilizing the current rate method, should be reported in Schedule RI-A, item 10, "Other comprehensive income." Amounts accumulated in the "Cumulative foreign currency translation adjustments" component of "Accumulated other comprehensive income" in Schedule RC, item 26.b, will not be included in the bank's results of operations until such time as the foreign office is disposed of, when they will be used as an element to determine the gain or loss on disposition.

For further guidance, refer to FASB Statement No. 52, "Foreign Currency Translation."

Servicing Assets and Liabilities (cont.):

All servicing assets and liabilities carried on the books of reporting banks shall be amortized in proportion to, and over the period of, estimated net servicing income (servicing revenue in excess of servicing costs) or net servicing loss (servicing costs in excess of servicing revenue). The book value of servicing assets and liabilities should be reviewed at least quarterly. The servicing assets shall be stratified into groups based on one or more of the predominant risk characteristics of the underlying financial assets for purposes of determining fair value. If the book value of a stratum of a servicing asset exceeds its fair value, the servicing asset is considered to be impaired and the book value shall be reduced to fair value through a valuation allowance for that stratum. If the fair value of a servicing liability increases above the book value, the increased obligation shall be recognized as a loss in current earnings. The fair value of servicing assets (liabilities) is the amount at which the assets (liabilities) could be bought (incurred) or sold (settled) in a bona fide transaction between willing parties.

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.b, "Purchased credit card relationships and nonmortgage servicing assets." In addition, certain information about assets serviced by the reporting bank should be reported in Schedule RC-S, Servicing, Securitization, and Asset Sale Activities.

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 a bank sells an asset that it does not own, it has established a short position. If on the report date a bank is in a short position, it 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." Short positions shall be reported gross. Short trading positions shall be revalued consistent with the method used by the reporting bank for the valuation of its trading assets.

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 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 AICPA Statement of Position 98-5.

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. [1]

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[1] 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.):

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 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.

STRIPS: See "coupon stripping, Treasury receipts, and STRIPS."

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

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

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

Subsidiaries: The treatment of subsidiaries in the 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:

Subsidiaries (cont.):

(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 is accounted for using the equity method of accounting and is reported in Schedule RC-M, item 4, and in Schedule RC, item 8, "Investments in unconsolidated subsidiaries and associated companies."

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 Reports of Condition and Income.

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 FASB Statement No. 140 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 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.

Trading Account: Banks that (a) regularly underwrite or deal in securities; interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts; other financial instruments; and other assets for resale, (b) acquire or take 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) acquire or take positions in such items as an accommodation to customers or for other trading purposes shall report such assets or positions as trading assets or liabilities.