

FFIEC 031 AND FFIEC 041

CALL REPORT

INSTRUCTION BOOK UPDATE

MARCH 2022

FILING INSTRUCTIONS

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

Remove Pages

Cover Page (12-21)
7– 8 (3-20)
RI-5 – RI-6 (12-20)
RC-R-15 – RC-R-16 (12-21)
RC-R-29 – RC-R-30 (12-21)
RC-R-37 – RC-R-38 (12-21)
RC-R-41 – RC-R-42 (12-21)
RC-R-63 – RC-R-64 (12-21)
RC-R-113 – RC-R-114 (12-21)
RC-R-119 – RC-R-120a (12-21)

Insert Pages

Cover Page (3-22)
7– 8 (3-22)
RI-5 – RI-6 (3-22)
RC-R-15 – RC-R-16 (3-22) *
RC-R-29 – RC-R-30 (3-22) *
RC-R-37 – RC-R-38 (3-22) *
RC-R-41 – RC-R-42 (3-22)
RC-R-63 – RC-R-64 (3-22) *
RC-R-113 – RC-R-114 (3-22) *
RC-R-119 – RC-R-120a (3-22) *

*Updates to these pages are limited solely to technical and non-substantive edits such as formatting, spacing, indentation, capitalization, and removal of outdated accounting terminology.

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

FFIEC 031 and FFIEC 041

Updated March 2022

This page intentionally left blank.

reporting the data items to which the threshold applies in the quarter after the four consecutive quarters in which its total assets, agricultural loans, or credit card lines have fallen below the applicable threshold. However, if the institution exceeds the threshold as of a subsequent June 30 report date, the data items would again be required to be reported in March of the following year.

For example, if June 30, 2019, is the first June 30 as of which an institution reports \$10 billion or more in total assets, the institution must begin reporting the data items to which the \$10 billion total assets threshold applies as of the March 31, 2020, report date. If the institution reports less than \$10 billion in total assets each quarter-end from September 30, 2019, through June 30, 2020, it may cease reporting the data items applicable to institutions with \$10 billion or more in total assets beginning September 30, 2020. In contrast, if instead the institution reports \$10 billion or more in total assets as of September 30 and December 31, 2019, but then reports less than \$10 billion in total assets each quarter-end from March 31, 2020, through December 31, 2020, it may cease reporting the data items applicable to institutions with \$10 billion or more in total assets beginning March 31, 2021.

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 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) An institution is involved in a business combination, a transaction between entities under common control, or a branch acquisition that is not a business combination. Beginning with the first quarterly report date following the effective date of such a transaction involving an institution and one or more other depository institutions, the resulting institution, regardless of its size prior to the transaction, must (a) file the FFIEC 031 report form if it acquires any "foreign" office or has total consolidated assets of \$100 billion or more, and (b) report the additional required information described above on the FFIEC 031 report form or the FFIEC 041 report form, as applicable, if, after the consummation of the transaction, its consolidated total assets surpass the total asset thresholds or it exceeds the agricultural loan percentage or the credit card lines threshold.
- (3) An institution that files the [FFIEC 051](#) report form becomes an advanced approaches institution for regulatory capital purposes or a large or highly complex institution for deposit insurance assessment purposes. The institution must begin filing the [FFIEC 031](#) report form for the first quarterly report date after the date it becomes such an institution.
- (4) An institution that files the [FFIEC 051](#) report form becomes a Category III institution for regulatory capital purposes. The institution must begin filing the [FFIEC 041](#) report form for the first quarterly report date after the date it becomes such an institution (unless it establishes or acquires a "foreign office" in the same quarter that it becomes such an institution, in which case the institution must begin filing the [FFIEC 031](#) report form for that first quarterly report date).

In addition, beginning with the first quarterly report date after an operating depository institution that was not previously a member of the Federal Deposit Insurance Corporation (FDIC) becomes an FDIC-insured institution, it must file (a) the [FFIEC 031](#) report form if it has any "foreign" office or has total consolidated assets of \$100 billion or more at the time it becomes FDIC-insured, (b) the [FFIEC 041](#) report form if it has total consolidated assets of less than \$100 billion at the time it becomes FDIC-insured, including 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 FDIC-insured, or (c) the [FFIEC 051](#) report form if it is eligible to, and chooses to, file this report form, including certain additional required information based on its total assets and agricultural loans at the time it becomes FDIC-insured.

ORGANIZATION OF THE INSTRUCTION BOOK

This instruction book covers both the [FFIEC 031](#) and [FFIEC 041](#) report forms.¹ 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 Consolidated Report of Income.
- (3) The Line Item Instructions for each schedule of the Consolidated 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 and reporting issues and other topics that require more extensive treatment than is practical to include in the line item instructions or that are relevant to several line items or to the overall preparation of these reports. The Glossary is not, and is not intended to be, a comprehensive discussion of the principles of bank accounting or reporting.

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

The instruction book for the [FFIEC 031](#) and [FFIEC 041](#) report forms is available on the Internet on the FFIEC's website (http://www.ffiec.gov/ffiec_report_forms.htm) and on the FDIC's website (<https://www.fdic.gov/regulations/resources/call/call.html>).

PREPARATION OF THE REPORTS

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

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

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

¹ A separate instruction book covers the [FFIEC 051](#) report form.

FFIEC 041 FFIEC 031

| Item No. | Item No. | Caption and Instructions |
|-----------------|-----------------|--|
| 1.a.(5) | 1.a.(1)(f) | <p><u>Interest and fee income on all other loans.</u> On the FFIEC 041, report interest, fees, and similar charges levied against or associated with loans reportable in Schedule RC-C, Part I, item 2, "Loans to depository institutions and acceptances of other banks," item 3, "Loans to finance agricultural production and other loans to farmers," item 8, "Obligations (other than securities and leases) of states and political subdivisions in the U.S.," and item 9, "Loans to nondepository financial institutions and other loans."</p> <p>On the FFIEC 031, report interest, fees, and similar charges levied against or associated with loans in domestic offices reportable in Schedule RC-C, Part I, item 2, "Loans to depository institutions and acceptances of other banks," item 8, "Obligations (other than securities and leases) of states and political subdivisions in the U.S.," and item 9, "Loans to nondepository financial institutions and other loans."</p> |
| - | 1.a.(2) | <p><u>Interest and fee income on loans in foreign offices, Edge and Agreement subsidiaries, and IBFs.</u> Report all interest, fees, and similar charges levied against or associated with all loans in foreign offices, Edge and Agreement subsidiaries, and IBFs reportable in Schedule RC-C, Part I, items 1 through 9.</p> |
| 1.a.(6) | 1.a.(3) | <p><u>Total interest and fee income on loans.</u> On the FFIEC 041, report the sum of items 1.a.(1) through 1.a.(5) in item 1.a.(6). On the FFIEC 031, report the sum of items 1.a.(1)(a) through 1.a.(2) in item 1.a.(3).</p> |

FFIEC 031 and 041

| Item No. | Caption and Instructions |
|-----------------|--|
| 1.b | <p><u>Income from lease financing receivables.</u> Report all income from leases reportable in Schedule RC-C, Part I, item 10, "Lease financing receivables (net of unearned income)." (See the Glossary entry for "lease accounting.")</p> <p><u>Include</u> income from:</p> <ol style="list-style-type: none"> (1) Direct financing leases accounted for under ASC Topic 840, Leases, by an institution that has <u>not</u> adopted ASC Topic 842, Leases; (2) Direct financing and sales-type leases accounted for under ASC Topic 842 by an institution that has adopted ASC Topic 842; and (3) Leveraged leases accounted for under ASC Topic 840 (including leveraged leases that were grandfathered upon the adoption of ASC Topic 842 and remain grandfathered). <p><u>Exclude</u> from income from lease financing receivables:</p> <ol style="list-style-type: none"> (1) Any investment tax credits associated with leased property (include in Schedule RI, item 9, "Applicable income taxes (on item 8.c)"). (2) Provisions for 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.I). |
| 1.c | <p><u>Interest income on balances due from depository institutions.</u> Report all income on assets reportable in Schedule RC, item 1.b, "Interest-bearing balances due from depository institutions," including interest-bearing balances maintained to satisfy reserve balance requirements, excess balances, and term deposits due from Federal Reserve Banks. Include interest income earned on interest-bearing balances due from depository institutions that are reported at fair value under a fair value option.</p> |

Item No. Caption and Instructions

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

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

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

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

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

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

Exclude from interest and dividend income on securities:

- (1) Realized gains (losses) on held-to-maturity securities and on available-for-sale debt securities (report in Schedule RI, items 6.a and 6.b, respectively).
- (2) Net unrealized holding gains (losses) on available-for-sale debt securities (include the amount of such net unrealized holding gains (losses) in Schedule RC, item 26.b, "Accumulated other comprehensive income," and the calendar year-to-date change in such net unrealized holding gains (losses) in Schedule RI-A, item 10, "Other comprehensive income").
- (3) The year-to-date change in net unrealized gains (losses), and any realized gains (losses), on equity securities with readily determinable fair values not held for trading (report in Schedule RI, item 8.b).
- (4) Income from advances to, or obligations of, majority-owned subsidiaries not consolidated, associated companies, and those corporate joint ventures over which the bank exercises significant influence (report as "Noninterest income" in the appropriate subitem of Schedule RI, item 5).

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

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

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

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

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

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

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

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

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

Report the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock that, in the aggregate with covered debt instruments, as applicable,¹ exceed the 10 percent threshold for non-significant investments, calculated as described below.² The institution may apply associated DTLs to this deduction.

¹ Covered debt instrument is defined in 12 CFR 3.2, 12 CFR 217.2, and 12 CFR 324.2, as applicable.

² An institution may exclude covered debt instruments (as defined in 12 CFR 3.2, 12 CFR 217.2, and 12 CFR 324.2, as applicable) from the calculation of non-significant investments in the capital and covered debt instruments of unconsolidated financial institutions. An institution subject to the advanced approaches rule that is not a subsidiary of a global systemically important banking organization, as defined in 12 CFR 252.2, may exclude covered debt instruments up to an amount of 5 percent of the amount reported in Schedule RC-R, Part I, item 12, column B.

Part I. (cont.)

Item No. Caption and Instructions

11 *Example and a worksheet calculation for all advanced approaches institutions:*
(cont.)

Assumptions:

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

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

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

Part I. (cont.)

FFIEC 041 FFIEC 031

Item No. Item No. Caption and Instructions

- **16**
(cont.)

| | | |
|-----|--|--|
| (5) | The 15 percent common equity tier 1 capital deduction threshold Calculate as follows: | |
| | <ul style="list-style-type: none"> a. Subtract the amount calculated in step (1.d) of this table from Schedule RC-R, Part I, item 12, column B; b. Multiply the resulting amount by 17.65 percent | $(\$130 - \$60) \times 17.65\% =$ $\$12.36$ <i>Rounds to \$12</i> |
| (6) | Amount of threshold items that exceed the 15 percent common equity tier 1 capital deduction threshold Report as follows: | |
| | <ul style="list-style-type: none"> a. If the amount in step (4.d) is greater than the amount in step (5), then subtract (5) from (4.d) and report this number in Schedule RC-R, Part I, item 16. (In addition, the institution must risk-weight the items that are not deducted at 250 percent in the risk-weighted asset section of this form.) b. If the amount in step (4.d) is less than the amount in step (5) amount, report zero in Schedule RC-R, Part I, item 16. | <i>The amount in step (4.d) (\$36) is greater than the amount in step 3 (\$12). Therefore: \$36 - \$12 = \$24</i> |
| (7) | If the amount in step (6) is above zero, then pro-rate the threshold items' deductions as follows: | |
| | <ul style="list-style-type: none"> a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock: multiply (6.a) by the ratio of (1.a) over (1.d). b. MSAs net of associated DTAs: multiply (6.a) by the ratio of (1.b) over (1.d). c. DTAs arising from temporary differences that could not be realized through net operating loss carrybacks: multiply (6.a) by the ratio of (1.c) over (1.d). | <ul style="list-style-type: none"> a. $\\$12 \times (10/60) = \\2 b. $\\$12 \times (20/60) = \\4 c. $\\$12 \times (30/60) = \\$6.$ |

Part I. (cont.)FFIEC 041 and
FFIEC 031**Item No. Caption and Instructions****17 LESS: Deductions applied to common equity tier 1 capital due to insufficient amounts of additional tier 1 capital and tier 2 capital to cover deductions.*****(i) All non-advanced approaches institutions (column A on the FFIEC 031):***

Report the total amount of deductions related to investments in own additional tier 1 and tier 2 capital instruments, reciprocal cross-holdings, and investments in the capital of unconsolidated financial institutions if the reporting institution does not have a sufficient amount of additional tier 1 capital before deductions (reported in Schedule RC-R, Part I, item 23) and tier 2 capital before deductions (reported in Schedule RC-R, Part I, item 44 on the FFIEC 041; item 44.a on the FFIEC 031) to absorb these deductions in Schedule RC-R, Part I, items 24 or 45, as appropriate.

Since the community bank leverage ratio (CBLR) framework does not have a total capital requirement, a CBLR electing institution is neither required to calculate tier 2 capital nor make any deductions that would have been taken from tier 2 capital under the generally applicable capital rule. Therefore, if a CBLR electing institution has investments in the capital instruments of an unconsolidated financial institution that would qualify as tier 2 capital of the CBLR electing institution under the generally applicable capital rule (tier 2 qualifying investments), and the institution's total investments in the capital of unconsolidated financial institutions exceed the threshold for deduction, the institution is not required to deduct the tier 2 qualifying investments.

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

Report the total amount of deductions related to investments in own additional tier 1 and tier 2 capital instruments; investments in own covered debt instruments, as applicable; reciprocal cross-holdings; non-significant investments in the capital and covered debt instruments, as applicable, of unconsolidated financial institutions; investments in nonqualifying excluded covered debt instruments, as applicable;¹ and non-common stock significant investments in the capital and covered debt instruments of unconsolidated financial institutions if the reporting institution does not have a sufficient amount of additional tier 1 capital before deductions (reported in Schedule RC-R, Part I, item 23) and tier 2 capital before deductions (reported in Schedule RC-R, Part I, items 44.a and 44.b) to absorb these deductions in Schedule RC-R, Part I, items 24 or 45, as appropriate.

18 Total adjustments and deductions for common equity tier 1 capital. Report the sum of Schedule RC-R, Part I, items 13 through 17.**19 Common equity tier 1 capital. Report Schedule RC-R, Part I, item 12 less item 18. Except for a CBLR electing institution under the community bank leverage ratio framework, the amount reported in this item is the numerator of the institution's common equity tier 1 risk-based capital ratio.**

¹ Excluded covered debt instrument is defined in 12 CFR 3.2, 12 CFR 217.2, and 12 CFR 324.2, as applicable.

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

24
(cont.)

Since the community bank leverage ratio framework does not have a total capital requirement, a CBLR electing institution is neither required to calculate tier 2 capital nor make any deductions that would have been taken from tier 2 capital under the generally applicable rule. Therefore, if a CBLR electing institution has investments in the capital instruments of an unconsolidated financial institution that would qualify as tier 2 capital of the CBLR electing institution under the generally applicable rule (tier 2 qualifying investments), and the institution's total investments in the capital of unconsolidated financial institutions exceed the threshold for deduction, the institution is not required to deduct the tier 2 qualifying investments.

- (4) Other adjustments and deductions.** Include adjustments and deductions applied to additional tier 1 capital due to insufficient tier 2 capital to cover deductions (related to reciprocal cross-holdings, and investments in the tier 2 capital of unconsolidated financial institutions,).

Eligible institutions that opt into the community bank leverage ratio framework are not required to calculate tier 2 capital and would not be required to make any deductions that would be taken from tier 2 capital.

In addition, insured state banks with real estate subsidiaries whose continued operations have been approved by the FDIC pursuant to Section 362.4 of the FDIC's Rules and Regulations generally should include as a deduction from additional tier 1 capital their equity investment in the subsidiary. (Insured state banks with FDIC-approved phase-out plans for real estate subsidiaries need not make these deductions.) Insured state banks with other subsidiaries (that are not financial subsidiaries) whose continued operations have been approved by the FDIC pursuant to Section 362.4 should include as a deduction from additional tier 1 capital the amount required by the approval order.

(ii) Advanced approaches institutions:

- (1) Investments in own additional tier 1 capital instruments.** Report the institution's investments in (including any contractual obligation to purchase) its own additional tier 1 capital instruments, whether held directly or indirectly.

An institution may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty risk.

The institution must look through any holdings of index securities to deduct investments in its own capital instruments. In addition:

- (i) Gross long positions in investments in an institution's own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same index;
- (ii) Short positions in index securities that are hedging long cash or synthetic positions can be decomposed to recognize the hedge; and

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

24 (iii) The portion of the index that is composed of the same underlying exposure that is being hedged may be used to offset the long position if both the exposure being hedged and the short position in the index are covered positions under the market risk capital rule, and the hedge is deemed effective by the institution's internal control processes.

(cont.)

(2) Reciprocal cross-holdings in the capital of financial institutions. Include investments in the additional tier 1 capital instruments of other financial institutions that the institution holds reciprocally, where such reciprocal cross-holdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's capital instruments. If the institution does not have a sufficient amount of a specific component of capital to effect the required deduction, the shortfall must be deducted from the next higher (that is, more subordinated) component of regulatory capital.

For example, if an institution is required to deduct a certain amount from additional tier 1 capital and it does not have additional tier 1 capital, then the deduction should be from common equity tier 1 capital in Schedule RC-R, Part I, item 17.

(3) Non-significant investments in additional tier 1 capital of unconsolidated financial institutions that exceed the 10 percent threshold for non-significant investments. As noted in the instructions for Schedule RC-R, Part I, item 11 above, an institution has a non-significant investment in the capital of an unconsolidated financial institution if it owns 10 percent or less of the issued and outstanding common shares of that institution. Calculate this amount as follows:

- (1) Determine the aggregate amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock, additional tier 1 capital, tier 2 capital, and covered debt instruments, as applicable.¹
- (2) Determine the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of additional tier 1 capital.
- (3) If the amount in (1) is greater than the ten percent threshold for non-significant investments (Schedule RC-R, Part I, item 11, step (4)), then multiply the difference by the ratio of (2) over (1). Report this product in this item 24.
- (4) If the amount in (1) is less than the 10 percent threshold for non-significant investments, report zero.

For example, assume an institution has a total of \$200 in non-significant investments (step 1), including \$60 in the form of additional tier 1 capital (step 2), and its ten percent threshold for non-significant investments is \$100 (as calculated in step 4 of item 11). Since the aggregate amount of non-significant investments exceeds the ten percent threshold for non-significant investments by \$100 (\$200-\$100), the institution would multiply \$100 by the ratio of 60/200 (step 3). Thus, the institution would need to deduct \$30 from its additional tier 1 capital.

¹ An institution may exclude covered debt instruments (as defined in 12 CFR 3.2, 12 CFR 217.2, and 12 CFR 324.2, as applicable) from the calculation of non-significant investments in the capital and covered debt instruments of unconsolidated financial institutions. An institution subject to the advanced approaches rule that is not a subsidiary of a global systemically important banking organization, as defined in 12 CFR 252.2, may exclude covered debt instruments up to an amount of 5 percent of the amount reported in Schedule RC-R, Part I, item 12, column B.

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

29 If a financial subsidiary is consolidated into the bank for purposes of the bank's balance sheet, include in this item 29 as a deduction from the bank's average total assets (as reported in Schedule RC-R, Part I, item 27) the quarterly average of the assets of the subsidiary that have been included in the bank's consolidated average total assets reported in Schedule RC-K, item 9; minus any deductions from common equity tier 1 capital and additional tier 1 capital attributable to the financial subsidiary that have been included in Schedule RC-R, Part I, item 28; and plus the quarterly average of bank assets representing claims on the financial subsidiary, other than the bank's ownership interest in the subsidiary, that were eliminated in consolidation. Because the bank's claims on the subsidiary were eliminated in consolidation, these bank assets were not included in the bank's consolidated average total assets reported in Schedule RC-K, item 9.

(cont.)

Non-Includable Subsidiaries:

A savings association with a non-includable subsidiary should include in this item 29 a deduction from average total assets (as reported in Schedule RC-R, Part I, item 27) determined in the same manner as described above for financial subsidiaries, except that for a non-includable subsidiary accounted for under the equity method of accounting, the deduction should be the quarterly average for the savings association's outstanding investments (both equity and debt) in, and extensions of credit to, the subsidiary.

30 **Total assets for the leverage ratio.** Report Schedule RC-R, Part I, item 27, less items 28 and 29.

Leverage Ratio

31 **Leverage ratio.** Report the institution's leverage ratio as a percentage, rounded to four decimal places. Divide Schedule RC-R, Part I, item 26 by item 30.

31.a **Does your institution have a community bank leverage ratio (CBLR) framework election in effect as of the quarter-end report date?**
Enter "1" for Yes or enter "0" for No. Refer to the qualifying criteria for using the CBLR framework, which are explained in the instructions for Schedule RC-R, Part I, items 32 through 34, below.

NOTE: Item 31.b is to be completed by non-advanced approaches institutions that elect to use the Standardized Approach for Counterparty Credit Risk (SA-CCR) for purposes of the standardized approach and supplementary leverage ratio (as applicable). Other non-advanced approaches institutions that did not elect to use SA-CCR, and all advanced approaches institutions should leave this item blank.

31.b **Standardized Approach for Counterparty Credit Risk opt-in election:** A non-advanced approaches institution may continue to use Current Exposure Model or elect to use SA-CCR for purposes of the standardized approach and supplementary leverage ratio (as applicable). Where a banking institution has the option to choose among the approaches applicable to such institution under the capital rule, it must use the same approach for all purposes. For advanced approaches institutions, adoption of the SA-CCR methodology is mandatory beginning January 1, 2022. The SA-CCR rule provides non-advanced approaches institutions the option to adopt SA-CCR for purposes of standardized total risk-weighted assets and, if applicable, the supplementary leverage ratio.¹

¹ See 12 CFR 3 (OCC); 12 CFR 217 (Board); 12 CFR 324 (FDIC).

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

31.b Non-advanced approaches institutions that elect to use SA-CCR must notify their appropriate federal supervisor. These institutions would complete this item as prescribed below:
(cont.)

A non-advanced approaches institution that adopts SA-CCR would enter “1” for “Yes” in item 31.b. A non-advanced approaches institution that does not make a SA-CCR opt-in election should leave item 31.b blank. A non-advanced approaches institution must use the same methodology to calculate the exposure amount for all its derivative contracts and, if an institution has elected to use SA-CCR, an institution may change its election only with prior approval of its appropriate federal supervisor.

Qualifying Criteria and Other Information for CBLR Institutions

Schedule RC-R, Part I, items 32 through 37 and, if applicable, items 38.a through 38.c, are to be completed only by qualifying institutions that have elected to adopt the community bank leverage ratio (CBLR) framework or are within the grace period as of the quarter-end report date. (For further information on the grace period, see the General Instructions for Part I.)

If your institution entered “1” in item 31.a, then items 32 through 37 and, if applicable, items 38.a through 38.c, must be completed. Institutions that do not qualify for or have not adopted the community bank leverage ratio framework as of the quarter-end report date should leave items 32 through 38.c blank and go to Schedule RC-R, Part I, item 39. A qualifying institution can opt out of the community bank leverage ratio framework by completing Schedule RC-R, Parts I and II, excluding Schedule RC-R, Part I, items 32 through 38.c.

32 **Total assets.** Report total assets from Schedule RC, item 12. A bank’s total assets must be less than \$10 billion as part of the qualifying criteria for the CBLR framework.

33 **Trading assets and trading liabilities.** Report in column A the sum of trading assets from Schedule RC, item 5, and trading liabilities from Schedule RC, item 15 (i.e., added, not netted).

Report in column B the sum of trading assets and trading liabilities as a percentage of total assets by dividing the amount of trading assets and trading liabilities reported in column A of this item by total assets reported in Schedule RC-R, Part I, item 32, above, rounded to four decimal places. The percentage reported in this item must be 5 percent or less of total assets as part of the qualifying criteria for the CBLR framework.

34 **Off-balance sheet exposures.** Report in the appropriate subitem the specified off-balance sheet exposure amounts.

Part II. (cont.)**General Instructions for Schedule RC-R, Part II. (cont.)****Exposure Amount Subject to Risk Weighting**

In general, banks need to risk weight the exposure amount. The exposure amount is defined in §.2 of the regulatory capital rules as follows:

- (1) For the on-balance sheet component of an exposure,¹ the bank's carrying value² of the exposure.
- (2) For a security³ classified as AFS or HTM where the bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a, the carrying value of the exposure (including net accrued but uncollected interest and fees)⁴ less any net unrealized gains on the exposure plus any net unrealized losses on the exposure included in AOCI.
- (3) For the off-balance sheet component of an exposure,⁵ the notional amount of the off-balance sheet component multiplied by the appropriate credit conversion factor in §.33 of the regulatory capital rules.
- (4) For an exposure that is an OTC derivative contract, the exposure amount determined under §.34 or §.132 of the regulatory capital rules.
- (5) For an exposure that is a derivative contract that is a cleared transaction, the exposure amount determined under §.35 or §.133 of the regulatory capital rules.

For derivatives that have matured, but have associated unsettled receivables or payables that are reported as assets or liabilities, respectively, on the balance sheet as of the quarter-end report date, a banking organization does not need to report such notional amounts for derivatives that have matured for purposes of Schedule RC-R, Part II.

¹ Not including: (1) an available-for-sale (AFS) or held-to-maturity (HTM) security where the bank has made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule RC-R, Part I, item 3.a, (2) an over-the-counter (OTC) derivative contract, (3) a repo-style transaction or an eligible margin loan for which the bank determines the exposure amount under §.37 of the regulatory capital rules, (4) a cleared transaction, (5) a default fund contribution, or (6) a securitization exposure.

² As indicated in the definition in §.2 of the regulatory capital rules, *carrying value* means, with respect to an asset, the value of the asset on the balance sheet of the bank determined in accordance with U.S. generally accepted accounting principles (GAAP). For all assets other than available-for-sale debt securities or purchased credit-deteriorated assets, the carrying value is not reduced by any associated credit loss allowance that is determined in accordance with U.S. GAAP.

³ Not including: (1) a securitization exposure, (2) an equity exposure, or (3) preferred stock classified as an equity security under U.S. GAAP.

⁴ Where the bank has made the AOCI opt-out election, accrued but uncollected interest and fees reported in Schedule RC, item 11, "Other assets," associated with AFS or HTM debt securities that are not securitization exposures should be reported in Schedule RC-R, Part II, item 8, "All other assets."

⁵ Not including: (1) an OTC derivative contract, (2) a repo-style transaction or an eligible margin loan for which the bank calculates the exposure amount under §.37 of the regulatory capital rules, (3) a cleared transaction, (4) a default fund contribution, or (5) a securitization exposure.

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

- (6) For an exposure that is an eligible margin loan or repo-style transaction (including a cleared transaction) for which the bank calculates the exposure amount as provided in §.37, the exposure amount determined under §.37 of the regulatory capital rules.
- (7) For an exposure that is a securitization exposure, the exposure amount determined under §.42 of the regulatory capital rules.

Amounts to Report in Column B

The amount to report in column B will vary depending upon the nature of the particular item.

For items 1 through 8 and 11 of Schedule RC-R, Part II, column B should include the amount of the reporting bank's on-balance sheet assets that are deducted or excluded (not risk weighted) in the determination of risk-weighted assets. Column B should include assets that are deducted from capital such as:

- Goodwill;
- Other intangible assets (other than mortgage servicing assets (MSAs));
- Gain on sale of securitization exposures;
- For non-advanced approaches institutions, threshold deductions above the 25 percent individual limits for (1) deferred tax assets (DTAs) arising from temporary differences that could not be realized through net operating loss carrybacks, (2) MSAs, net of associated deferred tax liabilities (DTLs), and (3) investments in the capital of unconsolidated financial institutions;
- For advanced approaches institutions, threshold deductions above the 10 percent individual or 15 percent combined limits for (1) DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, (2) MSAs, net of associated DTLs, and (3) significant investments in the capital of unconsolidated financial institutions in the form of common stock;
- For advanced approaches institutions, non-significant investments in the capital of unconsolidated financial institutions in the form of common stock that exceed the 10 percent threshold for non-significant investments;
- For advanced approaches institutions, investments in covered debt instruments and nonqualifying excluded covered debt instruments,¹ as applicable; and
- Any other assets that must be deducted in accordance with the requirements of a bank's primary federal supervisory authority.

Column B should also include items that are excluded from the calculation of risk-weighted assets, such as the allowance for loan and lease losses or allowances for credit losses, as applicable; allocated transfer risk reserves; and certain on-balance sheet asset amounts associated with derivative contracts that are included in the calculation of the credit equivalent amounts of the derivative contracts. In addition, for items 1 through 8 and 11 of Schedule RC-R, Part II, column B should include any difference between the balance sheet amount of an on-balance sheet asset and its exposure amount as described above under "Exposure Amount Subject to Risk Weighting." *Note: For items 1 through 8 and 11 of Schedule RC-R, Part II, the sum of columns B through R must equal the balance sheet asset amount reported in column A.*

¹ Nonqualifying excluded covered debt instruments are those subject to deduction according to the instructions for Schedule RC-R, Part I, item 45.

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

- 5.d**
(cont.)
- All other loans and leases HFI that must be risk weighted according to the Country Risk Classification (CRC) methodology
 - *In column C–0% risk weight; column G–20% risk weight; column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk-weight categories based on the CRC methodology described above in the General Instructions for Part II:*
 - The carrying value of other loans and leases HFI reported in Schedule RC, item 4.b, that are not reported in Schedule RC-R, Part II, items 5.a through 5.c above.

- 6** **LESS: Allowance for loan and lease losses.** Report in columns A and B the balance of the allowance for loan and lease losses or the allowance for credit losses on loans and leases, as applicable, reported in Schedule RC, item 4.c.

- 7** **Trading assets.** Report in column A the fair value of trading assets reported in Schedule RC, item 5, excluding those trading assets that are securitization exposures, as defined in §.2 of the regulatory capital rules.

The fair value of those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures must be reported in Schedule RC-R, Part II, item 9.c, column A. The sum of Schedule RC-R, Part II, items 7 and 9.c, column A, must equal Schedule RC, item 5.

If the bank is subject to the market risk capital rule, include in column B the fair value of all trading assets that are covered positions as defined in Schedule RC-R, Part II, item 27 (except those trading assets that are both securitization exposures and covered positions, which are excluded from column A of this item 7 and are to be reported instead in Schedule RC-R, Part II, item 9.c, column A). The bank will report its standardized market risk-weighted assets in Schedule RC-R, Part II, item 27.

For banks not subject to the market risk capital rule and for those trading assets reported in column A that are held by banks subject to the market risk capital rule and do not meet the definition of a covered position:

- *In column B*, if the bank completes Schedule RC-D, include the fair value of derivative contracts that are reported as assets in Schedule RC-D, item 11. 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 derivative contracts that are assets. **Exclude** from column B those derivative contracts reported in these items that qualify as securitization exposures. For purposes of risk weighting, include the credit equivalent amounts of these derivatives, determined in accordance with the regulatory capital rules, in the risk-weight categories in Schedule RC-R, Part II, items 20 and 21, as appropriate. Do not risk weight these derivatives in this item.

In column B for non-advanced approaches institutions, include the amount of:

- Investments in the capital of unconsolidated financial institutions that are reported in Schedule RC, item 5, and have been deducted from capital in Schedule RC-R, Part I, item 13.a, item 17, item 24, and item 45 on the FFIEC 031; item 13, item 17, item 24, and item 45 on the FFIEC 041.

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

- 7**
(cont.)
- In column B for advanced approaches institutions, include the amount of:*
- Non-significant investments in the capital and covered debt instruments of unconsolidated financial institutions that are reported in Schedule RC, item 5, and have been deducted from capital in Schedule RC-R, Part I, item 11, item 17, item 24, and item 45 on the FFIEC 031.
 - Investments in nonqualifying excluded covered debt instruments that are reported in Schedule RC, item 5, and have been deducted from capital in Schedule RC-R, Part I, item 17, item 24, and item 45.
 - Significant investments in the capital and covered debt instruments of unconsolidated financial institutions not in the form of common stock that are reported in Schedule RC, item 5, and have been deducted from capital in Schedule RC-R, Part I, item 17, item 24, and item 45 on the FFIEC 031.
 - Significant investments in the capital of unconsolidated financial institutions in the form of common stock reported in Schedule RC, item 5, that are subject to the 10 percent and 15 percent common equity tier 1 capital threshold limitations and have been deducted for risk-based capital purposes in Schedule RC-R, Part I, items 13.b and 16, column B, on the FFIEC 031.

Also include in column B the fair value of any unsettled transactions (failed trades) that are reported as trading assets in Schedule RC, item 5. For purposes of risk weighting, unsettled transactions are to be reported in Schedule RC-R, Part II, item 22.

- *In column C—0% risk weight, if the bank completes Schedule RC-D, include the fair value of those trading assets reported in Schedule RC-D that do not qualify as securitization exposures that qualify for the zero percent risk weight. Such trading assets may include portions of, but may not be limited to:*
 - Item 1, "U.S. Treasury securities,"
 - The portion of the amount reported in item 2 that represents the fair value of securities issued by U.S. Government agencies, and
 - The portion of the amounts reported in item 4 that represents the fair value of mortgage-backed securities (MBS) guaranteed by GNMA.
 - 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 the preceding types of securities. Exclude those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures and report them in Schedule RC-R, Part II, item 9.c.
 - Include the fair value of assets purchased through the Money Market Mutual Fund Liquidity Facility that are held for trading.
 - Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include U.S. Small Business Administration Paycheck Protection Program loans held for trading and the portion of trading assets collateralized by deposits at the reporting institution.
- *In column G—20% risk weight, if the bank completes Schedule RC-D, include the fair value of those trading assets reported in Schedule RC-D that do not qualify as securitization exposures that qualify for the 20 percent risk weight. Such trading assets may include portions of, but may not be limited to:*
 - The portion of the amount reported in item 2 that represents the fair value of securities issued by U.S. Government-sponsored agencies,
 - The portion of the amount reported in item 3 that represents the fair value of general obligations issued by states and political subdivisions in the United States,
 - The portion of the amount reported in item 4 that represents the fair value of MBS issued by FNMA and FHLMC.

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

8 AOCI as part of the initial incremental effect of applying ASC Topic 715 should be reported in this item as a negative amount in column B and as a positive amount in column I. As another (cont.) example, the portion of a benefit plan surplus asset that is included in Schedule RC, item 26.b, as an increase to AOCI and in column A of this item should be excluded from risk-weighted assets by reporting the amount as a positive number in column B of this item.

- *In column B for all institutions*, include the amount of:
 - Any goodwill reported in Schedule RC-M, item 2.b, without regard to any associated DTLs;
 - Intangible assets (other than goodwill and mortgage servicing assets (MSAs)) reported as a deduction from common equity tier 1 capital in Schedule RC-R, Part I, item 7, without regard to any associated DTLs;
 - Deferred tax assets (DTAs) that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs reported in Schedule RC-R, Part I, item 8;
 - The fair value of over-the-counter derivative contracts (as defined in §.2 of the regulatory capital rules) and derivative contracts that are cleared transactions (as described in §.2 of the regulatory capital rules) that are reported as assets in Schedule RC, item 11 (banks should risk weight the credit equivalent amount of these derivative contracts in Schedule RC-R, Part II, item 20 or 21, as appropriate); and
 - Note: The fair value of derivative contracts reported as assets in Schedule RC, item 11, that are neither over-the-counter derivative contracts nor derivative contracts that are cleared transactions under §.2 of the regulatory capital rules should not be reported in column B. Such derivative contracts include written option contracts, including so-called “derivative loan commitments,” i.e., a lender’s commitment to originate a mortgage loan that will be held for resale. The fair value of such derivative contracts should be reported in the appropriate risk-weight category in this item 8.
 - Unsettled transactions (failed trades) that are reported as “Other assets” in Schedule RC, item 11. For purposes of risk weighting, unsettled transactions are to be reported in Schedule RC-R, Part II, item 22.
- *In column B for non-advanced approaches institutions*, also include the amount of:
 - Investments in the capital of unconsolidated financial institutions that are reported in Schedule RC, item 8 or item 11, and have been deducted from capital in Schedule RC-R, Part I, item 13.a, item 24, and item 45 on the FFIEC 031; item 13, item 24, and item 45 on the FFIEC 041; and
 - Items subject to the 25 percent common equity tier 1 capital threshold limitation that have been deducted for risk-based capital purposes in Schedule RC-R, Part I, items 13.a, 14.a, and 15.a on the FFIEC 031; items 13 through 15 on the FFIEC 041. These excess amounts pertain to three items:
 - Investments in the capital of unconsolidated financial institutions;
 - MSAs; and
 - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances.

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

- 8**
(cont.)
- *In column B for advanced approaches institutions, also include the amount of:*
 - Non-significant investments in the capital and covered debt instruments of unconsolidated financial institutions that are reported in Schedule RC, item 8 or 11, and have been deducted from capital in Schedule RC-R, Part I, item 11, item 17, item 24, and item 45 on the FFIEC 031.
 - Investments in nonqualifying excluded covered debt instruments that are reported in Schedule RC, item 8 or 11, and have been deducted from capital in Schedule RC-R, Part I, item 17, item 24, and item 45.
 - Significant investments in the capital and covered debt instruments of unconsolidated financial institutions not in the form of common stock that are reported in Schedule RC, item 8 or 11, and have been deducted from capital in Schedule RC-R, Part I, item 17, item 24, and item 45 on the FFIEC 031.
 - Items subject to the 10 percent and 15 percent common equity tier 1 capital threshold limitations that have been deducted for risk-based capital purposes in Schedule RC-R, Part I, items 13.b, 14.b, 15.b, and 16 on the FFIEC 031. These excess amounts pertain to three items:
 - Significant investments in the capital of unconsolidated financial institutions in the form of common stock;
 - MSAs; and
 - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances.

An institution that has adopted the current expected credit losses methodology (CECL) should report as a negative number in column B:

- The portion of Schedule RI-B, Part II, Memorandum item 6, “Allowance for credit losses on other financial assets measured at amortized cost,” that relates to assets reported in column A of this item, less
- The portion of Schedule RC-R, Part II, Memorandum item 4.c, “Amount of allowances for credit losses on purchased credit-deteriorated assets” for other financial assets measured at amortized cost that relates to assets reported in column A of this item.

For example, if an institution reports \$100 in Schedule RI-B, Part II, Memorandum item 6 (and the entire amount relates to assets reported in this item 8, column A), and \$10 in Schedule RC-R, Part II, Memorandum item 4.c (and the entire amount relates to assets reported in this item 8, column A), the institution would report (\$90) in this column B.

An institution that has adopted CECL and has elected to apply the 3-year CECL transition provision (3-year CECL electing institution) should report as a positive number in column B the amount by which it has decreased its DTAs arising from temporary differences for its applicable DTA transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 3-year CECL electing institution reduces its temporary difference DTAs by 75 percent of its DTA transitional amount during the first year of the transition period, 50 percent of its DTA transitional amount during the second year of the transition period, and 25 percent of its DTA transitional amount during the third year of the transition period.

An institution that has adopted CECL and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing institution) should report as a positive number in column B the amount by which it has decreased its DTAs arising from temporary differences for its applicable DTA transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing institution reduces its temporary difference DTAs by 100 percent of its DTA transitional amount during the first and second years of the transition period, 75 percent of its DTA transitional amount during the third year of the transition period, 50 percent of its DTA transitional amount

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

8 AOCI as part of the initial incremental effect of applying ASC Topic 715 should be reported in this item as a negative amount in column B and as a positive amount in column I. As another (cont.) example, the portion of a benefit plan surplus asset that is included in Schedule RC, item 26.b, as an increase to AOCI and in column A of this item should be excluded from risk-weighted assets by reporting the amount as a positive number in column B of this item.

- *In column B for all institutions*, include the amount of:
 - Any goodwill reported in Schedule RC-M, item 2.b, without regard to any associated DTLs;
 - Intangible assets (other than goodwill and mortgage servicing assets (MSAs)) reported as a deduction from common equity tier 1 capital in Schedule RC-R, Part I, item 7, without regard to any associated DTLs;
 - Deferred tax assets (DTAs) that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs reported in Schedule RC-R, Part I, item 8;
 - The fair value of over-the-counter derivative contracts (as defined in §.2 of the regulatory capital rules) and derivative contracts that are cleared transactions (as described in §.2 of the regulatory capital rules) that are reported as assets in Schedule RC, item 11 (banks should risk weight the credit equivalent amount of these derivative contracts in Schedule RC-R, Part II, item 20 or 21, as appropriate); and
 - Note: The fair value of derivative contracts reported as assets in Schedule RC, item 11, that are neither over-the-counter derivative contracts nor derivative contracts that are cleared transactions under §.2 of the regulatory capital rules should not be reported in column B. Such derivative contracts include written option contracts, including so-called “derivative loan commitments,” i.e., a lender’s commitment to originate a mortgage loan that will be held for resale. The fair value of such derivative contracts should be reported in the appropriate risk-weight category in this item 8.
 - Unsettled transactions (failed trades) that are reported as “Other assets” in Schedule RC, item 11. For purposes of risk weighting, unsettled transactions are to be reported in Schedule RC-R, Part II, item 22.
- *In column B for non-advanced approaches institutions*, also include the amount of:
 - Investments in the capital of unconsolidated financial institutions that are reported in Schedule RC, item 8 or item 11, and have been deducted from capital in Schedule RC-R, Part I, item 13.a, item 24, and item 45 on the FFIEC 031; item 13, item 24, and item 45 on the FFIEC 041; and
 - Items subject to the 25 percent common equity tier 1 capital threshold limitation that have been deducted for risk-based capital purposes in Schedule RC-R, Part I, items 13.a, 14.a, and 15.a on the FFIEC 031; items 13 through 15 on the FFIEC 041. These excess amounts pertain to three items:
 - Investments in the capital of unconsolidated financial institutions;
 - MSAs; and
 - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances.

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

- 8**
(cont.)
- *In column B for advanced approaches institutions, also include the amount of:*
 - Non-significant investments in the capital and covered debt instruments of unconsolidated financial institutions that are reported in Schedule RC, item 8 or 11, and have been deducted from capital in Schedule RC-R, Part I, item 11, item 17, item 24, and item 45 on the FFIEC 031.
 - Investments in nonqualifying excluded covered debt instruments that are reported in Schedule RC, item 8 or 11, and have been deducted from capital in Schedule RC-R, Part I, item 17, item 24, and item 45.
 - Significant investments in the capital and covered debt instruments of unconsolidated financial institutions not in the form of common stock that are reported in Schedule RC, item 8 or 11, and have been deducted from capital in Schedule RC-R, Part I, item 17, item 24, and item 45 on the FFIEC 031.
 - Items subject to the 10 percent and 15 percent common equity tier 1 capital threshold limitations that have been deducted for risk-based capital purposes in Schedule RC-R, Part I, items 13.b, 14.b, 15.b, and 16 on the FFIEC 031. These excess amounts pertain to three items:
 - Significant investments in the capital of unconsolidated financial institutions in the form of common stock;
 - MSAs; and
 - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances.

An institution that has adopted the current expected credit losses methodology (CECL) should report as a negative number in column B:

- The portion of Schedule RI-B, Part II, Memorandum item 6, “Allowance for credit losses on other financial assets measured at amortized cost,” that relates to assets reported in column A of this item, less
- The portion of Schedule RC-R, Part II, Memorandum item 4.c, “Amount of allowances for credit losses on purchased credit-deteriorated assets” for other financial assets measured at amortized cost that relates to assets reported in column A of this item.

For example, if an institution reports \$100 in Schedule RI-B, Part II, Memorandum item 6 (and the entire amount relates to assets reported in this item 8, column A), and \$10 in Schedule RC-R, Part II, Memorandum item 4.c (and the entire amount relates to assets reported in this item 8, column A), the institution would report (\$90) in this column B.

An institution that has adopted CECL and has elected to apply the 3-year CECL transition provision (3-year CECL electing institution) should report as a positive number in column B the amount by which it has decreased its DTAs arising from temporary differences for its applicable DTA transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 3-year CECL electing institution reduces its temporary difference DTAs by 75 percent of its DTA transitional amount during the first year of the transition period, 50 percent of its DTA transitional amount during the second year of the transition period, and 25 percent of its DTA transitional amount during the third year of the transition period.

An institution that has adopted CECL and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing institution) should report as a positive number in column B the amount by which it has decreased its DTAs arising from temporary differences for its applicable DTA transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing institution reduces its temporary difference DTAs by 100 percent of its DTA transitional amount during the first and second years of the transition period, 75 percent of its DTA transitional amount during the third year of the transition period, 50 percent of its DTA transitional amount

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

8 during the fourth year of the transition period, and 25 percent of its DTA transitional
(cont.) amount during the fifth year of the transition period.

Report as a negative number in column B the amount of default fund contributions in the form of commitments made by a clearing member to a central counterparty's mutualized loss-sharing arrangement.

- *In column C—0% risk weight*, include:
 - The carrying value of Federal Reserve Bank stock included in Schedule RC-F, item 4;

This page intentionally left blank.