

FFIEC 031 AND FFIEC 041

CALL REPORT

INSTRUCTION BOOK UPDATE

JUNE 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 (3-22)
7 – 8 (3-22)
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*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solely to technical and non-substantive edits such as formatting, spacing, indentation, capitalization, and removal of outdated accounting terminology.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 June 2022

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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 appropriate, if, after the consummation of the transaction, its consolidated total assets surpass the total asset thresholds, it exceeds the credit card lines threshold, or on the FFIEC 041 report form, it exceeds the agricultural loan percentage.
- (3) An institution that files the [FFIEC 051](#) report form becomes an advanced approaches institution for regulatory capital purposes. The institution must begin filing the [FFIEC 031](#) report form for the first quarterly report date after the date it becomes such an institution.
- (4) An institution that files the [FFIEC 051](#) report form becomes a Category III institution for regulatory capital purposes or a large or highly complex institution for deposit insurance assessment purposes. The institution must begin filing the [FFIEC 041](#) report form for the first quarterly report date after the date it becomes such an institution (unless it establishes or acquires a "foreign office" in the same quarter that it becomes such an institution, in which case the institution must begin filing the [FFIEC 031](#) report form for that first quarterly report date).

In addition, beginning with the first quarterly report date after an operating depository institution that was not previously a member of the Federal Deposit Insurance Corporation (FDIC) becomes an FDIC-insured institution, 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, credit card lines, 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.

Negative Entries

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

(1) Schedule RC:

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

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

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

(4) Schedule RC-P, item 5, "Noninterest income for the quarter from the sale, securitization, and servicing of 1-4 family residential mortgage loans."

(5) Schedule RC-R:

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

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

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

Verification

All addition and subtraction should be double-checked before reports are submitted. Totals and subtotals in supporting materials should be cross-checked to corresponding items elsewhere in the reports.

Before a report is submitted, all amounts should be compared with the corresponding amounts in the previous report. If there are any unusual changes from the previous report, a brief explanation of the changes should be attached to the submitted reports.

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

Transactions Occurring Near the End of a Reporting Period

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

In the case of a transaction occurring in different reporting periods for the parties because of time zone differences, the parties may decide between themselves on the reporting period in which they will all, consistently, report the transaction as having occurred, so that in any given reporting period, the asset (or liability) transferred will appear somewhere and without duplication in the reports submitted by the parties to the transaction.

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

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

SEPARATE BRANCH REPORTS

Each U.S. bank with one or more branch offices located in a foreign country, Puerto Rico, or a U.S. territory or possession is required to submit a Foreign Branch Report of Condition ([FFIEC 030](#)) or an Abbreviated Foreign Branch Report of Condition ([FFIEC 030S](#)) for each foreign branch (except a foreign branch with total assets of less than \$50 million, which is exempt) once a year as of December 31. However, a branch must report quarterly on the FFIEC 030 report if it has either \$2 billion in total assets or \$5 billion in commitments to purchase foreign currencies and U.S. dollar exchange as of the end of a calendar quarter. A foreign branch that does not meet either of the criteria to file quarterly, but has total assets in excess of \$250 million, must file the FFIEC 030 report on an annual basis. A foreign branch that does not meet the criteria to file the FFIEC 030 report, but has total assets of \$50 million or more (but less than or equal to \$250 million), must file the abbreviated FFIEC 030S report on an annual basis.

LEGAL ENTITY IDENTIFIER

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

Item No. Caption and Instructions

- 4.c.(2)(a) Issued or guaranteed by U.S. Government agencies or sponsored agencies.** Report in the appropriate columns the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans, or securities secured by properties other than 1-4 family residential properties that have been issued by U.S. Government agencies or U.S. Government-sponsored agencies.

U.S. Government agencies include, but are not limited to, such agencies as the Government National Mortgage Association (GNMA), the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA). U.S. Government-sponsored agencies include, but are not limited to, such agencies as the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA).

- 4.c.(2)(b) All other commercial MBS.** Report in the appropriate columns the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans secured by properties other than 1-4 family residential properties that have been issued or guaranteed by non-U.S. Government issuers.

5 Asset-backed securities and structured financial products:

- 5.a Asset-backed securities.** Report in the appropriate columns the amortized cost and fair value of all asset-backed securities (other than mortgage-backed securities), including asset-backed commercial paper, not held for trading. Include asset-backed securities issued by non-U.S. issuers. For banks with \$10 billion or more in total assets, this item must equal Schedule RC-B, sum of Memorandum items 5.a through 5.f.

- 5.b Structured financial products.** Report in the appropriate columns the amortized cost and fair value of all structured financial products not held for trading. Include cash, synthetic, and hybrid instruments, including those issued by non-U.S. issuers. For banks with \$10 billion or more in total assets, this item must equal Schedule RC-B, sum of Memorandum items 6.a through 6.g.

Structured financial products generally convert a pool of assets (such as whole loans, securitized assets, bonds, and similar instruments) and other exposures (such as derivatives) into products that are tradable capital market debt instruments. Some of the more complex financial product structures mix asset classes in order to create investment products that diversify risk.

- (1) A cash instrument means that the instrument represents a claim against a reference pool of assets.
- (2) A synthetic instrument means that the investors do not have a claim against a reference pool of assets; rather, the originating bank merely transfers the inherent credit risk of the reference pool of assets by such means as a credit default swap, a total return swap, or another arrangement in which the counterparty agrees upon specific contractual covenants to cover a predetermined amount of losses in the loan pool.
- (3) A hybrid instrument means that the instrument is a mix of both cash and synthetic instruments.

One of the more common cash instrument structured financial products is referred to as a collateralized debt obligation (CDO). For example, include in this item investments in CDOs for which the underlying collateral is a pool of trust preferred securities issued by U.S. business trusts organized by financial institutions or real estate investment trusts. However, exclude from this item investments in trust preferred securities issued by a single U.S. business trust (report in Schedule RC-B, item 6.a, "Other domestic debt securities").

Item No. Caption and Instructions

5.b
(cont.) Examples of other products to be reported in this item include synthetic structured financial products (such as synthetic CDOs) that use credit derivatives and a reference pool of assets, hybrid structured products that mix cash and synthetic instruments, collateralized loan obligations (CLOs), collateralized bond obligations (CBOs), resecuritizations such as CDOs squared or cubed (which are CDOs backed primarily by the tranches of other CDOs), and other similar structured financial products. Also include in this item structured financial products that are guaranteed by U.S. government agencies such as FHLMC K-Deals and Q-Deals (report, if applicable, in Schedule RC-B, Memorandum item 6.g, "Other collateral or reference assets," below).

Exclude from structured financial products:

- (1) Mortgage-backed pass-through securities (report in Schedule RC-B, item 4, above).
- (2) Collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, stripped mortgage-backed securities, and mortgage-backed commercial paper (report in Schedule RC-B, item 4, above).
- (3) Asset-backed commercial paper not held for trading (report in Schedule RC-B, item 5.a, above).
- (4) Asset-backed securities that are primarily secured by one type of asset (report in Schedule RC-B, item 5.a, above).
- (5) Securities backed by loans that are commonly regarded as asset-backed securities rather than collateralized loan obligations in the marketplace (report in Schedule RC-B, item 5.a, above).

6 **Other debt securities.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all debt securities not held for trading that cannot properly be reported in Schedule RC-B, items 1 through 5, above.

Exclude from other debt securities:

- (1) All holdings of certificates of participation in pools of residential mortgages, collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments) (report in Schedule RC-B, item 4, above).
- (2) Holdings of bankers acceptances and certificates of deposit (CDs), even if the CDs are negotiable or have CUSIP numbers. (Report holdings of bankers acceptances as loans in Schedule RC, item 4.a, if held for sale; item 4.b, if held for investment; and item 5, if held for trading. Report holdings of CDs in Schedule RC, item 1.b, if not held for trading; and item 5, if held for trading.)
- (3) All securities that meet the definition of an "equity security" in ASC Topic 321, Investments-Equity Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities"), for example, common and perpetual preferred stock. (See also the instructions to Schedule RC, item 2.c; Schedule RC-B, item 7; and Schedule RC-F, item 4.)

Item No. Caption and Instructions

6.a Other domestic debt securities. Report in the appropriate columns the amortized cost and fair value of all other domestic debt securities not held for trading.

Other domestic debt securities include:

- (1) Bonds, notes, debentures, equipment trust certificates, and commercial paper (except asset-backed commercial paper) issued by U.S.-chartered corporations and other U.S. issuers and not reportable elsewhere in Schedule RC-B.
- (2) Preferred stock of U.S.-chartered corporations and business trusts that by its terms either must be redeemed by the issuing corporation or trust or is redeemable at the option of the investor (i.e., redeemable or limited-life preferred stock), including trust preferred securities issued by a single U.S. business trust that are subject to mandatory redemption.
- (3) Detached U.S. Government security coupons and ex-coupon U.S. Government securities held as the result of either their purchase or the bank's stripping of such securities and Treasury receipts such as CATS, TIGRs, COUGARs, LIONs, and ETRs. Refer to the Glossary entry for "coupon stripping, Treasury receipts, and STRIPS" for additional information.

Exclude from other domestic debt securities investments in collateralized debt obligations for which the underlying collateral is a pool of trust preferred securities issued by U.S. business trusts (report as structured financial products in Schedule RC-B, item 5.b).

6.b Other foreign debt securities. Report in the appropriate columns the amortized cost and fair value of all other foreign debt securities not held for trading.

Other foreign debt securities include:

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

Item No. Caption and Instructions

NOTE: Investments in equity securities, including investment in mutual funds, with readily determinable fair values not held for trading that were previously reportable in Schedule RC-B, item 7, columns C and D, should be reported in Schedule RC, item 2.c, "Equity securities with readily determinable fair values not held for trading." Insured state banks that have received FDIC approval in accordance with [Section 362.3\(a\) of the FDIC's regulations](#) to hold certain equity investments ("grandfathered equity securities") should report in Schedule RC-M, item 4, the aggregate cost basis of all equity securities with readily determinable fair values not held for trading that are reported in Schedule RC, item 2.c, not just the cost basis of those equity securities that are treated as "grandfathered."

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

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

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

- 8 Total.** Report the sum of Schedule RC-B, items 1 through 7. For institutions that have not adopted FASB [Accounting Standards Update No. 2016-13](#) (ASU 2016-13), which governs the accounting for credit losses, the total of column A for this item must equal Schedule RC, item 2.a, "Held-to-maturity securities." For institutions that have adopted ASU 2016-13, the total of column A for this item must equal Schedule RC, item 2.a, "Held-to-maturity securities," plus Schedule RI-B, Part II, item 7, column B, "Balance end of current period," for the allowance for credit losses on held-to-maturity debt securities. For all institutions, the total of column D for this item must equal Schedule RC, item 2.b, "Available-for-sale debt securities."

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

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

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

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

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

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

- 12** **Total loans and leases held for investment and held for sale.** On the FFIEC 041, report in column B the sum of items 1.a.(1) through 10, column B, less item 11, column B. On the FFIEC 031, for large institutions and highly complex institutions – as defined for assessment purposes – with foreign offices, report in column A the sum of items 1.a.(1) through 10.b, column A, less item 11, column A; report in column B the sum of items 1.a.(1) through 10, column B, less item 11, column B. On the FFIEC 031, for all other institutions with foreign offices, report in column A the sum of item 1 and items 2.a.(1) through 10.b, column A, less item 11, column A; report in column B the sum of items 1.a.(1) through 10, column B, less item 11, column B.

The amount reported for this item (on the FFIEC 041, in column B; on the FFIEC 031 must equal Schedule RC, item 4.a, plus item 4.b.

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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 the Current Exposure Method or elect to use SA-CCR for purposes of the standardized approach and supplementary leverage ratio (as applicable). Where a banking institution has the option to choose among the approaches applicable to such institution under the capital rule, it must use the same approach for all purposes. 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.)**Memoranda****Item No. Caption and Instructions**

3
(cont.) The notional amount to be reported under SA-CCR and CEM for an amortizing centrally cleared derivative contract is the contract's current (or, if appropriate, effective) notional amount. This notional amount should be reported in the column corresponding to the contract's remaining term to final maturity.

For purposes of reporting remaining maturities in Memorandum items 3.a through 3.g, settled-to-market cleared derivatives should be treated in the following manner:

- When an institution uses CEM for risk-based capital purposes, if a cleared derivative contract meets the settled-to-market cleared derivative criteria in the banking agencies' August 2017 [supervisory guidance on the regulatory capital treatment of certain centrally cleared derivative contracts](#),¹ the remaining maturity equals the time until the next exchange of variation margin on the contract.
- When an institution uses SA-CCR, if a cleared derivative contract meets the settled-to-market cleared derivative criteria in the banking agencies' August 2017 [supervisory guidance on the regulatory capital treatment of certain centrally cleared derivative contracts](#),² the remaining maturity equals the time until the next exchange of variation margin on the contract. However, if the institution elects to treat such a settled-to-market cleared derivative as a collateralized-to-market cleared derivative, the remaining maturity of the derivative should be determined as E – S, where E is the number of business days from the present day (i.e., the report date) until the end date of the derivative contract and S is the number of business days from the present day until the start date of the derivative contract, or S is zero if the start date has already passed.

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.

When using SA-CCR, include gold in the precious metals category for Memorandum item 3.f and exclude gold from the foreign exchange rate category for Memorandum item 3.b.

When using SA-CCR, a bank may elect to treat a credit or equity derivative contract that references an index as if it were multiple derivative contracts each referencing one component of the index. Thus, under this election, a banking organization would apply the SA-CCR methodology to each decomposed component of the index instead of applying the SA-CCR methodology to the index derivative contract. A bank must allocate the notional amount in the same category that it elected for purposes of applying the regulatory capital rules.

When using SA-CCR, a bank may elect to treat a commodity derivative contract that references an index as if it were multiple derivative contracts each referencing one component of the index. A bank must allocate the notional amount in the same category that it elected for purposes of applying the regulatory capital rules.

For information on the settled-to-market cleared derivative criteria that are to be met, refer also to the discussion of "Treatment of Certain Centrally Cleared Derivative Contracts" in the General Instructions for Schedule RC-R, Part II.

² See the preceding footnote.

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

- 2.a and 3.a** **Interest rate.** Report the remaining maturities of interest rate contracts that are subject to the regulatory capital rules.
- 2.b and 3.b** **Foreign exchange rate and gold.** Report the remaining maturities of foreign exchange contracts and the remaining maturities of gold contracts that are subject to the regulatory capital rules.
- 2.c and 3.c** **Credit (investment grade reference asset).** Report the remaining maturities of those credit derivative contracts where the reference entity meets the definition of investment grade as described in §.2 of the regulatory capital rules.
- 2.d and 3.d** **Credit (non-investment grade reference asset).** Report the remaining maturities of those credit derivative contracts where the reference entity does not meet the definition of investment grade as described in §.2 of the regulatory capital rules.
- 2.e and 3.e** **Equity.** Report the remaining maturities of equity derivative contracts that are subject to the regulatory capital rules.
- 2.f and 3.f** **Precious metals (except gold).** Report the remaining maturities of other precious metals contracts that are subject to the regulatory capital rules. Report all silver, platinum, and palladium contracts.
- 2.g and 3.g** **Other.** Report the remaining maturities of other derivative contracts that are subject to the regulatory capital rules. For contracts with multiple exchanges of principal, notional amount is determined by multiplying the contractual amount by the number of remaining payments (i.e., exchanges of principal) in the derivative contract.

NOTE: Memorandum items 4.a through 4.c should be completed only by institutions that have adopted [FASB Accounting Standards Update No. 2016-13](#) (ASU 2016-13), which governs the accounting for credit losses. Institutions that have not adopted ASU 2016-13 should leave Memorandum items 4.a through 4.c blank.

- 4** **Amount of allowances for credit losses on purchased credit-deteriorated assets.**
ASU 2016-13 introduces the concept of purchased credit-deteriorated (PCD) assets as a replacement for purchased credit-impaired (PCI) assets. The PCD asset definition covers a broader range of assets than the PCI asset definition. As defined in ASU 2016-13, “purchased credit-deteriorated assets” are acquired individual financial assets (or acquired groups of financial assets with similar risk characteristics) accounted for in accordance with ASC Topic 326, Financial Instruments—Credit Losses, that, as of the date of acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination, as determined by the acquiring institution’s assessment.

ASU 2016-13 requires institutions to estimate and record a credit loss allowance for a PCD asset at the time of purchase. The credit loss allowance is then added to the purchase price to determine the amortized cost basis of the asset for financial reporting purposes. Post-acquisition increases in credit loss allowances on PCD assets will be established through a charge to earnings. This accounting treatment for PCD assets is different from the current treatment of PCI assets, for which institutions are not permitted to estimate and recognize credit loss allowances at the time of purchase. Rather, in general, credit loss allowances for PCI assets are estimated subsequent to the purchase only if there is deterioration in the expected cash flows from the assets.

Accrued Interest Receivable Related to Credit Card Securitizations (cont.):

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 transferor¹ 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, column C on the FFIEC 031; column G on the FFIEC 041, (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 ASC Topic 320, Investments–Debt Securities and ASC Topic 860 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 ASC Subtopic 450-20, Contingencies–Loss Contingencies, in subsequent accounting for the AIR asset. ASC Subtopic 450-20 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.”

Acquisition, Development, or Construction (ADC) Arrangements: An ADC arrangement is an arrangement in which a bank provides financing for real estate acquisition, development, or construction purposes and participates in the expected residual profit resulting from the ultimate sale or other use of the property. ADC arrangements should be reported as loans, real estate joint ventures, or direct investments in real estate in accordance with ASC Subtopic 310-10, Receivables – Overall.

[12 USC 29](#) limits the authority of national banks to hold real estate. National banks should review real estate ADC arrangements carefully for compliance. State member banks are not authorized to invest in real estate except with the prior approval of the Federal Reserve Board under [Federal Reserve Regulation H \(12 CFR Part 208\)](#). In certain states, nonmember banks may invest in real estate.

Under the agencies’ regulatory capital rules, the term high volatility commercial real estate (HVCRE) exposure is defined, in part, to mean a credit facility that, prior to conversion to permanent financing, finances or has financed the acquisition, development, or construction of real property. (See §.2 of the regulatory capital rules and the instructions for Schedule RC-R, Part II, item 4.b.) Institutions should note that the meaning of the term ADC as used in the definition of HVCRE exposure in the regulatory capital rules differs from the meaning of ADC arrangement for accounting purposes in ASC Subtopic 310-10 as described above in this Glossary entry. For example, an institution’s participation in the expected residual profit from a property is part of the accounting definition of an ADC arrangement, but whether the institution participates in the expected residual profit is not a

¹ See ASC Subtopic 860-10.

Acquisition, Development, or Construction (ADC) Arrangements (cont.):

consideration for purposes of determining whether a credit facility is an HVCRE exposure for regulatory capital purposes. Thus, a loan can be treated as an HVCRE exposure for regulatory capital purposes even though it does not provide for the institution to participate in the property's expected residual profit.

Agreement Corporation: See "Edge and Agreement Corporation."

Allowance for Credit Losses: This entry applies to institutions that have adopted ASC Topic 326 (introduced by Accounting Standards Update No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13)). Institutions that have not adopted ASC Topic 326 should continue to refer to the Glossary entry for "Allowance for Loan and Lease Losses." For more information on the allowance for credit losses (ACL), institutions should also refer to the [Interagency Policy Statement on Allowances for Credit Losses](#) issued in May 2020.

Standards for accounting for an ACL for financial assets measured at amortized cost and net investments in leases (hereafter referred to collectively as financial assets measured at amortized cost), as well as certain off-balance sheet credit exposures, are set forth in ASC Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost. For financial assets measured at amortized cost, the ACL is a valuation account that is deducted from, or added to, the amortized cost basis of financial assets to present the net amount expected to be collected over the contractual term of the financial assets.

For institutions that have adopted ASC Topic 326, standards for measuring credit losses on available-for-sale (AFS) debt securities are set forth in ASC Subtopic 326-30, Financial Instruments—Credit Losses—Available-for-Sale Debt Securities. See the Glossary entry for "Securities Activities" for guidance on allowances for credit losses on AFS debt securities.

The following sections of this Glossary entry apply to financial assets measured at amortized cost and also to off-balance sheet credit exposures within the scope of ASC Subtopic 326-20.

Measurement— An ACL shall be established upon the origination or acquisition of a financial asset(s) measured at amortized cost. A separate ACL shall be reported for each type of financial asset measured at amortized cost (e.g., loans and leases held for investment, held-to-maturity (HTM) debt securities, and receivables that relate to repurchase agreements and securities lending agreements) as of the end of each reporting period.

As of the end of each quarter, or more frequently if warranted, each institution must evaluate the collectability of its financial assets measured at amortized cost, including, if applicable, any recorded accrued interest receivable (i.e., not already reversed or charged off, as applicable), and make adjusting entries to maintain the balance of each of the separate ACLs reported on the balance sheet at an appropriate level.

An institution shall measure expected credit losses on a collective or pool basis when financial assets share similar risk characteristics. If a financial asset does not share similar risk characteristics with other assets, expected credit losses for that asset should be evaluated individually. Individually evaluated assets should not be included in a collective assessment of expected credit losses. If a financial asset ceases to share similar risk characteristics with other assets in its pool, it should be moved to a different pool with assets sharing similar risk characteristics, if such a pool exists.

ASC Subtopic 326-20 does not require the use of a specific loss estimation method for purposes of determining ACLs. Various methods may be used to estimate the expected collectability of financial assets measured at amortized cost, with those methods generally applied consistently over time. The same loss estimation method does not need to be applied to all financial assets. An institution is not precluded from selecting a different method when it determines the method will result in a better estimate of ACLs.

Banks, U.S. and Foreign (cont.):

For purposes of the Consolidated Reports of Condition and Income, the term "U.S. branches and agencies of foreign banks" covers:

- (1) the U.S. branches and agencies of foreign banks;
- (2) the U.S. branches and agencies of foreign official banking institutions, including central banks, nationalized banks, and other banking institutions owned by foreign governments; and
- (3) investment companies that are chartered under Article XII of the New York State banking law and that are majority-owned by one or more foreign banks.

Banks in foreign countries –The institutional composition of "banks in foreign countries" includes:

- (1) the foreign-domiciled head offices and branches of:
 - (a) foreign commercial banks (including foreign-domiciled banking subsidiaries of U.S. banks and Edge and Agreement corporations);
 - (b) foreign savings banks or discount houses;
 - (c) nationalized banks not functioning either as central banks, as foreign development banks, or as banks of issue;
 - (d) other similar foreign institutions that accept short-term deposits; and
- (2) the foreign-domiciled branches of U.S. banks.

See also "International Banking Facility (IBF)."

Banks in Foreign Countries: See "Banks, U.S. and Foreign."

Bill-of-Lading Draft: See "Commodity or Bill-of-Lading Draft."

Borrowings and Deposits in Foreign Offices: Borrowings in foreign offices include assets rediscounted with central banks, certain participations sold in loans and securities, government fundings of loans, borrowings from the Export-Import Bank, and rediscounted trade acceptances. Federal funds sold and repurchase agreements in foreign offices should be reported in accordance with the Glossary entries for "Federal Funds Transactions" and "Repurchase/Resale Agreements." Liability accounts such as accruals and allocated capital shall not be reported as borrowings. Deposits consist of such other short-term and long-term liabilities issued or undertaken as a means of obtaining funds to be used in the banking business and include those liabilities generally characterized as placements and takings, call money, and deposit substitutes.

Brokered Deposits: As defined in [Section 337.6\(a\) of the FDIC's regulations](#), the term "brokered deposit" means "any deposit that is obtained, directly or indirectly, from or through the mediation or assistance of a deposit broker." Brokered deposits include both those in which the entire beneficial interest in a given bank deposit account or instrument is held by a single depositor and those in which the deposit broker sells participations in a given bank deposit account or instrument to one or more investors.

The meaning of the term "brokered deposit" depends on the meaning of the term "deposit broker." The term "deposit broker" is defined in [Section 29\(g\) of the Federal Deposit Insurance Act](#) and [Section 337.6\(a\)\(5\) of the FDIC's regulations](#). Under Section 337.6(a)(5), the term "deposit broker" means:

- Any person engaged in the business of placing deposits of third parties with insured depository institutions;
- Any person engaged in the business of facilitating the placement of deposits of third parties with insured depository institutions;
- Any person engaged in the business of placing deposits with insured depository institutions for the purpose of selling those deposits or interests in those deposits to third parties; and
- An agent or trustee who establishes a deposit account to facilitate a business arrangement with an insured depository institution to use the proceeds of the account to fund a prearranged loan.

Brokered Deposits (cont.):

The FDIC's regulations under [Section 337.6\(a\)\(5\)](#) further provide that a person is:

- (1) "Engaged in the business of placing deposits" of third parties if that person receives third party funds and deposits those funds at more than one insured depository institution; and
- (2) "Engaged in the business of facilitating the placement of deposits" of third parties by, while engaged in business, with respect to deposits placed at more than one insured depository institution, engaging in one or more of the following activities:
 - The person has legal authority, contractual or otherwise, to close the account or move the third party's funds to another insured depository institution;
 - The person is involved in negotiating or setting rates, fees, terms, or conditions for the deposit account; or
 - The person engages in matchmaking activities, which occurs if the person proposes deposit allocations at, or between, more than one bank based upon both the particular deposit objectives of a specific depositor or depositor's agent, and the particular deposit objectives of specific banks, except in the case of deposits placed by a depositor's agent with a bank affiliated with the depositor's agent. A proposed deposit allocation is based on the particular objectives of:
 - i. A depositor or depositor's agent when the person has access to specific financial information of the depositor or depositor's agent and the proposed deposit allocation is based upon such information; and
 - ii. A bank when the person has access to the target deposit-balance objectives of specific banks and the proposed deposit allocation is based upon such information.

Brokered CDs that are placed by or through the assistance of third parties with insured depository institutions are brokered deposits.

Section 337.6(a)(5)(v)(i)(4) defines brokered CD as a deposit placement arrangement in which a master certificate of deposit is issued by an insured depository institution in the name of the third party that has organized the funding of the certificate of deposit, or in the name of a custodian or a sub-custodian of the third party, and the certificate is funded by individual investors through the third party, with each individual investor receiving an ownership interest in the certificate of deposit, or a similar deposit placement arrangement that the FDIC determines is arranged for a similar purpose.

[Section 337.6\(a\)\(5\)](#) also provides that the term "deposit broker" does *not* include:

- (1) an insured depository institution, with respect to funds placed with that depository institution;
- (2) an employee of an insured depository institution, with respect to funds placed with the employing depository institution;
- (3) a trust department of an insured depository institution, if the trust or other fiduciary relationship in question has not been established for the primary purpose of placing funds with insured depository institutions;
- (4) the trustee of a pension or other employee benefit plan, with respect to funds of the plan;
- (5) a person acting as a plan administrator or an investment adviser in connection with a pension plan or other employee benefit plan provided that that person is performing managerial functions with respect to the plan;
- (6) the trustee of a testamentary account;
- (7) the trustee of an irrevocable trust (other than a trustee who establishes a deposit account to facilitate a business arrangement with an insured depository institution to use the proceeds of the account to fund a prearranged loan), as long as the trust in question has not been established for the primary purpose of placing funds with insured depository institutions;
- (8) a trustee or custodian of a pension or profit-sharing plan qualified under [Section 401\(d\)](#) or [403\(a\) of the Internal Revenue Code of 1986](#);
- (9) an agent or nominee whose primary purpose is not the placement of funds with depository institutions; or

Brokered Deposits (cont.):

(10) an insured depository institution acting as an intermediary or agent of a U.S. government department or agency for a government sponsored minority or women-owned depository institution deposit program.

Section 337.6(a)(5) describes what it means to be “an agent or nominee whose primary purpose is not the placement of funds with depository institutions.” More specifically, the primary purpose exception applies when the primary purpose of the agent’s or nominee’s business relationship with its customers is not the placement of funds with depository institutions.

The following business relationships are designated in Section 337.6(a)(5)(I)(1)(i) through (xiv) as meeting the primary purpose exception, subject to applicable notice and reporting requirements set forth in Section 303.243(b)(3), where, with respect to a particular business line:

- Less than 25 percent of the total assets that the agent or nominee has under administration for its customers is placed at depository institutions;
- 100 percent of depositors’ funds that the agent or nominee places, or assists in placing, at depository institutions are placed into transactional accounts that do not pay any fees, interest, or other remuneration to the depositor;
- A property management firm places, or assists in placing, customer funds into deposit accounts for the primary purpose of providing property management services;
- The agent or nominee places, or assists in placing, customer funds into deposit accounts for the primary purpose of providing cross-border clearing services to its customers;
- The agent or nominee places, or assists in placing, customer funds into deposit accounts for the primary purpose of providing mortgage servicing;
- A title company places, or assists in placing, customer funds into deposit accounts for the primary purpose of facilitating real estate transactions;
- A qualified intermediary places, or assists in placing, customer funds into deposit accounts for the primary purpose of facilitating exchanges of properties under section 1031 of the Internal Revenue Code;
- A broker dealer or futures commission merchant places, or assists in placing, customer funds into deposit accounts in compliance with 17 CFR 240.15c3-3(e) or 17 CFR 1.20(a);
- The agent or nominee places, or assists in placing, customer funds into deposit accounts for the primary purpose of posting collateral for customers to secure credit-card loans;
- The agent or nominee places, or assists in placing, customer funds into deposit accounts for the primary purpose of paying for or reimbursing qualified medical expenses under section 223 of the Internal Revenue Code;
- The agent or nominee places, or assists in placing, customer funds into deposit accounts for the primary purpose of investing in qualified tuition programs under section 529 of the Internal Revenue Code;
- The agent or nominee places, or assists in placing, customer funds into deposit accounts to enable participation in the following tax-advantaged programs: individual retirement accounts under section 408(a) of the Internal Revenue Code, simple individual retirement accounts under section 408(p) of the Internal Revenue Code, or Roth individual retirement accounts under section 408A of the Internal Revenue Code;

Brokered Deposits (cont.):

- A Federal, State, or local agency places, or assists in placing, customer funds into deposit accounts to deliver funds to the beneficiaries of government programs; and
- The agent or nominee places, or assists in placing, customer funds into deposit accounts pursuant to such other relationships as the FDIC specifically identifies as a designated business relationship that meets the primary purpose exception.
 - The FDIC has specifically identified the following additional business relationship as meeting the primary purpose exception:¹ The agent or nominee places, or assists in placing, customer funds at insured depository institutions, in a custodial capacity, based upon instructions received from a depositor or depositor's agent specific to each insured depository institution and deposit account, and the agent or nominee neither plays any role in determining at which insured depository institution(s) to place any customers' funds, nor negotiates or sets rates, terms, fees, or conditions, for the deposit account.
 - (1) A custodial agent that plays any role in determining at which IDI(s) to place any customers' funds will not be eligible for this designated exception. As an example, a custodial agent that plays any role in creating, operating, or using an algorithm that is used to determine or recommend at which IDI(s) any customer funds are placed would be viewed as playing a role in determining at which banks the depositor's funds are to be placed and thus not eligible for the designated exception.
 - (2) The involvement of the non-discretionary custodial agent does not change the classification of deposits placed by, or through the facilitation of, an entity that otherwise meets the deposit broker definition.

An agent or nominee that does not rely on a designated business exception described above must receive an approval under the application process in 12 CFR 303.243(b) in order to qualify for the primary purpose exception to the deposit broker definition.

Insured depository institutions that receive deposits through an entity that has a pending application for a primary purpose exception with the FDIC should report such deposits as brokered deposits until the FDIC approves such application.

An insured depository institution that receives deposits from an entity with a primary purpose exception (e.g., sweep deposits received from an unaffiliated broker-dealer) should be aware whether there are any additional third parties involved in the deposit placement arrangement, and if so, must determine whether that third party qualifies as a deposit broker. Although an entity with a primary purpose exception that otherwise meets the deposit broker definition is not a deposit broker under 12 CFR 337.6(a)(5)(v)(I), a brokered deposit is any deposit that is obtained, directly or indirectly, from or through the mediation or assistance of a deposit broker under 12 CFR 337.6(a)(2). Therefore, an insured depository institution that receives deposits from an entity with a primary purpose exception must report the deposits as brokered if an additional third party that qualifies as a deposit broker is involved (e.g., a third party engaged in matchmaking activities as described in 12 CFR 337.6(a)(5)(iii)(C)).

For further information on the solicitation and acceptance of brokered deposits by less than well capitalized insured depository institutions, see [Section 337.6\(b\) and 337.7\(g\) of the FDIC's regulations](#).

In some cases, brokered deposits are issued in the name of the depositor whose funds have been placed in a bank by a deposit broker. In other cases, a bank's deposit account records may indicate that the funds have been deposited in the name of a third party custodian for the benefit of others (e.g., "XYZ Corporation as custodian for the benefit of others," or "Custodial account of XYZ Corporation").

¹ See [87 FR 1065 \(Jan. 10, 2022\)](#).

Brokered Deposits (cont.):

Unless the custodian meets one of the specific exceptions from the “deposit broker” definition in [Section 29 of the Federal Deposit Insurance Act](#) and [Section 337.6\(a\) of the FDIC’s regulations](#), these custodial accounts should be reported as brokered deposits in Schedule RC-E, Deposit Liabilities. [Section 202 of the Economic Growth, Regulatory Relief, and Consumer Protection Act](#), enacted on May 24, 2018, amends [Section 29 of the Federal Deposit Insurance Act](#) to except a capped amount of reciprocal deposits from treatment as, and from being reported as, brokered deposits for qualifying institutions. The FDIC has amended its regulations to conform to the treatment of reciprocal deposits set forth in Section 202. As defined in [Section 337.6\(e\)\(2\)\(v\) of the FDIC’s regulations](#), “reciprocal deposits” means “deposits received by an agent institution through a deposit placement network with the same maturity (if any) and in the same aggregate amount as covered deposits placed by the agent institution in other network member banks.” As defined in [Section 327.8\(q\) of the FDIC’s regulations](#), “brokered reciprocal deposits” are “reciprocal deposits as defined in [Section 337.6\(e\)\(2\)\(v\) of the FDIC’s regulations](#) that are not excepted from an institution’s brokered deposits pursuant to [Section 337.6\(e\)](#) of the FDIC’s regulations. Brokered reciprocal deposits should be reported as (1) brokered deposits and included in Schedule RC-E, Memorandum item 1.b, and, if applicable, Memorandum items 1.c and 1.d, and (2) brokered reciprocal deposits and included in Schedule RC-O, item 9 and, if applicable, item 9.a. An institution should report its total reciprocal deposits, including any reciprocal deposits that are reported as brokered deposits, in Schedule RC-E, Memorandum item 1.g. For further information on reciprocal deposits and brokered reciprocal deposits, see the instructions for Schedule RC-E, Memorandum items 1.b and 1.g, and the examples after the instructions for Schedule RC-E, Memorandum item 7.

Reliance on Previous Staff Advisory Opinions and Interpretations

As stated in the FDIC’s rule on Brokered Deposits and Interest Rate Restrictions, the effective date of the rule was April 1, 2021. Full compliance of the rule was extended to January 1, 2022. The extended compliance date allows entities to continue to rely upon existing staff advisory opinions or other interpretations that predated the final rule in determining whether deposits placed by or through an agent or nominee are brokered deposits. After January 1, 2022, entities may no longer rely upon staff advisory opinions or other interpretations that predated the final rule, and to the extent that such entities instead opt to rely on a designated exception for which a notice is required, a notice must be filed. After January 1, 2022, the advisory opinions and other publicly available interpretations will be moved to inactive status.

Fully insured brokered deposits are brokered deposits (including brokered deposits that represent retirement deposit accounts as defined in Schedule RC-O, Memorandum item 1) with balances of \$250,000 or less or with balances of more than \$250,000 that have been participated out by the deposit broker in shares of \$250,000 or less. As more fully described in the instructions for Schedule RC-E, (Part I on the FFIEC 031), Memorandum item 1.c, fully insured brokered deposits also include (a) certain brokered certificates of deposit issued in \$1,000 amounts under a master certificate of deposit issued by a bank to a deposit broker in an amount that exceeds \$250,000 and (b) certain brokered transaction accounts and money market deposit accounts denominated in amounts of \$0.01 and established and maintained by the deposit broker (or its agent) as agent, custodian, or other fiduciary for the broker’s customers.

For additional information on brokered deposits, refer to the FDIC’s “Identifying, Accepting and Reporting Brokered Deposits: Frequently Asked Questions” at <https://www.fdic.gov/news/news/financial/2016/fil16042b.pdf>.

Broker's Security Draft: A broker's security draft is a draft with securities or title to securities attached that is drawn to obtain payment for the securities. This draft is sent to a bank for collection with instructions to release the securities only on payment of the draft.

Business Combinations: The accounting and reporting standards for business combinations are set forth in ASC Topic 805, Business Combinations. ASC Topic 805 requires that all business combinations, which are defined as the acquisition of assets and assumption of liabilities that constitute a business, be accounted for using the acquisition method of accounting. The formation of a joint venture, the acquisition of a group of assets that do not constitute a business, and a transfer of net assets or exchange of equity interests between entities under common control are not considered business combinations and therefore are not accounted for using the acquisition method of accounting.

Acquisition method – Under the acquisition method, the acquirer in a business combination shall measure the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at their acquisition-date fair values (with limited exceptions specified in ASC Topic 805) using the definition of fair value in ASC Topic 820, Fair Value Measurement. The acquisition date is generally the date on which the acquirer legally transfers the consideration, acquires the assets, and assumes the liabilities of the acquiree, i.e., the closing date. ASC Topic 805 requires the acquirer to measure acquired receivables, including loans, at their acquisition-date fair values. If ASC Topic 326, Financial Instruments—Credit Losses, has not been adopted, the acquirer may not recognize a separate valuation allowance (e.g., allowance for loan and lease losses) for the contractual cash flows that are deemed to be uncollectible as of that date.

If ASC Topic 326 has been adopted, an institution is required to determine whether any acquired financial assets meet the definition of a purchased credit-deteriorated (PCD) asset. For a financial asset that meets the definition of a PCD asset, the institution applies the gross-up approach and records the acquired financial asset at its purchase price plus acquisition-date allowance for credit losses, which establishes the initial amortized cost basis of the PCD asset. For acquired financial assets that are not PCD assets, the acquirer records the purchased financial assets at their acquisition-date fair values. Additionally, for those acquired financial assets within the scope of ASC Subtopic 326-20 that are not PCD financial assets, an allowance is initially recorded with a corresponding charge to the provision for credit losses expense in the reporting period that includes the acquisition date. See also the Glossary entries for “Allowance for Credit Losses” and “Purchased Credit-Deteriorated Assets.”

The consideration transferred in a business combination shall be calculated as the sum of the acquisition-date fair values of the assets (including any cash) transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree, and the equity interests issued by the acquirer. Acquisition-related costs are costs the acquirer incurs to effect a business combination such as finder's fees; advisory, legal, accounting, valuation, and other professional or consulting fees; and general administrative costs. The acquirer shall account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services received. The cost to register and issue debt or equity securities shall be recognized in accordance with other applicable generally accepted accounting principles.

At the acquisition date, an acquirer generally will not have obtained all of the information necessary to measure the fair values of the identifiable assets acquired, liabilities assumed, any noncontrolling interest in the acquiree, and consideration transferred for the acquiree. Under ASC Topic 805, if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer should report provisional amounts in its Consolidated Reports of Condition and Income for the items for which the accounting is incomplete. Provisional amounts should be based on the best information available. During the measurement period, the acquirer is required to adjust the provisional amounts recognized at the acquisition date, with a corresponding adjustment to goodwill, to reflect new information obtained about facts and circumstances that existed

Deposits (cont.):

Telephone and preauthorized transfer accounts also include:

- (i) Deposits or accounts maintained in connection with an arrangement that permits the depositor to obtain credit directly or indirectly through the drawing of a negotiable or nonnegotiable check, draft, order or instruction or other similar device (including telephone or electronic order or instruction) on the issuing institution that can be used for the purpose of making payments or transfers to third parties or others, or to another deposit account of the depositor.
 - (ii) The balance of deposits or accounts that otherwise meet the definition of time deposits, but from which payments may be made to third parties by means of a debit card, an automated teller machine, remote service unit or other electronic device, regardless of the number of payments made.
- (2) Nontransaction accounts – All deposits that are not transaction accounts (as defined above) are nontransaction accounts. Nontransaction accounts include: (a) savings deposits ((i) money market deposit accounts (MMDAs) and (ii) other savings deposits) and (b) time deposits ((i) time certificates of deposit and (ii) time deposits, open account). [Regulation D](#) no longer distinguishes between money market deposit accounts (MMDAs) and other savings deposits. However, these two types of accounts are defined below for purposes of these reports, which call for separate data on each in Schedule RC-E, (Part I,) Memorandum items 2.a.(1) and (2).

NOTE: [Regulation D](#) classifies savings deposits as a type of transaction account. However, for Call Report purposes, savings deposits are classified as a type of nontransaction account.

- (a) Savings deposits are deposits with respect to which the depositor is not required by the deposit contract but may at any time be required by the depository institution to give written notice of an intended withdrawal not less than seven days before withdrawal is made, and that is not payable on a specified date or at the expiration of a specified time after the date of deposit.

The term savings deposit also means a deposit or account, such as an account commonly known as a passbook savings account, a statement savings account, or a money market deposit account (MMDA), that otherwise meets the requirements of the preceding paragraph.

Further, for a savings deposit account, no minimum balance is required by regulation, there is no regulatory limitation on the amount of interest that may be paid, and no minimum maturity is required (although depository institutions must reserve the right to require at least seven days' written notice prior to withdrawal as stipulated above for a savings deposit).

Any depository institution may place restrictions and requirements on savings deposits in addition to those stipulated above. In the case of such further restrictions, the account would still be reported as a savings deposit.

Deposits (cont.):*Treatment of Accounts where Reporting Institutions Have Suspended Enforcement of the Six Transfer Limit per Regulation D*

Where the reporting institution has suspended the enforcement of the six transfer limit rule on an account that meets the definition of a savings deposit, the reporting institution is required to report such deposits as a savings account or a transaction account based on an assessment of the characteristics of the account as indicated below:

- (1) If the reporting institution does not retain the reservation of right to require at least seven days' written notice before an intended withdrawal, report the account as a demand deposit (and as a "transaction account").
- (2) If the reporting institution does retain the reservation of right to require at least seven days' written notice before an intended withdrawal, report the account as either a NOW account¹ (and as a "transaction account") or as a savings deposit (and as a nontransaction account).

[Regulation D](#) no longer distinguishes between money market deposit accounts (MMDAs) and other savings deposits. However, these two types of accounts are defined as follows for purposes of these reports, which call for separate data on each.

- (1) Money market deposit accounts (MMDAs) are deposits or accounts that meet the above definition of a savings deposit and that permit unlimited transfers to be made by check, draft, debit card or similar order made by the depositor and payable to third parties.
- (2) Other savings deposits are deposits or accounts that meet the above definition of a savings deposit but that permit no transfers by check, draft, debit card, or similar order made by the depositor and payable to third parties. Other savings deposits are commonly known as passbook savings or statement savings accounts.

Examples illustrating distinctions between MMDAs and other savings deposits for purposes of these reports are provided at the end of this Glossary entry.

- (b) Time deposits are deposits that the depositor does not have a right, and is not permitted, to make withdrawals from within six days after the date of deposit unless the deposit is subject to an early withdrawal penalty of at least seven days' simple interest on amounts withdrawn within the first six days after deposit. A time deposit from which partial early withdrawals are permitted must impose additional early withdrawal penalties of at least seven days' simple interest on amounts withdrawn within six days after each partial withdrawal. If such additional early withdrawal penalties are not imposed, the account ceases to be a time deposit. The account may become a savings deposit if it meets the requirements for a savings deposit; otherwise it becomes a demand deposit.

NOTE: The above prescribed penalties are the minimum required by [Federal Reserve Regulation D](#). Institutions may choose to require penalties for early withdrawal in excess of the regulatory minimums.

¹ The option to report as a NOW account (and a transaction account) is only applicable to institutions that offer NOW accounts and the account offered subsequent to the suspension of the enforcement of the six-transfer limit is equivalent to the reporting institution's NOW account offering and is held by eligible depositors as authorized by federal law. Institutions that do not offer NOW accounts should continue to report such deposits as a savings deposit (and as a nontransaction account).

Loss Contingencies: A loss contingency is an existing condition, situation, or set of circumstances that involves uncertainty as to possible loss that will be resolved when one or more future events occur or fail to occur. An estimated loss (or expense) from a loss contingency (for example, pending or threatened litigation) must be accrued by a charge to income if it is probable that an asset has been impaired or a liability incurred as of the report date and the amount of the loss can be reasonably estimated.

A contingency that might result in a gain, for example, the filing of an insurance claim, shall not be recognized as income prior to realization.

For further information, see ASC Subtopic 450-20, Contingencies – Loss Contingencies.

Majority-Owned Subsidiary: See "Subsidiaries."

Mandatory Convertible Debt: Mandatory convertible debt is a subordinated note or debenture with a maturity of 12 years or less that obligates the holder to take the common or perpetual preferred stock of the issuer in lieu of cash for repayment of principal by a date at or before the maturity date of the debt instrument (so-called "equity contract notes").

Mergers: See "Business Combinations."

Money Market Deposit Account (MMDA): See "Deposits."

Nonaccrual Status: This entry covers, for purposes of these reports, the criteria for placing assets in nonaccrual status (presented in the general rule below) and related exceptions, the reversal of previously accrued but uncollected interest, the treatment of cash payments received on nonaccrual assets and the criteria for cash basis income recognition, the restoration of a nonaccrual asset to accrual status, and the treatment of multiple extensions of credit to one borrower.

General rule – Banks shall not accrue interest, amortize deferred net loan fees or costs, or accrete discount on any asset (1) which is maintained on a cash basis because of deterioration in the financial condition of the borrower, (2) for which payment in full of principal or interest is not expected, or (3) upon which principal or interest has been in default for a period of 90 days or more unless the asset is both well secured and in the process of collection.

An asset is "well secured" if it is secured (1) by collateral in the form of liens on or pledges of real or personal property, including securities, that have a realizable value sufficient to discharge the debt (including accrued interest) in full, or (2) by the guarantee of a financially responsible party. An asset is "in the process of collection" if collection of the asset is proceeding in due course either (1) through legal action, including judgment enforcement procedures, or, (2) in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status in the near future.

For purposes of applying the third test for nonaccrual status listed above, the date on which an asset reaches nonaccrual status is determined by its contractual terms. If the principal or interest on an asset becomes due and unpaid for 90 days or more on a date that falls between report dates, the asset should be placed in nonaccrual status as of the date it becomes 90 days past due and it should remain in nonaccrual status until it meets the criteria for restoration to accrual status described below.

Any state statute, regulation, or rule that imposes more stringent standards for nonaccrual of interest takes precedence over this instruction.

Exceptions to the general rule – In the following situations, an asset need not be placed in nonaccrual status:

- (1) The asset upon which principal or interest is due and unpaid for 90 days or more is a consumer loan (as defined for Schedule RC-C, Part I, item 6, "Loans to individuals for household, family, and

Nonaccrual Status (cont.):

other personal expenditures") or a loan secured by a 1-to-4 family residential property (as defined for Schedule RC-C, Part I, item 1.c, Loans "Secured by 1-4 family residential properties"). Nevertheless, such loans should be subject to other alternative methods of evaluation to assure that the bank's net income is not materially overstated. However, to the extent that the bank has elected to carry such a loan in nonaccrual status on its books, the loan must be reported as nonaccrual in Schedule RC-N, column C.

- (2) For an institution that has not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses, the criteria for accrual of income under the interest method specified in ASC Subtopic 310-30, Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality, are met for a purchased credit-impaired (PCI) loan, pool of loans, or debt security accounted for in accordance with that Subtopic, regardless of whether the loan, the loans in the pool, or debt security had been maintained in nonaccrual status by its seller. (For PCI loans with common risk characteristics that are aggregated and accounted for as a pool, the determination of nonaccrual or accrual status should be made at the pool level, not at the individual loan level.) For further information, see the Glossary entry for "purchased credit-impaired loans and debt securities."
- (3) For an institution that has adopted ASU 2016-13, the following criteria are met for a purchased credit-deteriorated (PCD) asset, including a PCD asset that was previously a PCI asset or part of a pool of PCI loans, that would otherwise be required to be placed in nonaccrual status under the general rule:
 - (a) The institution reasonably estimates the timing and amounts of cash flows expected to be collected, and
 - (b) The institution did not acquire the asset primarily for the rewards of ownership of the underlying collateral, such as use of collateral in operations of the institution or improving the collateral for resale.

When a PCD asset that meets the criteria above is not placed in nonaccrual status, the asset should be subject to other alternative methods of evaluation to ensure that the institution's net income is not materially overstated. If an institution is required or has elected to carry a PCD asset in nonaccrual status, the asset must be reported as a nonaccrual asset at its amortized cost basis in Schedule RC-N, column C. (For PCD loans for which the institution has made a policy election to maintain previously existing pools of PCI loans upon adoption of ASU 2016-13, the determination of nonaccrual or accrual status should be made at the pool level, not the individual asset level.) For further information, see the Glossary entry for "purchased credit-deteriorated assets."

Treatment of previously accrued interest – The reversal of previously accrued but uncollected interest applicable to any asset placed in nonaccrual status should be handled in accordance with generally accepted accounting principles. Acceptable accounting treatment includes a reversal of all previously accrued but uncollected interest applicable to assets placed in a nonaccrual status against appropriate income and balance sheet accounts.

For example, for institutions that have not adopted ASC Topic 326, one acceptable method of accounting for such uncollected interest on a loan placed in nonaccrual status is (1) to reverse all of the unpaid interest by crediting the "accrued interest receivable" account on the balance sheet, (2) to reverse the uncollected interest that has been accrued during the calendar year-to-date by debiting the appropriate "interest and fee income on loans" account on the income statement, and (3) to reverse any uncollected interest that had been accrued during previous calendar years by debiting the "allowance for loan and lease losses" account on the balance sheet. The use of this method presumes that bank management's additions to the allowance through charges to the "provision for loan and lease losses" on the income statement have been based on an evaluation of the collectability of the

Sweep Deposits (cont.):

"Non-affiliate retail sweep deposit" means a sweep deposit that is deposited in accordance with a contract between a "retail customer or counterparty" and an entity that is not affiliated with the reporting institution.

"Retail customer or counterparty" means a customer or counterparty that is:

- (1) An individual;
- (2) A business customer, but solely if and to the extent that:
 - (a) The reporting institution manages its transactions with the business customer, including deposits, unsecured funding, and credit facility and liquidity facility transactions, in the same way it manages its transactions with individuals;
 - (b) Transactions with the business customer have liquidity risk characteristics that are similar to comparable transactions with individuals; and
 - (c) The total aggregate funding raised from the business customer is less than \$1.5 million; or
- (3) A living or testamentary trust that:
 - (a) Is solely for the benefit of natural persons;
 - (b) Does not have a corporate trustee; and
 - (c) Terminates within 21 years and 10 months after the death of grantors or beneficiaries of the trust living on the effective date of the trust or within 25 years, if applicable under state law.

Syndications: A syndication is a participation, usually involving shares in a single loan, in which several participants agree to enter into an extension of credit under a bona fide binding agreement that provides that, regardless of any event, each participant shall fund and be at risk only up to a specified percentage of the total extension of credit or up to a specified dollar amount. In a syndication, the participants agree to the terms of the participation prior to the execution of the final agreement and the contract is executed by the obligor and by all the participants, although there is usually a lead institution organizing or managing the credit. Large commercial and industrial loans, large loans to finance companies, and large foreign loans may be handled through such syndicated participations.

Time Deposits: See "Deposits."

Trade Date and Settlement Date Accounting: For purposes of the Consolidated Reports of Condition and Income, the preferred method for reporting transactions in held-to-maturity securities, available-for-sale securities, and trading assets (including money market instruments) other than derivative contracts (see the Glossary entry for "Derivative Contracts") is on the basis of trade date accounting. However, if the reported amounts under settlement date accounting would not be materially different from those under trade date accounting, settlement date accounting is acceptable. Whichever method a bank elects should be used consistently, unless the bank has elected settlement date accounting and subsequently decides to change to the preferred trade date method.

Under trade date accounting, assets purchased shall be recorded in the appropriate asset category on the trade date and the bank's obligation to pay for those assets shall be reported in Schedule RC-G, item 4, "All other liabilities." Conversely, when an asset is sold, it shall be removed on the trade date from the asset category in which it was recorded, and the proceeds receivable resulting from the sale shall be reported in Schedule RC-F, item 6, "All other assets." Any gain or loss resulting from such transaction shall also be recognized on the trade date. On the settlement date, disbursement of the payment or receipt of the proceeds will eliminate the respective "All other liabilities" or "All other assets" entry resulting from the initial recording of the transaction.

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