

FFIEC 031 AND FFIEC 041

CALL REPORT

INSTRUCTION BOOK UPDATE

SEPTEMBER 2023

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 (3-23)
1 – 2 (12-22)
RI-33 – RI-34 (3-19)
RC-1 – RC-2 (12-22)
RC-B-9 – RC-B-10 (6-22)
RC-C-35 – RC-C-36b (3-17, 6-21)
RC-F-7 (6-18)
RC-M-15 – RC-M-20 (3-11, 3-17, 6-18)
RC-N-9 – RC-N-18 (3-17, 6-18, 3-19)
RC-O-3 – RC-O-4 (6-20)
RC-T-1 – RC-T-6a (9-21, 12-21)
A-43 – A-46a (12-22)

Insert Pages

Cover Page (9-23)
1 – 2 (9-23)*
RI-33 – RI-34 (9-23)
RC-1 – RC-2 (9-23)*
RC-B-9 – RC-B-10 (9-23)*
RC-C-35 – RC-C-36 (9-23)
RC-F-7 (9-23)*
RC-M-15 – RC-M-20 (9-23)
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RC-O-3 – RC-O-4 (9-23)*
RC-T-1 – RC-T-6a (9-23)
A-43 – A-46a (9-23)*

*Updates to these pages are limited solely to technical and non-substantive edits such as correction, formatting, spacing, indentation, capitalization, and removal of outdated accounting terminology.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 September 2023

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GENERAL INSTRUCTIONS

Schedules RC and RC-A through RC-V constitute the [FFIEC 031](#) and [FFIEC 041](#) versions of the Consolidated Report of Condition and its supporting schedules. Schedules RI and RI-A through RI-E constitute the [FFIEC 031](#) and [FFIEC 041](#) versions of the Consolidated Report of Income and its supporting schedules. The Consolidated Reports of Condition and Income are commonly referred to as the Call Report. For purposes of these General Instructions, the [Financial Accounting Standards Board \(FASB\) Accounting Standards Codification](#) is referred to as the "ASC." In addition, a FASB Accounting Standards Update is referred to as "ASU."

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

WHO MUST REPORT ON WHAT FORMS

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

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

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

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

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

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

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

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

- (ii) Has total consolidated assets of \$100 billion or more,¹ including a bank of this size that is subject to Category III capital standards²;
- (b) The [Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only \(FFIEC 041\)](#) if the bank has total consolidated assets less than \$100 billion, including a bank of this size that is subject to Category III capital standards, but excluding a bank of this size that is an advanced approaches institution; or
- (c) The [Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only and Total Assets Less than \\$5 Billion \(FFIEC 051\)](#) subject to the eligibility criteria discussed below,

as appropriate to the reporting institution. An institution eligible to file the [FFIEC 051](#) report may choose instead to file the [FFIEC 041](#) report.

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

For those institutions filing the [FFIEC 051](#), a separate instruction book covers this report form. Please refer to this separate instruction book for the General Instructions for the [FFIEC 051](#) report form.

Eligibility to File the FFIEC 051

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

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

Close of Business

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

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

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

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

Memoranda**Item No. Caption and Instructions**

- 11** **Does the reporting bank have a Subchapter S election in effect for federal income tax purposes for the current tax year?** Indicate in the boxes marked "YES" and "NO" whether the bank is, for federal income tax purposes, either an "S corporation" or a "qualifying subchapter S subsidiary," as defined in Internal Revenue Code Section 1361, as of the report date. In order to be an S corporation, the bank must have filed a valid election with the Internal Revenue Service and obtained the consent of all of its shareholders. An election for a bank to be a qualifying subchapter S subsidiary must have been made by a bank's parent holding company, which must also have made a valid election to be an S corporation. In addition, the bank (and its parent holding company, if applicable) must meet specific criteria for federal income tax purposes at all times during which the election remains in effect. These specific criteria include, for example, having no more than 100 qualifying shareholders and having only one class of stock outstanding.
- 12** Not applicable.
- 13** **Net gains (losses) recognized in earnings on assets and liabilities that are reported at fair value under a fair value option.** Report in the appropriate subitem the total amount of pretax gains (losses) from fair value changes included in earnings during the calendar year to date for all assets and liabilities accounted for at fair value under a fair value option. If the amount to be reported is a net loss, report it with a minus (-) sign. Disclosure of such gains (losses) is also required by ASC Subtopic 825-10, Financial Instruments – Overall (formerly FASB Statement No. 159, "Fair Value Option for Financial Assets and Financial Liabilities," paragraphs 19 and C7(b)) and ASC Subtopic 860-50, Transfers and Servicing – Servicing Assets and Liabilities (formerly FASB Statement No. 156, "Accounting for Servicing of Financial Assets," paragraph 4(f)(1)(d)).
- 13.a** **Net gains (losses) on assets.** Report the total amount of pretax gains (losses) from fair value changes included in earnings during the calendar year to date for all assets, including hybrid financial instruments and servicing assets, accounted for under a fair value option. This amount will reflect the reported interest included in total interest income in Schedule RI, item 1.h, and revaluation adjustments included in noninterest income in Schedule RI, items 5.c, 5.f, and 5.l. Exclude gains and losses for other items measured at fair value, such as items required to be measured at fair value.

Memoranda**Item No. Caption and Instructions**

- 13.a.(1)** **Estimated net gains (losses) on loans attributable to changes in instrument-specific credit risk.** For loans reported at fair value under a fair value option, report the estimated portion of the change in fair value included in earnings attributable to changes in instrument-specific credit risk. Include all such loans reported in Schedule RC, items 4.a, 4.b, and 5.
- 13.b** **Net gains (losses) on liabilities.** Report the total amounts of pretax gains (losses) from fair value changes included in earnings during the calendar year to date for all liabilities, including hybrid financial instruments and servicing liabilities, accounted for under a fair value option. This amount will reflect the reported interest included in total interest expense in Schedule RI, item 2.e, and revaluation adjustments included in noninterest income in Schedule RI, items 5.c, 5.f, and 5.l. Exclude gains and losses for other items measured at fair value, such as items required to be measured at fair value.
- 13.b.(1)** **Estimated net gains (losses) on liabilities attributable to changes in instrument-specific credit risk.** For liabilities reported at fair value under a fair value option, report the estimated portion of the change in fair value included in earnings attributable to changes in instrument-specific credit risk.

NOTE: Memorandum item 14 is to be completed only by institutions that have not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses. Institutions that have adopted ASU 2016-13 should leave Memorandum item 14 blank.

- 14** **Other-than-temporary impairment losses on held-to-maturity and available-for-sale debt securities recognized in earnings.** Report the amount of other-than-temporary impairment losses on held-to-maturity and available-for-sale debt securities that have been recognized in earnings during the calendar year to date as discussed in the following paragraphs. This amount is included in the realized gains (losses) on held-to-maturity and available-for-sale securities reported in Schedule RI, items 6.a and 6.b, respectively.

When the fair value of an individual held-to-maturity or available-for-sale debt security is less than its amortized cost basis, the security is impaired and the impairment is either temporary or other-than-temporary. To determine whether the impairment is other-than-temporary, a bank must apply the relevant guidance in ASC Topic 320, Investments-Debt Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities," as amended by FASB Staff Position (FSP) FAS 115-1 and FAS 124-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments," and FSP FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments") and ASC Subtopic 325-40, Investments-Other – Beneficial Interests in Securitized Financial Assets (formerly Emerging Issues Task Force (EITF) Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets," as amended by FSP EITF 99-20-1, "Amendments to the Impairment Guidance of EITF Issue No. 99-20"), as appropriate.

When an other-than-temporary impairment loss has occurred on an individual debt security, the total amount of the loss is the entire difference between the amortized cost of the debt security and its fair value on the measurement date of the other-than-temporary impairment. For an other-than-temporary impairment loss on a debt security that the bank intends to sell and on a debt security that it is more likely than not that the bank will be required to sell before recovery of its amortized cost basis less any current-period credit loss, the total amount of the other-than-temporary impairment loss must be recognized in earnings and must be reported in this item.

LINE ITEM INSTRUCTIONS FOR THE CONSOLIDATED REPORT OF CONDITION

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

SCHEDULE RC – BALANCE SHEET

ASSETS

Item No. Caption and Instructions

- 1** **Cash and balances due from depository institutions.** On the FFIEC 031, the sum of Schedule RC, items 1.a and 1.b, must equal Schedule RC-A, item 5, column A, "Total." On the FFIEC 041, Schedule RC-A is not applicable to banks with less than \$300 million in total assets; for banks with \$300 million or more in total assets, the sum of Schedule RC, items 1.a and 1.b, must equal Schedule RC-A, item 5, "Total."

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

- 1.a** **Noninterest-bearing balances and currency and coin.** Report the total of all noninterest-bearing balances due from depository institutions, currency and coin, cash items in process of collection, and unposted debits. On the FFIEC 031, the components of this item will also be included in the appropriate items of Schedule RC-A, column A. On the FFIEC 041, for banks with \$300 million or more in total assets, the components of this item will also be included in the appropriate items of Schedule RC-A.

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

Item No. Caption and Instructions

1.a Cash items in process of collection include:
(cont.)

- (1) Checks or drafts in process of collection that are drawn on another depository institution (or on a Federal Reserve Bank) and that are payable immediately upon presentation in the United States. This includes:
 - (a) Checks or drafts drawn on other institutions that have already been forwarded for collection but for which the reporting bank has not yet been given credit ("cash letters").
 - (b) Checks or drafts on hand that will be presented for payment or forwarded for collection on the following business day.
 - (c) Checks or drafts that have been deposited with the reporting bank's correspondent and for which the reporting bank has already been given credit, but for which the amount credited is not subject to immediate withdrawal ("ledger credit" items).

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

- (2) Government checks drawn on the Treasurer of the United States or any other government agency that are payable immediately upon presentation and that are in process of collection.
- (3) Such other items in process of collection that are payable immediately upon presentation and that are customarily cleared or collected as cash items by depository institutions in the United States, such as:
 - (a) Redeemed United States savings bonds and food stamps.
 - (b) Amounts associated with automated payment arrangements in connection with payroll deposits, federal recurring payments, and other items that are credited to a depositor's account prior to the payment date to ensure that the funds are available on the payment date.
 - (c) Federal Reserve deferred account balances until credit has been received in accordance with the appropriate time schedules established by the Federal Reserve Banks. At that time, such balances are considered part of the reporting bank's balances due from depository institutions.
 - (d) Checks or drafts drawn on another depository institution that have been deposited in one office of the reporting bank and forwarded for collection to another office of the reporting bank.
 - (e) Brokers' security drafts and commodity or bill-of-lading drafts payable immediately upon presentation in the U.S. (See the Glossary entries for "Broker's Security Draft" and "Commodity or Bill-of-Lading Draft" for the definitions of these terms.)

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, for example, common and perpetual preferred stock. (See also the instructions to Schedule RC, item 2.c and Schedule RC-F, item 4.)

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

- 15** (cont.) of two basic types of products: proprietary products designed and originated by financial institutions and a federally-insured product known as a Home Equity Conversion Mortgage (HECM).
- Report the specified information about the bank's involvement with reverse mortgages (in domestic offices).
- 15.a** **Reverse mortgages outstanding that are held for investment.** Report the amount of HECM and proprietary reverse mortgages held for investment that are included in Schedule RC-C, part I, item 1.c, Loans "Secured by 1-4 family residential properties." A loan is held for investment if the bank has the intent and ability to hold the loan for the foreseeable future or until maturity or payoff. Exclude reverse mortgages that are held for sale.
- 15.b** **Estimated number of reverse mortgage loan referrals to other lenders during the year from whom compensation has been received for services performed in connection with the origination of the reverse mortgages.** A bank that does not underwrite and fund reverse mortgages may refer customers to other lenders that underwrite and fund such mortgages. Under the Real Estate Settlement Procedures Act and its implementing regulations, a mortgage lender may pay fees or compensation to another party, such as a bank that has referred a customer to the mortgage lender, only for services actually performed by that party.
- If the bank receives compensation from reverse mortgage lenders for services the bank has performed in connection with the origination of reverse mortgages granted to customers that the bank has referred to the reverse mortgage lenders, report a reasonable estimate of the number of HECM and proprietary reverse mortgages for which the bank received such compensation during the year. Do not report the estimated amount of referral fee income in this item
- 15.c** **Principal amount of reverse mortgage originations that have been sold during the year.** Report the principal amount of HECM and proprietary reverse mortgages sold during the year that were originated by the bank. Report the principal balance outstanding of the reverse mortgages as of their sale dates, which excludes any unused commitments to the borrowers on the reverse mortgages sold.
- 16** **Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit (in domestic offices) that have converted to non-revolving closed-end status (included in item 1.c.(1) above).** Report the amount outstanding of loans included in Schedule RC-C, Part I, item 1.c.(1), that have converted to non-revolving, closed-end status, but originated as draws under revolving, open-end lines of credit secured by 1-to-4 family residential properties, including those for which the draw periods have ended.
- 17** **Eligible loan modifications under Section 4013, Temporary Relief from Troubled Debt Restructurings, of the 2020 Coronavirus Aid, Relief, and Economic Security Act.** As provided for under the 2020 Coronavirus Aid, Relief, and Economic Security Act (CARES Act), a financial institution may elect to account for an eligible loan modification under Section 4013 of that Act (Section 4013 loan). If a loan modification is not eligible under Section 4013, or if the institution elects not to account for an eligible loan modification under Section 4013, the institution should not report the loan in Memorandum items 17.a and 17.b and should instead evaluate whether the modified loan is a troubled debt restructuring (TDR) under ASC Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors.

Part I. (cont.)**Memoranda**

17
(cont.) To be an eligible loan modification under Section 4013, as amended by the Consolidated Appropriations Act, 2021, a loan modification must be (1) related to the Coronavirus Disease 2019 (COVID-19); (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date of termination of the national emergency concerning the COVID-19 outbreak declared by the President on March 13, 2020, under the National Emergencies Act or (B) January 1, 2022 (the applicable period).

Institutions accounting for eligible loan modifications under Section 4013 are not required to apply ASC Subtopic 310-40 to the Section 4013 loans for the term of the loan modification and do not have to report Section 4013 loans as TDRs in regulatory reports, subject to the following considerations for additional modifications. If an institution elects to account for a loan modification under Section 4013, an additional loan modification could also be eligible under Section 4013 provided it is executed during the applicable period and meets the other statutory criteria referenced above. If an institution does not elect to account for a loan modification under Section 4013 or a loan modification is not eligible under Section 4013 (e.g., because it is executed after the applicable period), additional modifications should be viewed cumulatively in determining whether the additional modification is accounted for as a TDR under ASC Subtopic 310-40.

Consistent with the CARES Act, the agencies are collecting information on a fully consolidated basis about the volume of Section 4013 loans, including the number of Section 4013 loans outstanding (Memorandum item 17.a) and the outstanding balance of Section 4013 loans (Memorandum item 17.b). These two items are collected on a confidential basis at the institution level. Once the term of an eligible Section 4013 loan modification ends, an institution should no longer include the loan in these Schedule RC-C, Part I, Memorandum items.

For further information on loan modifications, including those that may not be eligible under Section 4013 or for which an institution elects not to apply Section 4013, institutions may refer to the [Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus \(Revised\)](#), issued April 7, 2020, and the [Joint Statement on Additional Loan Accommodations Related to COVID-19](#) issued August 3, 2020.

- 17.a** **Number of Section 4013 loans outstanding.** Report the number of Section 4013 loans outstanding held by the reporting institution as of the report date whose outstanding balances are included in the amount reported in Schedule RC-C, Part I, Memoranda item 17.b, below.
- 17.b** **Outstanding balance of Section 4013 loans.** Report the aggregate amount at which Section 4013 loans held for investment and held for sale are included in Schedule RC-C, Part I, and Section 4013 loans held for trading are included in Schedule RC, item 5, as of the report date.

Item No. Caption and Instructions

- 6**
(cont.)
- (20) FDIC loss-sharing indemnification assets. These indemnification assets represent the carrying amount of the right to receive payments from the FDIC for losses incurred on specified assets acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC. (Exclude the assets covered by the FDIC loss-sharing agreements from this component of "All other assets." Instead, report each covered asset in the balance sheet category appropriate to the asset on Schedule RC, e.g., report covered held-for-investment loans in Schedule RC, item 4.b, "Loans and leases held for investment.")
- (21) Receivables arising from foreclosures on fully and partially government-guaranteed mortgage loans if the guarantee is not separable from the loan before foreclosure and, at the time of foreclosure, (a) the institution's intent is to convey the property to the guarantor and make a claim on the guarantee and the institution has the ability to recover under that claim, and (b) any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. For further information, see the Glossary entry for "Foreclosed assets." (Report these receivables in Schedule RC-F, item 6.g, if this amount is greater than \$100,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.)
- (22) The reporting institution's own accounts receivable. (Report these receivables in Schedule RC-F, item 6.f, if this amount is greater than \$100,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.) (Exclude factored accounts receivable, which should be reported as loans in Schedule RC-C.)

Exclude from all other assets:

- (1) Redeemed U.S. savings bonds and food stamps (report in Schedule RC, item 1.a, "Noninterest-bearing balances and currency and coin," and, if applicable, in Schedule RC-A, item 1, "Cash items in process of collection, unposted debits, and currency and coin").
 - (2) Real estate owned or leasehold improvements to property intended for future use as banking premises (report in Schedule RC, item 6, "Premises and fixed assets").
 - (3) Accounts identified as "building accounts," "construction accounts," or "remodeling accounts" (report in Schedule RC, item 6, "Premises and fixed assets").
 - (4) Real estate acquired in any manner for debts previously contracted (including, but not limited to, real estate acquired through foreclosure and real estate acquired by deed in lieu of foreclosure), even if the bank has not yet received title to the property, and real estate collateral underlying a loan when the bank has obtained physical possession of the collateral (report as "Other real estate owned" in Schedule RC, item 7).
 - (5) Due bills representing purchases of securities or other assets by the reporting bank that have not yet been delivered (report as loans in Schedule RC-C).
 - (6) Factored accounts receivable (report as loans in Schedule RC-C).
- 7** **Total.** Report the sum of items 1 through 6. This amount must equal Schedule RC, item 11, "Other assets."

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Item No. Caption and Instructions

11 Does the bank act as trustee or custodian for Individual Retirement Accounts, Health Savings Accounts, and other similar accounts? Indicate whether the institution acts as trustee or custodian for Individual Retirement Accounts (IRAs), Health Savings Accounts (HSAs), or other similar accounts. Other similar accounts include Roth IRAs, Coverdell Education Savings Accounts, and Archer Medical Savings Accounts. State-chartered institutions are allowed, under certain circumstances, to act as trustee or custodian for these types of accounts without obtaining trust powers. In addition, national banks can serve as custodian to IRAs, HSAs, and other similar accounts without obtaining trust powers. Place an "X" in the box marked "Yes" if the reporting institution acts as trustee or custodian for these types of accounts, regardless of whether it has trust powers. Otherwise, place an "X" in the box marked "No."

12 Does the bank provide custody, safekeeping, or other services involving the acceptance of orders for the sale or purchase of securities? Indicate whether the institution takes orders from customers for the sale or purchase of securities, regardless of whether this activity occurs in a custody or safekeeping account or elsewhere in the institution as an accommodation to the customer. Place an "X" in the box marked "Yes" if the reporting institution takes securities sale or purchase orders from customers. Otherwise, place an "X" in the box marked "No."

For example, if the only persons accepting customers' orders for securities are licensed dual employees (i.e., individuals who are both employees of the bank and licensed representatives of a registered broker-dealer) who take orders under a third-party networking arrangement with a registered broker, the employees would be accepting the orders in their capacity as registered representatives of the broker and not in their capacity as bank employees. In this situation, the bank should place an "X" in the box marked "No."

13 Portion of covered other real estate owned included in Schedule RC, item 7 that is protected by FDIC loss-sharing agreements. Report the maximum amount recoverable from the FDIC under loss-sharing agreements covering the other real estate owned reported in Schedule RC, item 7, "Other real estate owned," beyond the amount that has already been reflected in the measurement of the reporting bank's indemnification asset, which represents the right to receive payments from the FDIC under the loss-sharing agreement.

Under a loss-sharing agreement, the FDIC agrees to absorb a portion of the losses on a specified pool of a failed insured depository institution's assets in order to maximize asset recoveries and minimize the FDIC's losses. In general, the maximum amount recoverable from the FDIC on covered other real estate owned is the carrying amount of the other real estate, as reported in in Schedule RC, item 7, "Other real estate owned," multiplied by the currently applicable loss coverage rate (e.g., 80 percent or 95 percent). This product will normally be the maximum amount recoverable because reimbursements from the FDIC for covered losses related to the amount by which the "book value" of a covered asset on the failed institution's books (which is the amount upon which payments under an FDIC loss-sharing agreement are based) exceeds the amount at which the reporting bank reports the covered asset on Schedule RC, Balance Sheet, should already have been taken into account in measuring the carrying amount of the reporting bank's loss-sharing indemnification asset, which is reported in Schedule RC-F, item 6, "All other assets."

Item No. Caption and Instructions

NOTE: Schedule RC-M, items 14.a and 14.b, are to be completed annually in the December report only.

14 Captive insurance and reinsurance subsidiaries:

14.a Total assets of captive insurance subsidiaries. Report the carrying amount of all assets held by consolidated captive insurance subsidiaries of the reporting bank. A captive insurance company is a limited purpose insurer licensed as a direct writer of insurance. Some common lines of business include credit life, accident, and health insurance; disability insurance; and employee benefits coverage. Report total assets before eliminating intercompany transactions between the consolidated insurance subsidiary and other offices or subsidiaries of the consolidated bank.

14.b Total assets of captive reinsurance subsidiaries. Report the carrying amount of all assets held by consolidated captive reinsurance subsidiaries of the reporting bank. Reinsurance is the transfer, with indemnification, of all or part of the underwriting risk from one insurer to another for a portion of the premium or other consideration.

Some common lines of business include credit life, accident, and health reinsurance; disability reinsurance; reinsurance of employee benefits coverage; private mortgage guaranty reinsurance; and terrorism risk reinsurance. Report total assets before eliminating intercompany transactions between the consolidated reinsurance subsidiary and other offices or subsidiaries of the consolidated bank.

15 Qualified Thrift Lender (QTL) test. Items 15.a and 15.b are to be completed by all savings associations and by those state savings banks and cooperative banks that have applied and have been permitted, under Section 10(l) of the Home Owners' Loan Act (HOLA) (12 U.S.C. 1467a(l)), to be deemed a savings association for purposes of holding company regulation.

The QTL test has been in place since it was enacted as part of the Competitive Equality Banking Act of 1987. To be a QTL, a savings association (or a state savings or cooperative bank that has elected to be treated as a QTL) must either meet the HOLA QTL test (12 U.S.C. 1467a(m)) or the Internal Revenue Service (IRS) Domestic Building and Loan Association (DBLA) test (26 CFR 301.7701-13A). Under the HOLA QTL test, an institution must hold "Qualified Thrift Investments" equal to at least 65 percent of its portfolio assets. To be a QTL under the IRS DBLA test, an institution must meet a "business operations test" and a "60 percent of assets test." An institution may use either test to qualify and may switch from one test to the other. However, the institution must meet the time requirements of the respective test, which is:

- Nine out of the last 12 months for the HOLA QTL test, and
- The taxable year (which may be either a calendar or fiscal year) for the IRS DBLA test.

A savings association (or a state savings or cooperative bank that has elected to be treated as a QTL) that fails to meet the QTL requirements is subject to certain restrictions, including limits on activities, branching, and dividends.

15.a Does the institution use the Home Owners' Loan Act (HOLA) QTL test or the Internal Revenue Service Domestic Building and Loan Association (IRS DBLA) test to determine its QTL compliance? Indicate the test that the reporting institution uses to determine its compliance with the QTL requirements. For the HOLA QTL test, enter the number "1"; for the IRS DBLA test, enter the number "2."

Item No. Caption and Instructions**15.b Has the institution been in compliance with the HOLA QTL test as of each month end during the quarter or the IRS DBLA test for its most recent taxable year, as applicable?**

Indicate whether the reporting institution has been in compliance with the HOLA QTL test as of each month end during the quarter ending with the report date or the IRS DBLA test for its most recent taxable year, as applicable. Place an "X" in the box marked "Yes" if the institution has been in compliance with the applicable test for the specified period. Otherwise, place an "X" in the box marked "No."

NOTE: Items 16.a and, if appropriate, items 16.b.(1) through 16.b.(3) are to be completed by all institutions annually in the December report only.

16 International remittance transfers offered to consumers. Report in Schedule RC-M, item 16.a and, if appropriate, items 16.b.(1) through 16.b.(3), information about international electronic transfers of funds offered to consumers in the United States that:

- (1) Are "remittance transfers" as defined by Subpart B of Regulation E (12 CFR § 1005.30(e)), or
- (2) Would qualify as "remittance transfers" under Subpart B of Regulation E (12 CFR § 1005.30(e)), but are excluded from that definition only because the provider is not providing those transfers in the normal course of its business. See 12 CFR § 1005.30(f).

For purposes of items 16.a and 16.b.(1) through 16.b.(3), such transfers are referred to as international remittance transfers.

Under Subpart B of Regulation E, which took effect on October 28, 2013, and was most recently amended effective July 21, 2020, a "remittance transfer" is an electronic transfer of funds requested by a sender to a designated recipient that is sent by a remittance transfer provider. The term applies regardless of whether the sender holds an account with the remittance transfer provider, and regardless of whether the transaction is also an "electronic fund transfer," as defined in Regulation E. See 12 CFR § 1005.30(e).

A "sender" is a consumer in a State who primarily for personal, family, or household purposes requests a remittance transfer provider to send a remittance transfer to a designated recipient. See 12 CFR § 1005.30(g).

A "designated recipient" is any person specified by the sender as the authorized recipient of a remittance transfer to be received at a location in a foreign country. See 12 CFR § 1005.30(c).

A "remittance transfer provider" is any person that provides remittance transfers for a consumer in the normal course of its business, regardless of whether the consumer holds an account with such person. See 12 CFR § 1005.30(f).

Item No. Caption and Instructions

16 Examples of “remittance transfers” include the following (see Regulation E, Subpart B, (cont.) comment 30(e)-3.i):

- (1) Transfers where the sender provides cash or another method of payment to a money transmitter or financial institution and requests that funds be sent to a specified location or account in a foreign country.
- (2) Consumer wire transfers, where a financial institution executes a payment order upon a sender’s request to wire money from the sender’s account to a designated recipient.
- (3) An addition of funds to a prepaid card by a participant in a prepaid card program, such as a prepaid card issuer or its agent, that is directly engaged with the sender to add these funds, where the prepaid card is sent or was previously sent by a participant in the prepaid card program to a person in a foreign country, even if a person located in a State (including a sender) retains the ability to withdraw such funds.
- (4) International automated clearing house (ACH) transactions sent by the sender’s financial institution at the sender’s request.
- (5) Online bill payments and other electronic transfers that a sender schedules in advance, including preauthorized remittance transfers, made by the sender’s financial institution at the sender’s request to a designated recipient.

Under Subpart B of Regulation E, the term “remittance transfer” does not include, for example:

- (1) Small value transactions, i.e., transfer amounts, as described in 12 CFR § 1005.31(b)(1)(i), of \$15 or less. See 12 CFR § 1005.30(e)(2)(i).
- (2) Securities and commodities transfers that are excluded from the definition of electronic fund transfer under 12 CFR § 1005.3(c)(4). See 12 CFR § 1005.30(e)(2)(ii).
- (3) A consumer’s provision of a debit, credit or prepaid card, directly to a foreign merchant as payment for goods or services because the issuer is not directly engaged with the sender to send an electronic transfer of funds to the foreign merchant when the issuer provides payment to the merchant. See Regulation E, Subpart B, comment 30(e)-3.ii.A.
- (4) A consumer’s deposit of funds to a checking or savings account located in a State, because there has not been a transfer of funds to a designated recipient. See Regulation E, Subpart B, comment 30(e)-3.ii.B.
- (5) Online bill payments and other electronic transfers that senders can schedule in advance, including preauthorized transfers, made through the website of a merchant located in a foreign country and via direct provision of a checking account, credit card, debit card or prepaid card number to the merchant, because the financial institution is not directly engaged with the sender to send an electronic transfer of funds to the foreign merchant when the institution provides payment to the merchant. See Regulation E, Subpart B, comment 30(e)-3.ii.C.

Estimates: For purposes of items 16.a and, if appropriate, items 16.b.(1) through 16.b.(3), estimates should be based on a reasonable and supportable methodology. Estimated figures should include only international remittance transfers for which your institution was the provider. Do not count transfers for which another entity was the provider and your institution sent the transfer as a correspondent bank or agent for the other provider. An international remittance transfer should be counted as of the date of the transfer.

16.a Estimated number of international remittance transfers provided by your institution during the calendar year ending on the report date. Report the estimated number of international remittance transfers that your institution provided during the calendar year ending on the report date. Estimates should be based on a reasonable and supportable methodology.

Item No. Caption and Instructions

NOTE: Items 16.b.(1) through 16.b.(3) are to be completed by institutions that reported 501 or more international remittance transfers in item 16.a in either or both of the current report or the most recent prior report in which item 16.a was required to be completed. For the December 31, 2021, report date, your institution should complete Schedule RC-M, items 16.b.(1) through 16.b.(3), only if it reports 501 or more international remittance transfers in Schedule RC-M, item 16.a, in the December 31, 2021, Call Report or if it reported a combined total of 501 or more international remittance transfers in Schedule RC-M, item 16.d.(1), in the June 30 and December 31, 2020, Call Reports

- 16.b** **Estimated dollar value of remittance transfers provided by your institution and usage of regulatory exceptions during the calendar year ending on the report date:**
- 16.b.(1)** **Estimated dollar value of international remittance transfers.** Report the estimated dollar value of international remittance transfers that your institution provided during the calendar year ending on the report date. The dollar value is not required to be estimated in thousands of dollars. In other words, if an estimate is in the millions of dollars, the institution may report zeros for the thousands of dollars.
- 16.b.(2)** **Estimated number of international remittance transfers for which your institution applied the permanent exchange rate exception.** Report the estimated number of international remittance transfers that your institution provided during the calendar year ending on the report date for which your institution applied the permanent exchange rate exception set forth in 12 CFR § 1005.32(b)(4).
- 16.b.(3)** **Estimated number of international remittance transfers for which your institution applied the permanent covered third-party fee exception.** Report the estimated number of international remittance transfers that your institution provided during the calendar year ending on the report date for which your institution applied the permanent covered third-party exception set forth in 12 CFR § 1005.32(b)(5).
- 17** **U.S. Small Business Administration Paycheck Protection Program (PPP) loans and the Federal Reserve PPP Liquidity Facility (PPPLF).** The PPP was established by Section 1102 of the 2020 Coronavirus Aid, Relief, and Economic Security Act, which was enacted on March 27, 2020 and amended on June 5, 2020. PPP covered loans (PPP loans) are fully guaranteed as to principal and accrued interest by the U.S. Small Business Administration (SBA).
- The PPPLF was authorized by the Board of Governors of the Federal Reserve System on April 8, 2020, under Section 13(3) of the Federal Reserve Act (12 U.S.C. 343(3)). Under the PPPLF, the Federal Reserve Banks extends non-recourse loans to eligible lenders, with the extensions of credit secured by SBA-guaranteed PPP loans that the lenders have originated or purchased.
- Items 17.a through 17.e should be completed on a fully consolidated basis.
- 17.a** **Number of PPP loans outstanding.** Report the number of PPP loans outstanding held by the reporting institution as of the report date whose outstanding balances are included in the amount reported in Schedule RC-M, Memoranda item 17.b, below.
- 17.b** **Outstanding balance of PPP loans.** Report the aggregate amount at which PPP loans held for investment and held for sale are included in Schedule RC-C, Part I, and PPP loans held for trading are included in Schedule RC, item 5, as of the report date.
- 17.c** **Outstanding balance of PPP loans pledged to the PPPLF.** For PPP loans pledged to the PPPLF, report the aggregate amount at which such PPP loans held for investment and held for sale are included in Schedule RC-C, Part I, and such PPP loans held for trading are included in Schedule RC, item 5, as of the report date.

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17.c Pledged PPP loans held for investment or held for sale that should be included in this item will also have been included in Schedule RC-C, Part I, Memorandum item 14, "Pledged loans and leases." On the FFIEC 031, pledged PPP loans held for trading that should be included in this item will also have been included in Schedule RC-D, Memorandum item 4.b, "Pledged loans."

17.d **Outstanding balance of borrowings from Federal Reserve Banks under the PPPLF with a remaining maturity of.** Report in the appropriate subitem the specified information about the outstanding amount of borrowings from Federal Reserve Banks under the PPPLF reported in Schedule RC, item 16. The maturity date of an extension of credit under the PPPLF equals the maturity date of the PPP loan pledged to secure the extension of credit, which is either two or five years from origination of the PPP loan. However, the maturity date of the extension of credit will be accelerated and the institution is required to repay the extension of credit under the PPPLF prior to its maturity date when the institution has been reimbursed by the SBA for a PPP loan forgiveness (to the extent of the forgiveness), has received payment from the SBA representing exercise of the PPP loan guarantee, or has received payment from the PPP borrower of the underlying PPP loan (to the extent of the payment received).

The remaining maturity is the amount of time remaining from the report date until the final contractual maturity of the borrowing without regard to the borrowing's repayment schedule, if any.

17.d.(1) **One year or less.** Report the outstanding amount as of the report date of borrowings by the reporting institution from a Federal Reserve Bank under the PPPLF with a remaining maturity of one year or less.

The borrowings that should be included in this item will also have been included in (1) Schedule RC-M, item 5.b.(1)(a), "Other borrowings with a remaining maturity or next repricing date of One year or less," (2) Schedule RC-M, item 5.b.(2), "Other borrowings with a remaining maturity of one year or less," and (3) Schedule RC-M, item 10.b, "Amount of 'Other borrowings' that are secured."

17.d.(2) **More than one year.** Report the outstanding amount as of the report date of borrowings by the reporting institution from a Federal Reserve Bank under the PPPLF with a remaining maturity of more than one year.

The borrowings that should be included in this item will also have been included in (1) Schedule RC-M, item 5.b.(1)(b), Other borrowings with a remaining maturity or next repricing date of "Over one year through three years," or Schedule RC-M, item 5.b.(1)(c), "Over three years through five years," as appropriate, and (2) Schedule RC-M, item 10.b, "Amount of 'Other borrowings' that are secured."

17.e **Quarterly average amount of PPP loans pledged to the PPPLF and excluded from "Total assets for the leverage ratio" reported in Schedule RC-R, Part I, item 30.** Report the quarterly average amount of PPP loans pledged to the PPPLF that are included as a deduction in Schedule RC-R, Part I, item 29, "LESS: Other deductions from (additions to) assets for leverage ratio purposes," and thus excluded from "Total assets for the leverage ratio" reported in Schedule RC-R, Part I, item 30.

This quarterly average should be consistent with and calculated using the same averaging method used for calculating the quarterly average for "Total assets" reported in Schedule RC-K, item 9.

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10 Exclude other real estate owned reportable in Schedule RC, item 7, and other repossessed
(cont.) assets reportable in Schedule RC, item 11, such as automobiles, boats, equipment,
 appliances, and similar personal property.

11 **Loans and leases reported in items 1 through 8 above that are wholly or partially
guaranteed by the U.S. Government, excluding loans and leases covered by loss-
sharing agreements with the FDIC.** Report in the appropriate column the aggregate
amount of all loans and leases reported in Schedule RC-N, items 1 through 8, above for
which repayment of principal is wholly or partially guaranteed or insured by the U.S.
Government, including its agencies and its government-sponsored agencies, but excluding
loans and leases covered by loss-sharing agreements with the FDIC, which are reported in
Schedule RC-N, item 12, below. Examples include loans guaranteed by the Small Business
Administration and the Federal Housing Administration. Amounts need not be reported in
this item and in items 11.a and 11.b below if they are considered immaterial.

Exclude from this item loans and leases guaranteed or insured by state or local governments,
state or local government agencies, foreign (non-U.S.) governments, and private agencies or
organizations. Also exclude loans and leases collateralized by securities issued by the
U.S. Government, including its agencies and its government-sponsored agencies.

11.a **Guaranteed portion of loans and leases included in item 11 above, excluding rebooked
"GNMA loans."** Report in the appropriate column the maximum amount recoverable from
the U.S. Government, including its agencies and its government-sponsored agencies, under
the guarantee or insurance provisions applicable to the loans and leases included in
Schedule RC-N, item 11, above.

Seller-servicers of GNMA loans should exclude all delinquent rebooked GNMA loans that
have been repurchased or are eligible for repurchase from this item (report such rebooked
GNMA loans in item 11.b below). Servicers of GNMA loans should exclude individual
delinquent loans (for which they were not the transferor) that they have purchased out of
GNMA securitizations from this item (report such purchased GNMA loans in item 11.b below).

11.b **Rebooked "GNMA loans" that have been repurchased or are eligible for repurchase
included in item 11 above.** Report in the appropriate column the amount included in
Schedule RC-N, item 11, of:

- (1) Delinquent rebooked GNMA loans that have been repurchased or are eligible for
repurchase by seller-servicers of GNMA loans; and
- (2) Delinquent loans that have been purchased out of GNMA securitizations by servicers of
GNMA loans that were not the transferors of the loans.

Item No. Caption and Instructions

- 12 Portion of covered loans and leases included in item 9 above that is protected by FDIC loss-sharing agreements.** Report in the appropriate column the maximum amount recoverable from the FDIC under loss-sharing agreements covering the past due and nonaccrual loans and leases reported in Schedule RC-N, item 9, above beyond the amount that has already been reflected in the measurement of the reporting bank's indemnification asset, which represents the right to receive payments from the FDIC under the loss-sharing agreement. Amounts need not be reported in this item if they are considered immaterial.

In general, the maximum amount recoverable from the FDIC on covered past due and nonaccrual loans and leases is the recorded amount of these loans and leases, as reported in Schedule RC-N, item 9, multiplied by the currently applicable loss coverage rate (e.g., 80 percent or 95 percent). This product will normally be the maximum amount recoverable because reimbursements from the FDIC for covered losses related to the amount by which the "book value" of a covered asset on the failed institution's books (which is the amount upon which payments under an FDIC loss-sharing agreement are based) exceeds the amount at which the reporting bank reports the covered asset on Schedule RC, Balance Sheet, should already have been taken into account in measuring the carrying amount of the reporting bank's loss-sharing indemnification asset, which is reported in Schedule RC-F, item 6, "All other assets."

Memoranda**Item No. Caption and Instructions**

- 1 Loans restructured in troubled debt restructurings included in Schedule RC-N, items 1 through 7, above.** Report in the appropriate subitem and column loans that have been restructured in troubled debt restructurings (as described in "Definitions" above) and are past due 30 days or more or are in nonaccrual status as of the report date. Such loans will have been included in one or more of the loan categories in items 1 through 7 of this schedule. Exclude all loans restructured in troubled debt restructurings that are in compliance with their modified terms (report in Schedule RC-C, part I, Memorandum item 1),
- For further information, see the Glossary entry for "troubled debt restructurings."
- 1.a Construction, land development, and other land loans (in domestic offices):**
- 1.a.(1) 1-4 family construction loans.** Report in the appropriate column all loans secured by real estate for the purpose of constructing 1-4 family residential properties included in item 1.a.(1) of this schedule that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.
- 1.a.(2) Other construction loans and all land development and other land loans.** Report in the appropriate column all construction loans for purposes other than constructing 1-4 family residential properties, all land development loans, and all other land loans included in item 1.a.(2) of this schedule that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.
- 1.b Loans secured by 1-4 family residential properties (in domestic offices).** Report in the appropriate column all loans secured by 1-4 family residential properties (in domestic offices) included in item 1.c of this schedule that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.
- 1.c Loans secured by multifamily (5 or more) residential properties (in domestic offices).** Report in the appropriate column all loans secured by multifamily (5 or more) residential properties (in domestic offices) included in item 1.d of this schedule that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.
- 1.d Secured by nonfarm nonresidential properties (in domestic offices):**
- 1.d.(1) Loans secured by owner-occupied nonfarm nonresidential properties.** Report in the appropriate column all loans secured by owner-occupied nonfarm nonresidential properties included in item 1.e.(1) of this schedule that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.
- 1.d.(2) Loans secured by other nonfarm nonresidential properties.** Report in the appropriate column all nonfarm nonresidential real estate loans not secured by owner-occupied nonfarm nonresidential properties included in item 1.e.(2) of this schedule that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.

Memoranda**Item No. Caption and Instructions**

1.e Commercial and industrial loans. Report all commercial and industrial loans included in item 4 of this schedule that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date. On the FFIEC 041, all banks should report the total of these restructured loans in Memorandum item 1.e, and banks with \$300 million or more in total assets should also report in Memorandum items 1.e.(1) and (2) a breakdown of these restructured loans between those loans to U.S. and non-U.S. addressees. On the FFIEC 031, all banks should report a breakdown of these restructured loans between those to U.S. and non-U.S. addressees for the fully consolidated bank in Memorandum items 1.e.(1) and (2).

NOTE: Memorandum items 1.e.(1) and 1.e.(2) are not applicable to banks filing the FFIEC 041 report forms that have less than \$300 million in total assets.

1.e.(1) To U.S. addressees (domicile). On the FFIEC 041, report in the appropriate column all commercial and industrial loans to U.S. addressees included in Memorandum item 1.e of this schedule that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date. On the FFIEC 031, report in the appropriate column all commercial and industrial loans to U.S. addressees included in item 4.a of this schedule that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.

1.e.(2) To non-U.S. addressees (domicile). On the FFIEC 041, report in the appropriate column all commercial and industrial loans to non-U.S. addressees included in Memorandum item 3.c of this schedule that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date. On the FFIEC 031, report in the appropriate column all commercial and industrial loans to non-U.S. addressees included in item 4.b of this schedule that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.

1.f All other loans. Report in the appropriate column all other loans that cannot properly be reported in Schedule RC-N, Memorandum items 1.a through 1.e, above that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date. Include in the appropriate column of this item all loans in the following categories that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date:

- (1) Loans secured by farmland (in domestic offices) included in Schedule RC-N, item 1.b;
- (2) Loans to depository institutions and acceptances of other banks included in Schedule RC-N, item 2;
- (3) Loans to finance agricultural production and other loans to farmers included in Schedule RC-N, item 7 on the FFIEC 041 and item 3 on the FFIEC 31;
- (4) Consumer credit cards included in Schedule RC-N, item 5.a;
- (5) Consumer automobile loans included in Schedule RC-N, item 5.b;
- (6) Other consumer loans included in Schedule RC-N, items 5.c;
- (7) On the FFIEC 031, loans to foreign governments and official institutions included in Schedule RC-N, item 6;

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- 1.f**
(cont.)
- (8) Obligations (other than securities and leases) of states and political subdivisions in the U.S. included in Schedule RC-N, item 7;
 - (9) Loans to nondepository financial institutions and other loans included in Schedule RC-N, item 7; and
 - (10) On the FFIEC 031, loans secured by real estate in foreign offices included in Schedule RC-N, item 1.f.

For loans in the following loan categories within "All other loans" that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date, report the amount of such restructured loans in the appropriate subitem of Schedule RC-N, Memorandum item 1.f, if the dollar amount of such restructured loans in that loan category exceeds 10 percent of total loans restructured in troubled debt restructurings that are in compliance with their modified terms (i.e., 10 percent of the sum of Schedule RC-N, Memorandum items 1.a through 1.f, on the FFIEC 031; 10 percent of the sum of Schedule RC-N, Memorandum items 1.a through 1.e plus Memorandum item 1.f, on the FFIEC 041):

- Memorandum item 1.f.(1), "Loans secured by farmland (in domestic offices)";
- Memorandum item 1.f.(3) on the FFIEC 031, "Loans to finance agricultural production and other loans to farmers";
- Memorandum item 1.f.(4)(a), Consumer "Credit cards";
- Memorandum item 1.f.(4)(b), Consumer "Automobile loans";
- Memorandum item 1.f.(4)(c), "Other" consumer loans; and
- Memorandum item 1.f.(5) on the FFIEC 041, "Loans to finance agricultural production and other loans to farmers," for banks with \$300 million or more in total assets and banks with less than \$300 million in total assets that have loans to finance agricultural production and other loans to farmers (Schedule RC-C, part I, item 3) exceeding five percent of total loans and leases held for investment and held for sale (Schedule RC-C, part I, item 12).

- 1.g** **Total loans restructured in troubled debt restructurings included in Schedule RC-N, items 1 through 7, above.** On the FFIEC 031, for columns A through C, report the sum of Memorandum items 1.a.(1) through 1.f. Exclude amounts reported in Memorandum items 1.f.(1) through 1.f.(5) when calculating the total in this Memorandum item 1.g.

On the FFIEC 041, for columns A through C, report the sum of Memorandum items 1.a.(1) through 1.e plus 1.f. Exclude amounts reported in Memorandum items 1.e.(1), 1.e.(2), and 1.f.(1) through 1.f.(5) when calculating the total in this Memorandum item 1.g.

- 2** **Loans to finance commercial real estate, construction, and land development activities included in Schedule RC-N, items 4 and 7, above.** Report in the appropriate column the amount of loans to finance commercial real estate, construction, and land development activities ***not secured by real estate*** included in Schedule RC-C, part I, Memorandum item 3, that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans will have been included in items 4 and 7 of Schedule RC-N above. Exclude from this item all loans secured by real estate included in item 1 of Schedule RC-N above.

NOTE: Memorandum item 3 is not applicable to banks filing the FFIEC 041 report form.

- 3** **Loans secured by real estate to non-U.S. addressees (domicile).** Report in the appropriate column the amount of all loans secured by real estate to non-U.S. addressees that are 30 days or more past due or are in nonaccrual status as of the report date. Such loans will have been included in Schedule RC-N, items 1.a through 1.f, above.

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NOTE: Memorandum items 3.a through 3.d are not applicable to banks filing the FFIEC 031 report form. On the FFIEC 041 report form, Memorandum items 3.a through 3.d are not applicable to banks that have less than \$300 million in total assets.

- 3.a Loans secured by real estate to non-U.S. addressees (domicile).** Report in the appropriate column the amount of all loans secured by real estate to non-U.S. addressees that are 30 days or more past due or are in nonaccrual status as of the report date. Such loans will have been included in Schedule RC-N, items 1.a through 1.e, above.
- 3.b Loans to and acceptances of foreign banks.** Report in the appropriate column the amount of all loans to and acceptances of U.S. branches and agencies of foreign banks included in Schedule RC-C, part I, items 2.a, column A, and all loans to and acceptances of other banks in foreign countries included in Schedule RC-C, part I, item 2.c, column A, that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans and acceptances will have been included in Schedule RC-N, item 2, above.
- 3.c Commercial and industrial loans to non-U.S. addressees (domicile).** Report in the appropriate column the amount of all commercial and industrial loans to non-U.S. addressees included in Schedule RC-C, part I, item 4.b, column A, that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans will have been included in Schedule RC-N, item 4, above.
- 3.d Leases to individuals for household, family, and other personal expenditures.** Report in the appropriate column the amount of all leases to individuals for household, family, and other personal expenditures (net of unearned income) included in Schedule RC-C, part I, item 10.a, column A, that are past due 30 days or more or are in nonaccrual status as of the report date. Such leases will have been included in Schedule RC-N, item 8, above.

NOTE: Memorandum item 4 is not applicable to banks filing the FFIEC 031 report form. On the FFIEC 041 report form, Memorandum item 4 is to be completed by:

- banks with \$300 million or more in total assets, and
 - banks with less than \$300 million in total assets that have loans to finance agricultural production and other loans to farmers, as defined for Schedule RC-C, part I, item 3, column B, exceeding five percent of total loans and leases held for investment and held for sale (Schedule RC-C, part I, item 12).
- 4 Loans to finance agricultural production and other loans to farmers.** Report in the appropriate column the amount of all loans to finance agricultural production and other loans to farmers included in Schedule RC-C, part I, item 3, column B, that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans will have been included in Schedule RC-N, item 7, above.
- 5 Loans and leases held for sale.** Report in the appropriate column the carrying amount of all loans and leases classified as held for sale included in Schedule RC, item 4.a, which are reported at the lower of cost or fair value or at fair value under a fair value option, that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans and leases will have been included in one or more of the loan and lease categories in items 1 through 8 of Schedule RC-N above and would, therefore, exclude any loans classified as trading assets and included in Schedule RC, item 5.

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NOTE: Memorandum item 6 is not applicable to banks filing the FFIEC 041 report form.

- 6** **Derivative contracts: Fair value of amounts carried as assets.** Report in the appropriate column the fair value of all credit derivative contracts (as defined for Schedule RC-L, item 7) and all interest rate, foreign exchange rate, equity, and commodity and other derivative contracts (as defined for Schedule RC-L, item 12) on which a required payment by the bank's counterparty is past due 30 days or more as of the report date.

NOTE: Memorandum items 7 and 8 are to be completed semiannually in the June and December reports only.

- 7** **Additions to nonaccrual assets during the previous six months.** Report the aggregate amount of all loans, leases, debt securities, and other assets (net of unearned income) that have been placed in nonaccrual status during the six months ending on the semiannual (i.e., June 30 or December 31) report date for this item. Include those assets placed in nonaccrual status during this six month period that are included as of the current report date in Schedule RC-N, column C, items 1 through 8 and 10. Also include those assets placed in nonaccrual status during this six month period that, before the current semiannual report date for this item, have been sold, paid off, charged-off, settled through foreclosure or concession of collateral (or any other disposition of the nonaccrual asset) or have been returned to accrual status. In other words, the aggregate amount of assets placed in nonaccrual status since the prior semiannual report date that should be reported in this item should not be reduced, for example, by any charge-offs or sales of such nonaccrual assets. If a given asset is placed in nonaccrual status more than once during the six month period ending on the current semiannual report date, report the amount of the asset only once.
- 8** **Nonaccrual assets sold during the previous six months.** Report the total of the outstanding balances of all loans, leases, debt securities, and other assets held in nonaccrual status (i.e., reportable in Schedule RC-N, column C, items 1 through 8 and 10) that were sold during the six months ending on the semiannual (i.e., June 30 or December 31) report date for this item. The amount to be included in this item is the outstanding balance (net of unearned income) of each nonaccrual asset at the time of its sale. Do not report the sales price of the nonaccrual assets and do not include any gains or losses from the sale. For purposes of this item, only include those transfers of nonaccrual assets that meet the criteria for a sale as set forth in ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," as amended). For further information, see the Glossary entry for "transfers of financial assets."

NOTE: Memorandum items 9.a and 9.b are to be completed semiannually in the June and December reports only by institutions that have not adopted ASU 2016-13. Institutions that have adopted ASU 2016-13 should leave Memorandum items 9.a and 9.b blank.

- 9** **Purchased credit-impaired loans accounted for in accordance with FASB ASC 310-30 (former AICPA Statement of Position 03-3).** Report in the appropriate subitem and column the outstanding balance and amount of "purchased credit-impaired loans" reported as held for investment in Schedule RC-C, part I, Memorandum items 7.a and 7.b, respectively, that are past due 30 days or more or are in nonaccrual status as of the report date. The amount of such loans will have been included by loan category in items 1 through 7 of Schedule RC-N, above. Purchased credit-impaired loans are accounted for in accordance with ASC Subtopic 310-30, Receivables – Loans and Debt Securities Acquired with

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9
(cont.) Deteriorated Credit Quality (formerly AICPA Statement of Position 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer"). Purchased credit-impaired loans are loans that an institution has purchased, including those acquired in a purchase business combination, where there is evidence of deterioration of credit quality since the origination of the loan and it is probable, at the purchase date, that the institution will be unable to collect all contractually required payments receivable. Loans held for investment are those that the institution has the intent and ability to hold for the foreseeable future or until maturity or payoff.

For guidance on determining the delinquency and nonaccrual status of purchased credit-impaired loans accounted for individually and purchased credit-impaired loans with common risk characteristics that are aggregated and accounted for as a pool, refer to the "Definitions" section of the Schedule RC-N instructions and the Glossary entry for "purchased credit-impaired loans and debt securities."

9.a **Outstanding balance.** Report in the appropriate column the outstanding balance of all purchased credit-impaired loans reported as held for investment in Schedule RC-C, part I, Memorandum item 7.a, that are past due 30 days or more or are in nonaccrual status as of the report date. The outstanding balance is the undiscounted sum of all amounts, including amounts deemed principal, interest, fees, penalties, and other under the loan, owed to the institution at the report date, whether or not currently due and whether or not any such amounts have been charged off by the institution. However, the outstanding balance does not include amounts that would be accrued under the contract as interest, fees, penalties, and other after the report date.

9.b **Amount included in Schedule RC-N, items 1 through 7, above.** Report in the appropriate column the amount of all purchased credit-impaired loans reported as held for investment in Schedule RC-C, part I, Memorandum item 7.b, that are past due 30 days or more or are in nonaccrual status as of the report date.

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- 2**
(cont.)
- (2) *Reciprocal balances*: Any demand deposit due from or cash item in the process of collection due from any depository institution (not including a foreign bank or foreign office of another U.S. depository institution) up to the total amount of deposit balances due to and cash items in the process of collection due such depository institution.
- (3) *Drafts drawn on other depository institutions*: Any outstanding drafts (including advices and authorization to charge the depository institution's balance in another bank) drawn in the regular course of business by the reporting depository institution.
- (4) *Pass-through reserve balances*: Reserve balances passed through to the Federal Reserve by the reporting institution that are also reflected as deposit liabilities of the reporting institution. This exclusion is not applicable to an institution that does not act as a correspondent bank in any pass-through reserve balance relationship. A state nonmember bank generally cannot act as a pass-through correspondent unless it maintains an account for its own reserve balances directly with the Federal Reserve.
- (5) *Depository institution investment contracts*: Liabilities arising from depository institution investment contracts that are not treated as insured deposits under section 11(a)(5) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(5)). A Depository Institution Investment Contract is a separately negotiated depository agreement between an employee benefit plan and an insured depository institution that guarantees a specified rate for all deposits made over a prescribed period and expressly permits benefit-responsive withdrawals or transfers.
- (6) *Accumulated deposits*: Deposits accumulated for the payment of personal loans that are assigned or pledged to assure payment of the loans at maturity. Deposits that simply serve as collateral for loans are not an allowable exclusion.

NOTE: Item 3 is applicable only to banks filing the FFIEC 031 report form.

- 3** **Total foreign deposits, including interest accrued and unpaid thereon (included in item 2 above).** Report on an unconsolidated single FDIC certificate number basis the total amount of foreign deposits (including International Banking Facility deposits), including interest accrued and unpaid on these deposits, as of the calendar quarter-end report date included in Schedule RC-O, item 2 above.
- 4** **Average consolidated total assets for the calendar quarter.** Report average consolidated total assets for the calendar quarter on a single FDIC certificate number basis in accordance with the guidance on "Averaging method" and "Measuring average consolidated total assets" below. For purposes of this item, average consolidated total assets is not a quarterly average of total assets measured in accordance with the instructions for Schedule RC, item 12, "Total assets."

Averaging methods – An institution that reported \$1 billion or more in quarter-end consolidated total assets in its Consolidated Reports of Condition and Income (Schedule RC, item 12, "Total assets") or Thrift Financial Report (Schedule SC, line item SC60, "Total assets") for March 31, 2011, and any institution that becomes FDIC-insured after March 31, 2011, must report average consolidated total assets in this item on a daily average basis. An institution that reported less than \$1 billion in quarter-end consolidated total assets in its Consolidated Reports of Condition and Income (Schedule RC, item 12, "Total assets") or Thrift Financial Report (Schedule SC, line item SC60, "Total assets") for March 31, 2011, may report average consolidated total assets in this item on a weekly average basis, or it may at any time opt permanently to report average consolidated total assets on a daily average basis. Once an institution that reports average consolidated total assets using a

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4 weekly average reports average consolidated total assets of \$1 billion or more in this item for
(cont.) two consecutive quarters, it must permanently report average consolidated total assets using
daily averaging beginning the next quarter.

Daily average consolidated total assets should be calculated by adding the institution's consolidated total assets as of the close of business for each day of the calendar quarter and dividing by the number of days in the calendar quarter (the number of days in a quarter ranges from 90 days to 92 days). For days that an institution is closed (e.g., Saturdays, Sundays, or holidays), the amount from the previous business day would be used. An institution is considered closed if there are no transactions posted to the general ledger as of that date.

Weekly average consolidated total assets should be calculated by adding the institution's consolidated total assets as of the close of business on each Wednesday during the calendar quarter and dividing by the number of Wednesdays in the quarter.

An institution that becomes newly insured and begins operating during the calendar quarter should report average consolidated total assets on a daily average basis. Daily average consolidated total assets for such an institution should be calculated by adding the institution's consolidated total assets as of the close of business for each day during the quarter since it became insured and operational, and dividing by the number of calendar days since it became insured and operational.

Measuring average consolidated total assets – Average consolidated total assets should be measured in accordance with the instructions for Schedule RC-K, item 9, average "Total assets" (i.e., including the adjustment for available-for-sale debt securities), except as follows:

- (1) If the reporting institution has an FDIC-insured depository institution subsidiary, the subsidiary should not be consolidated. Instead, the reporting institution's investment in this subsidiary should be included in average consolidated total assets using the equity method of accounting.
- (2) If the reporting institution is the surviving or resulting institution in a merger or consolidation that occurred during the calendar quarter, the reporting institution should calculate its average consolidated total assets by including the consolidated total assets of all FDIC-insured depository institutions that were merged or consolidated into the reporting institution as if the merger or consolidation occurred on the first day of the calendar quarter. Acceptable methods for including a merged or consolidated FDIC-insured depository institution's consolidated total assets in this calculation for the days during the calendar quarter preceding the merger or consolidation date include using either (a) the acquisition date fair value of the merged or consolidated institution's consolidated total assets for all days (or all Wednesdays) during the calendar quarter preceding the acquisition date or (b) the merged or consolidated institution's consolidated total assets, as defined for Schedule RC-K, item 9, average "Total assets," for each day (or each Wednesday) during the calendar quarter preceding the acquisition date.¹

¹ This approach to calculating average consolidated total assets for purposes of Schedule RC-O, item 4, does not apply if the reporting institution is the surviving or resulting institution in a merger or consolidation during the calendar quarter involving an entity, such as a credit union, that is not an FDIC-insured depository institution. In such a merger or consolidation, the reporting institution should apply the guidance on business combinations in the General Instructions for Schedule RC-K when measuring average consolidated total assets for purposes of Schedule RC-O, item 4.

SCHEDULE RC-T – FIDUCIARY AND RELATED SERVICES

General Instructions

This schedule should be completed on a fully consolidated basis, i.e., including any trust company subsidiary of the reporting institution that is engaged in fiduciary activities as defined in the instructions below. Exclude from this schedule investments in unconsolidated trust entities and any proportionate share of income or loss from these investments, which should be reported in accordance with the instructions for Schedule RC, Balance Sheet, and Schedule RI, Income Statement, as applicable. See also the Glossary entries for “Equity Method of Accounting” and “Subsidiaries.”

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- 1 **Does the institution have fiduciary powers?** Federally-chartered institutions granted trust powers by the OCC to administer accounts in a fiduciary capacity should answer "Yes." State-chartered institutions should answer "Yes" if (a) the state has granted trust powers to the institution to offer fiduciary services as defined by the state **and** (b) the institution's federal supervisory agency (the FDIC or the Federal Reserve) has granted consent to exercise the trust powers (see Sections 333.2 and 333.101 of the FDIC's regulations and Federal Reserve Regulation H). Institutions with trust company subsidiaries should also answer "Yes." Institutions responding "No" should not complete the remainder of this schedule. Fiduciary capacity generally means trustee, executor, administrator, registrar of stocks and bonds, transfer agent, guardian, assignee, receiver, custodian under a uniform gifts to minors act, investment adviser (if the institution receives a fee for its investment advice), any capacity in which the institution possesses investment discretion on behalf of another, or any other similar capacity.

- 2 **Does the institution exercise the fiduciary powers it has been granted?** Institutions exercising their fiduciary powers should respond "Yes." Exercising fiduciary powers means that an institution, or a trust company subsidiary of the institution, serves in a fiduciary capacity as defined in the instructions for item 1 of this schedule.

- 3 **Does the institution have fiduciary or related activity (in the form of assets or accounts) to report in this schedule?** Institutions (including their trust company subsidiaries) with fiduciary assets, accounts, income, or other reportable fiduciary related services should respond "Yes." Institutions responding "No" should not complete the remainder of this schedule.

Reportable fiduciary and related services include activities that do not require trust powers but are incidental to fiduciary services. Specifically, this includes custodial services for assets held by the institution in a fiduciary capacity. An institution should report custodial activities that are offered through the fiduciary business unit or through another distinct business unit that is devoted to institutional custodial services. Institutions should exclude those custodial and escrow activities related to commercial bank services such as hold-in-custody repurchase assets, escrow assets held for the benefit of third parties, safety deposit box assets, and any other similar commercial arrangement.

Institutions with fiduciary activities that are limited to only land trusts and/or custodial activity for mortgage-backed securities (such as GNMA or FNMA) should respond "No."

If the answer to item 3 is "Yes," complete the applicable items of Schedule RC-T, as follows:

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3 (cont.) Institutions with total fiduciary assets (item 10, sum of columns A and B) greater than \$250 million (as of the preceding December 31) or with gross fiduciary and related services income greater than 10 percent of revenue (net interest income plus noninterest income) for the preceding calendar year must complete:

- Items 4 through 22 on the FFIEC 041 quarterly; items 4 through 22.a on the FFIEC 031 quarterly;
- Items 23 through 26 annually with the December report;
- Memorandum item 3 quarterly; and
- Memorandum items 1, 2, and 4 annually with the December report.

Institutions with total fiduciary assets (item 10, sum of columns A and B) of less than or equal to \$250 million (as of the preceding December 31) that do not meet the fiduciary income test for quarterly reporting must complete:

- Items 4 through 13 annually with the December report; and
- Memorandum items 1 through 3 annually with the December report.

In addition, institutions with total fiduciary assets greater than \$100 million but less than or equal to \$250 million (as of the preceding December 31) that do not meet the fiduciary income test for quarterly reporting must also complete Memorandum item 4 annually with the December report.

Fiduciary and Related Assets

Institutions should generally report fiduciary and related assets using their market value as of the report date. While market value quotations are readily available for marketable securities, many financial and physical assets held in fiduciary accounts are not widely traded or easily valued. If the methodology for determining market values is not set or governed by applicable law (including the terms of the prevailing fiduciary agreement), the institution may use any reasonable method to establish values for fiduciary and related assets for purposes of reporting on this schedule. Reasonable methods include appraised values, book values, if appropriate, cash surrender values of certain life insurance policies, or reliable estimates. Valuation methods should be consistent from reporting period to reporting period. This "reasonable method" approach to reporting market values applies both to financial assets that are not marketable and to physical assets. Common physical assets held in fiduciary accounts include real estate, equipment, collectibles, and household goods.

Only those Individual Retirement Accounts, Keogh Plan accounts, Health Savings Accounts, and similar accounts offered through a fiduciary business unit of the reporting institution should be reported in Schedule RC-T. When such accounts are not offered through an institution's fiduciary business unit, they should not be reported in Schedule RC-T. Accounts that consist solely of deposits in the bank itself should not be reported in Schedule RC-T.

If two institutions are named co-fiduciary in the governing instrument, both institutions should report the account. In addition, where one institution contracts with another for fiduciary or related services (e.g., Bank A provides custody services to the trust accounts of Bank B, or Bank A provides investment management services to the trust accounts of Bank B), both institutions should report the accounts in their respective capacities.

Exclude from reporting in Schedule RC-T any arrangements representing potential future fiduciary accounts, such as testamentary executor appointments.

Also exclude from Schedule RC-T, assets for which the institution is only providing operational, or back-office services, and the accounts or assets are not held by the institution.

Fiduciary and Related Assets (cont.)

Asset values reported on this schedule should generally exclude liabilities. For example, an employee benefit account with associated loans against account assets should be reported gross of the outstanding loan balances. As another example, an account with a real estate asset and corresponding mortgage loan should be reported gross of the mortgage liability. However, there are two exceptions. First, for purposes of this schedule, overdrafts should be netted against gross fiduciary assets. Second, the fair value of derivative instruments, as defined in ASC Topic 815, Derivatives and Hedging should be included in (i.e., netted against) gross assets even if the fair value is negative.

Securities borrowing/lending transactions should be reflected as sales or as secured borrowings according to ASC Topic 860, Transfers and Servicing. A transferee ("borrower") of securities generally is required to provide "collateral" to the transferor ("lender") of securities. When such transactions do not qualify as sales, securities "lenders" and "borrowers" should account for the transactions as secured borrowings in which cash (or securities that the holder is permitted by contract or custom to sell or repledge) received as "collateral" by the securities "lender" is considered the amount borrowed and the securities "loaned" are considered pledged against the amount borrowed. For purposes of this schedule, securities held in fiduciary accounts that are "loaned" in securities lending transactions (that are accounted for as secured borrowings) should be reported as an asset of the fiduciary account that "loaned" the securities, but the "collateral" received should not also be reported as an asset of this fiduciary account.

In the Fiduciary and Related Assets section, the market value of Collective Investment Fund (CIF) units should be reported along with individual participant accounts in the Column and Item that corresponds to each participant. The aggregate amount of a CIF that is operated by an institution should NOT also be reported as a separate, additional account in the Fiduciary and Related Assets section of this schedule.

Institutions that are fiduciaries or exercise fiduciary powers as defined in the "General Instructions" section for Schedule RC-T, item 1, must include all investment management and investment advisory accounts and assets administered by the institution directly or administered by entities to whom the institution has delegated its investment authority. However, an investment adviser registered with the Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940 or registered with a state agency (registered investment advisers) is not a fiduciary nor does it exercise fiduciary powers as defined in the "General Instructions" section for Schedule RC-T, item 1. Therefore, institutions should not include investment management and investment advisory accounts and assets administered by registered investment advisory subsidiaries of the institution, except when:

- The institution fiduciary is the investment manager or adviser, but has delegated investment management or advisory responsibilities to the subsidiary registered investment adviser, or
- An institution is administering the account in a fiduciary capacity, as defined in the instructions for item 1 above, but the governing instrument assigns direct responsibility for investment management to the registered investment adviser.

Managed Assets – Column A

Report the total market value of assets held in managed fiduciary accounts. An account should be categorized as managed if the institution has investment discretion over the assets of the account. Investment discretion is defined as the sole or shared authority (whether or not that authority is exercised) to determine what securities or other assets to purchase or sell on behalf of the fiduciary related account. An institution that delegates its authority over investments and an institution that receives delegated authority over investments are BOTH deemed to have investment discretion.

Therefore, whether an account where investment management has been delegated to a registered investment adviser, whether affiliated or unaffiliated with the reporting institution, should be reported as a managed account depends on whether the delegation of investment authority to the registered investment adviser was made pursuant to the exercise of investment discretion by the reporting institution. If so, the account is deemed to be a managed account by the reporting institution. Otherwise,

the account would be a non-managed account for purposes of Schedule RC-T.

An entire account should be reported as either managed or non-managed based on the predominant responsibility of the reporting institution.

Fiduciary and Related Assets (cont.)

Non-Managed Assets – Column B

Report the total market value of assets held in non-managed fiduciary accounts. An account should be categorized as non-managed if the institution does not have investment discretion. Those accounts for which the institution provides a menu of investment options but the ultimate selection authority remains with the account holder or an external manager should be categorized as non-managed. For example, an institution that offers a choice of sweep vehicles is not necessarily exercising investment discretion. The process of narrowing investment options from a range of alternatives does not create a managed fiduciary account for the purposes of this schedule. For example, a 401(k) employee benefit plan where the participants select investments from a list of investment options should be reported as non-managed for the purposes of this schedule.

Number of Managed Accounts – Column C

Report the total number of managed fiduciary accounts.

Number of Non-Managed Accounts – Column D

Report the total number of non-managed fiduciary accounts.

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- 4** **Personal trust and agency accounts.** Report the market value and number of accounts for all testamentary trusts, revocable and irrevocable living trusts, (including life insurance trusts, except for term life insurance policies that have nominal value), other personal trusts, and non-managed personal agency accounts. Include accounts in which the institution serves as executor, administrator, guardian, or conservator. Exclude personal investment management and investment advisory agency accounts, which should be reported in Schedule RC-T, item 7. Also exclude Keogh Plan accounts, Individual Retirement Accounts (IRAs), Health Savings Accounts, and other pension or profit-sharing plans for self-employed individuals, which should be reported in Schedule RC-T, item 5. Personal accounts that are solely custody or safekeeping should be reported in item 11 of this schedule.
- 5** **Employee benefit and retirement-related trust and agency accounts:**
- 5.a** **Employee benefit – defined contribution.** Report the market value and number of accounts for all employee benefit defined contribution accounts in which the institution serves as either trustee or agent. Include 401(k) plans, 403(b) plans, profit-sharing plans, money purchase plans, target benefit plans, stock bonus plans, employee stock ownership plans, and thrift savings plans. Include those accounts in which the institution serves as either trustee or agent and provides investment management services or provides investment advice for a fee. Employee benefit accounts for which the institution serves as a directed trustee or provides investment advice for a fee should be reported as non-managed. The number of accounts reported should reflect the total number of plans administered rather than the number of plan participants. Employee benefit accounts that are solely custody and safekeeping accounts should be reported in Schedule RC-T, item 11.

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- 5.b** **Employee benefit – defined benefit.** Report the market value and number of accounts for all employee benefit defined benefit plans in which the institution serves as either trustee or agent. Include those accounts in which the institution provides investment management services or provides investment advice for a fee. Employee benefit accounts for which the institution serves as a directed trustee or provides investment advice for a fee should be reported as non-managed. The number of accounts reported should reflect the total number of plans administered rather than the number of plan participants. Employee benefit accounts that are solely custody and safekeeping accounts should be reported in Schedule RC-T, item 11.
- 5.c** **Other employee benefit and retirement-related accounts.** Report the market value and number of accounts for all other employee benefit and retirement-related fiduciary accounts in which the institution serves as either trustee or agent. Include those accounts in which the institution provides investment management services or provides investment advice for a fee. Include Keogh Plan accounts, Individual Retirement Accounts, Health Savings Accounts, Medical Savings Accounts, and other pension or profit-sharing plans for self-employed individuals. Also report the market value of assets and the number of accounts for employee welfare benefit trusts and agencies. Employee welfare benefit plans include plans, funds, or programs that provide medical, surgical, or hospital care benefits; benefits in the event of sickness, accident, disability, death, or unemployment; vacation benefits; apprenticeship or other training programs; day care centers; scholarship funds; or prepaid legal services. Employee benefit accounts for which the institution serves as a directed trustee or provides investment advice for a fee should be reported as non-managed. Exclude accounts, originated by fiduciary or non-fiduciary personnel, that are only permitted to be invested in own-bank deposits. The number of accounts reported should reflect the total number of plans or accounts administered rather than the number of plan participants. Other retirement accounts that are solely custody and safekeeping accounts should be reported in Schedule RC-T, item 11. Individual Retirement Accounts, Health Savings Accounts, and other similar accounts should also be reported in Schedule RC-T, item 13.
- 6** **Corporate trust and agency accounts.** Report the market value of assets held by the institution for all corporate trust and agency accounts. Report assets that are the responsibility of the institution to manage or administer in accordance with the corporate trust agreement. Include assets relating to unrepresented bonds or coupons relating to issues that have been called or matured. Do NOT report the entire market value of the associated securities or the outstanding principal of associated debt issues. Include accounts for which the institution is trustee for corporate securities, tax-exempt and other municipal securities, and other debt securities including unit investment trusts. Also include accounts for which the institution is dividend or interest paying agent, and any other type of corporate trustee or agent appointment. Accounts that are solely custodial or safekeeping should be reported in Schedule RC-T, item 11.
- 7** **Investment management and investment advisory agency accounts.** Report the market value and number of accounts for all individual and institutional investment management and investment advisory agency accounts that are administered within the fiduciary area of the institution. Investment management accounts are those agency accounts for which the institution has investment discretion; however, title to the assets remains with the client. Include accounts for which the institution serves as a sub-adviser. Investment advisory accounts are those agency accounts for which the institution provides investment advice for a fee, but for which some other person is responsible for investment decisions. Investment management agency accounts should be reported as managed. Investment advisory agency accounts should be reported as non-managed.

Item No. Caption and Instructions

- 7** (cont.) Exclude investment management and investment advisory agency accounts maintained for employee benefit and retirement-related accounts, which should be reported in Schedule RC-T, item 5. Investment management and investment advisory agency accounts maintained for foundations and endowments should be reported in Schedule RC-T, item 8. As noted in the Fiduciary and Related Assets section above, exclude investment management and investment advisory agency accounts that are administered by subsidiary registered investment advisers. Include those mutual funds that are advised by the fiduciary area that is a separately identifiable department or division (as defined in Section 217 of the Gramm-Leach-Bliley Act). Classes of the same mutual fund should be combined and reported as a single account.
- 8** **Foundation and endowment trust and agency accounts.** Report the market value and number of accounts for all foundations and endowments (whether established by individuals, families, corporations, or other entities) that file any version of Form 990 with the Internal Revenue Service and for which the institution serves as either trustee or agent. Also include those foundations and endowments that do not file Form 990, 990EZ, or 990PF solely because the organization's gross receipts or total assets fall below reporting thresholds, but would otherwise be required to file. Foundations and endowments established by churches, which are exempt from filing Form 990, should also be included in this item. Employee benefit accounts maintained for a foundation's or endowment's employees should be reported in Schedule RC-T, item 5. Accounts that are solely custodial or safekeeping should be reported in Schedule RC-T, item 11.
- 9** **Other fiduciary accounts.** Report the market value and number of accounts for all other trusts and agencies not reported in Schedule RC-T, items 4 through 8. Custody and safekeeping accounts should be reported in Schedule RC-T, item 11.
- 10** **Total fiduciary accounts.** Report the sum of items 4 through 9.
- 11** **Custody and safekeeping accounts.** Report the market value and number of accounts for all personal and institutional custody and safekeeping accounts held by the institution. Safekeeping and custody accounts are a type of agency account in which the reporting institution performs one or more specified agency functions but the institution is not a trustee and also is not responsible for managing the asset selection for account assets. These agency services may include holding assets, processing income and redemptions, and other recordkeeping and customer reporting services. For employee benefit custody or safekeeping accounts, the number of accounts reported should reflect the total number of plans administered rather than the number of plan participants. Include accounts in which the institution serves in a sub-custodian capacity. For example, where one institution contracts with another for custody services, both institutions should report the accounts in their respective capacity. Individual Retirement Accounts, Health Savings Accounts, and other similar accounts should also be reported in Schedule RC-T, item 13.

Accounts in which the institution serves as either trustee or agent in addition to being custodian should be reported in the category of the primary relationship. An account with both a fiduciary and custodial relationship should be reported under the fiduciary capacity as the primary relationship. For example, personal trust accounts in which the institution also serves as custodian should be reported as personal trust accounts and not as custodian accounts. An institution should report an account only once in Schedule RC-T, items 4 through 9 and 11.

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- 11**
(cont.) Report custodian accounts that are incidental to fiduciary services. Include those custody and safekeeping accounts that are administered by the trust department, and those that are administered in other areas of the institution through an identifiable business unit that focuses on offering fiduciary related custodial services to institutional clients. Exclude those custodial and escrow activities related to commercial bank services such as hold-in-custody repurchase assets, securities safekeeping services for correspondent banks, escrow assets held for the benefit of third parties, safety deposit box assets, and any other similar commercial arrangement.

NOTE: Item 12 is applicable only to banks filing the FFIEC 031 report form.

- 12** **Fiduciary accounts held in foreign offices.** Report the market value and number of accounts included in Schedule RC-T, items 10 and 11, above that are attributable to accounts held in foreign offices.
- 13** **Individual Retirement Accounts, Health Savings Accounts, and other similar accounts.** Report the market value and number of Individual Retirement Accounts, Health Savings Accounts, and other similar accounts included in Schedule RC-T, items 5.c and 11. Other similar accounts include Roth IRAs, Coverdell Education Savings Accounts, and Archer Medical Savings Accounts. Exclude Keogh Plan accounts.

Fiduciary and Related Services Income

The income categories in Schedule RC-T, items 14 through 20, correspond to the fiduciary asset categories described in Schedule RC-T, items 4 through 11, above. For a detailed definition of the categories, please refer to the corresponding account descriptions. Income and expenses should be reported on an accrual basis. Institutions may report income and expense accounts on a cash basis if the results would not materially differ from those obtained using an accrual basis.

Fiduciary and related services income should be reported on a gross basis in Schedule RC-T, items 14 through 22. Net fiduciary settlements, surcharges, and other losses should be reported on a net basis in Schedule RC-T, item 24, and in Schedule RI, item 7.d, "Other noninterest expense." Net losses are gross losses less recoveries (including those from insurance payments). If the institution enters into a "fee reduction" or "fee waiver" agreement with a client as the method for reimbursing or compensating the client for a loss on the client's fiduciary or related services account arising from an error, misfeasance, or malfeasance, the full amount of this loss must be recognized on an accrual basis and included in Schedule RC-T, item 24, and in the appropriate subitem and column of Schedule RC-T, Memorandum item 4. An institution should not report such a loss as a reduction of the gross income from fiduciary and related services it reports in Schedule RC-T, items 14 through 22, and Schedule RI, item 5.a, "Income from fiduciary activities," in the current or future periods when the "fee reduction" or "fee waiver" takes place. (See the example after the instructions to Schedule RC-T, Memorandum item 4.e.)

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Derivative Contracts (cont.):**Embedded Derivatives**

Contracts that do not in their entirety meet the definition of a derivative instrument, such as bonds, insurance policies, and leases, may contain “embedded” derivative instruments. Embedded derivatives are implicit or explicit terms within a contract that affect some or all of the cash flows or the value of other exchanges required by the contract in a manner similar to a derivative instrument. The effect of embedding a derivative instrument in another type of contract (“the host contract”) is that some or all of the cash flows or other exchanges that otherwise would be required by the host contract, whether unconditional or contingent upon the occurrence of a specified event, will be modified based on one or more of the underlyings.

An embedded derivative instrument shall be separated from the host contract and accounted for as a derivative instrument, i.e., bifurcated, if and only if all three of the following conditions are met:

- (1) The economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract,
- (2) The contract (“the hybrid instrument”) that embodies the embedded derivative and the host contract is not remeasured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur, and
- (3) A separate instrument with the same terms as the embedded derivative instrument would be a considered a derivative.

An embedded derivative instrument in which the underlying is an interest rate or interest rate index that alters net interest payments that otherwise would be paid or received on an interest-bearing host contract is considered to be clearly and closely related to the host contract unless either of the following conditions exist:

- (1) The hybrid instrument can contractually be settled in such a way that the investor (holder) would not recover substantially all of its initial recorded investment,
or
- (2) The embedded derivative could at least double the investor’s initial rate of return on the host contract and could also result in a rate of return that is at least twice what otherwise would be the market return for a contract that has the same terms as the host contract and that involves a debtor with a similar credit quality.

Examples of hybrid instruments (not held for trading purposes) with embedded derivatives which meet the three conditions listed above and must be accounted for separately include debt instruments (including deposit liabilities) whose return or yield is indexed to: changes in an equity securities index (e.g., the Standard & Poor’s 500); changes in the price of a specific equity security; or changes in the price of gold, crude oil, or some other commodity. For purposes of these reports, when an embedded derivative must be accounted for separately from the host contract under ASC Topic 815, the carrying value of the host contract and the fair value of the embedded derivative may be combined and presented together on the balance sheet in the asset or liability category appropriate to the host contract.

Under ASC Subtopic 815-15, Derivatives and Hedging – Embedded Derivatives, a bank with a hybrid instrument for which bifurcation would otherwise be required is permitted to irrevocably elect to initially and subsequently measure the hybrid instrument in its entirety at fair value with changes in fair value recognized in earnings. In addition, ASC Subtopic 815-15 subjects all but the simplest forms of interest-only and principal-only strips and all forms of beneficial interests in securitized financial assets to the requirements of ASC Topic 815. Thus, a bank must evaluate such instruments to identify those that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation. However, a beneficial interest that contains a concentration of credit risk in the form of subordination to another financial instrument and certain securitized interests in

Derivative Contracts (cont.):

prepayable financial assets are not considered to contain embedded derivatives that must be accounted for separately from the host contract. For further information, see ASC Subtopic 815-15.

Except in limited circumstances, interest-only and principal-only strips and beneficial interests in securitized assets that were recognized prior to the effective date (or early adoption date) of ASC Subtopic 815-15 are not subject to evaluation for embedded derivatives under ASC Topic 815.

Recognition of Derivatives and Measurement of Derivatives and Hedged Items

A bank should recognize all of its derivative instruments on its balance sheet as either assets or liabilities at fair value. As defined in ASC Topic 820, Fair Value Measurement, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For further information, see the Glossary entry for “Fair Value.”

The accounting for changes in the fair value (that is, gains and losses) of a derivative depends on whether the derivative has been designated as, and qualifies as part of a hedging relationship under ASC Topic 815 and, if so, on the reason for holding it. Either all or a proportion of a derivative may be designated as a hedging instrument. The proportion must be expressed as a percentage of the entire derivative. Gains and losses on derivative instruments are accounted for as follows:

- (1) No hedging designation under ASC Topic 815 – The gain or loss on a derivative instrument not designated in a hedge under ASC Topic 815, including all derivatives held for trading purposes and derivatives used in transactions that economically hedge exposures to various risks, is recognized currently in earnings through the income statement.
- (2) Fair value hedge under ASC Topic 815 – For a derivative designated as, and qualifying as, a hedge of the exposure to changes in the fair value of a recognized asset or liability, or of an unrecognized firm commitment, that is attributable to a particular risk (i.e., a fair value hedge), the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the risk being hedged should be recognized currently in earnings through the income statement. For example, an exposure to changes in fair value typically results from holding or issuing a debt instrument that has a fixed interest rate or is denominated in a currency other than the institution’s functional currency or from a change in the credit and/or foreign exchange risk of a held-to-maturity debt security.
- (3) Cash flow hedge under ASC Topic 815 – For a derivative designated as, and qualifying as, a hedge of the exposure to variability in the cash flows of an existing recognized asset or liability or of a forecasted purchase or sale transaction, that is attributable to a particular risk (i.e., a cash flow hedge), the entire gain or loss on the derivative should initially be reported outside of earnings as a component of other comprehensive income and subsequently reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

The individual cash flows related to a recognized asset or liability and the cash flows related to a forecasted purchase or sale transaction are both referred to as a forecasted transaction. A forecasted transaction is eligible for designation as a hedged transaction if the forecasted transaction is specifically identified as a single transaction or a group of individual transactions, the occurrence of the forecasted transaction is probable, and certain other criteria specified in ASC Topic 815 are met. If the hedged transaction is a group of individual transactions, those individual transactions must share the same risk exposure for which they are designated as being hedged. For example, an exposure to variability in cash flows can result from a debt instrument with a variable interest rate or from a transaction amount that will be settled in a nonfunctional currency.

- (4) Foreign currency hedge under ASC Topic 815 – For a derivative designated as, and qualifying as, hedging the foreign currency exposure (i.e., an exposure to a currency other than the hedging unit’s functional currency) of a net investment in a foreign operation (i.e., a net investment hedge), the gain or loss is reported outside of earnings in other comprehensive income as part of the

Derivative Contracts (cont.):

cumulative translation adjustment. For a derivative designated and qualifying as (1) a hedge of the foreign currency exposure of an unrecognized firm commitment or an available-for-sale security, the accounting for a fair value hedge should be applied, or (2) a hedge of the foreign currency exposure of a foreign-currency denominated forecasted transaction, the accounting for a cash flow hedge should be applied.

For fair value and cash flow hedges, an institution may elect with appropriate documentation of its risk management decision to recognize the initial value of certain excluded components from the assessment of effectiveness in earnings using a systematic and rational method over the life of the hedging instrument. Any difference between the change in fair value of the excluded component and amounts recognized in earnings under that systematic and rational method should be recognized in other comprehensive income. Alternatively, an institution may elect to record changes in the fair value of the excluded component currently in earnings. This election should be applied consistently to similar hedges.

To qualify for hedge accounting, the risk being hedged must represent an exposure to an institution's earnings. In general, if the hedged item is a financial asset or liability, the designated risk being hedged can be overall risks (i.e., the risk of changes in the overall fair value of the hedged item or the risk of overall changes in the hedged cash flows), or portions, or components, of the total risk within the hedged item. The components of the total risk within the hedged item can include: (1) the risk of changes in the fair value or cash flows of the hedged item attributable to changes in the benchmark interest rate;¹ (2) the risk of changes in the cash flows of the hedged item attributable to changes in the contractually specified interest rate; (3) the risk of changes in the fair value or cash flows of the hedged item attributable to changes in foreign exchange rates; or (4) the risk of changes in the fair value or cash flows of the hedged item attributable to changes in the obligor's creditworthiness. For held-to-maturity securities, only credit risk, foreign exchange risk, or both may be hedged. An institution can also hedge the risk of changes in the cash flows attributable to changes in an identified contractually specified component of a nonfinancial asset in a forecasted purchase or sale of the nonfinancial asset.

Designated hedging instruments and hedged items qualify for fair value, cash flow, or net investment hedge accounting if all of the criteria specified in ASC Topic 815 are met. These criteria include:

- (1) At inception of the hedge, there is formal designation and documentation of the hedging relationship and the institution's risk management objective and strategy for undertaking the hedge, including identification of the eligible hedging instrument (e.g., the derivative), the hedged item or transaction eligible to be hedged, the nature of the risk being hedged, and how the hedging instrument's effectiveness will be assessed. At inception of the hedge (using information applicable as of the date of hedge inception), there must be a reasonable basis for how the institution plans to assess the hedging instrument's effectiveness. When hedging foreign currency risk on an after-tax basis, documentation that hedge effectiveness will be assessed on an after-tax basis (rather than on a pre-tax basis) is also required at hedge inception.
- (2) Both at inception of the hedge and on an ongoing basis, the hedging relationship is expected to be highly effective in achieving offsetting changes in fair value or offsetting cash flows attributable to the hedged risk during the period that the hedge is designated (i.e., term of the hedge). An assessment of effectiveness is required whenever financial statements or earnings are reported, and at least every three months. All assessments of effectiveness shall be consistent with the risk management strategy documented for that particular hedging relationship.

¹ The benchmark interest rate is a widely recognized and quoted rate in an active financial market that is broadly indicative of the overall level of interest rates attributable to high-credit-quality obligors in that market. In theory, this should be a risk-free rate. In the U.S., interest rates on U.S. Treasury securities, the London Interbank Offered Rate (LIBOR) swap rate, the Overnight Index Swap (OIS) Rate based on the Fed Funds Effective Rate, the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Rate, and the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate are considered benchmark interest rates.

Derivative Contracts (cont.):

Some hedging relationships (e.g., those meeting the requirements of the “shortcut” or “critical terms match” methods) require only a qualitative assessment. The initial prospective quantitative assessment of hedge effectiveness may be performed at any time after hedge designation, but no later than the first quarterly effectiveness testing date and, for forecasted transactions, before the first transaction occurs, using data applicable as of the date of hedge inception. The ongoing effectiveness assessments may be qualitative and/or quantitative, assuming the expectation of high effectiveness is reasonably supported.

In a fair value hedge, an asset or a liability is eligible for designation as a hedged item if the hedged item is specifically identified as either all or a specific portion of a recognized asset or liability or of an unrecognized firm commitment, the hedged item is a single asset or liability (or a specific portion thereof) or is a portfolio of similar assets or a portfolio of similar liabilities (or a specific portion thereof), and certain other criteria specified in ASC Topic 815 are met. If similar assets or similar liabilities are aggregated and hedged as a portfolio, the individual assets or individual liabilities must share the risk exposure for which they are designated as being hedged. The change in fair value attributable to the hedged risk for each individual item in a hedged portfolio must be expected to respond in a generally proportionate manner to the overall change in fair value of the aggregate portfolio attributable to the hedged risk.

Portfolio Layer Method

Accounting Standards Update No. 2022-01, “Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method” (ASU 2022-01), expands the current single-layer method and allows for multiple hedged layers of a closed portfolio. In addition, ASU 2022-01 expands the scope of the portfolio layer method from prepayable¹ assets to also include nonprepayable assets; specifies eligible hedging instruments in a single-layer hedge; provides additional guidance on the accounting for and disclosure of fair value hedge basis adjustments (FVHBAs) under the portfolio layer method; and specifies how hedge basis adjustments should be considered when determining credit losses for the assets included in the closed portfolio.

ASU 2022-01 applies to all entities that elect to apply the portfolio layer method of hedge accounting. For public business entities, the ASU is effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. For all other entities, ASU 2022-01 is effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted.

For further guidance, refer to the instructions for Schedule RC-B, item 7, “Unallocated portfolio layer fair value hedge basis adjustments” and Schedule RC-C, Part I, item 11, “LESS: Any unearned income on loans reflected in items 1-9 above.”

Recognition of Derivatives and Measurement When Criteria for Hedge Accounting are No Longer Met

An institution should discontinue prospectively its use of fair value or cash flow hedge accounting for an existing hedge if any of the qualifying criteria for hedge accounting is no longer met; the derivative expires or is sold, terminated, or exercised; or the institution removes the designation of the hedge.

For a fair value hedge, in general, if a periodic assessment of hedge effectiveness indicates noncompliance with the highly effective criterion that must be met to qualify for hedge accounting, an institution should not recognize an adjustment of the carrying amount of the hedged item for the change in the item’s fair value attributable to the hedged risk after the last date on which compliance with the effectiveness criterion was established.

¹ ASC Master Glossary defines prepayable as “able to be settled by either party before its scheduled maturity.”

Derivative Contracts (cont.):

When this occurs for a cash flow hedge, the net gain or loss on the derivative should remain in "Accumulated other comprehensive income" and be reclassified into earnings in the periods during which the hedged forecasted transaction affects earnings. However, if it is probable that the forecasted transaction will not occur by the end of the originally specified time period (as documented at the inception of the hedging relationship) or within an additional two-month period of time thereafter (except as noted in ASC Topic 815), the derivative gain or loss reported in "Accumulated other comprehensive income" should be reclassified into earnings immediately.

Other Considerations

With certain limited exceptions, a nonderivative instrument, such as a U.S. Treasury security, may not be designated as a hedging instrument in a qualifying ASC Topic 815 hedging relationship.

Reporting Derivative Contracts in the Call Report

When an institution enters into a derivative contract, it should classify the derivative as either held for trading or held for purposes other than trading (end-user derivatives) based on the reasons for entering into the contract. All derivatives must be reported at fair value on the balance sheet (Schedule RC).

Trading derivatives with positive fair values should be reported as trading assets in Schedule RC, item 5. Trading derivatives with negative fair values should be reported as trading liabilities in Schedule RC, item 15. Changes in the fair value (that is, gains and losses) of trading derivatives should be recognized currently in earnings and included in Schedule RI, item 5.c, "Trading revenue."

Freestanding derivatives held for purposes other than trading (and embedded derivatives that are accounted for separately under ASC Topic 815, which the bank has chosen to present separately from the host contract on the balance sheet) that have positive fair values should be included in Schedule RC-F, item 6, "All other assets." If the total fair value of these derivatives is greater than \$100,000 and exceeds 25 percent of "All other assets," this amount should be disclosed in Schedule RC-F, item 6.c. Freestanding derivatives held for purposes other than trading (and embedded derivatives that are accounted for separately under ASC Topic 815, which the bank has chosen to present separately from the host contract on the balance sheet) that have negative fair values should be included in Schedule RC-G, item 4, "All other liabilities." If the total fair value of these derivatives is greater than \$100,000 and exceeds 25 percent of "All other liabilities," this amount should be disclosed in Schedule RC-G, item 4.d. Net gains (losses) on derivatives held for purposes other than trading that are not designated as hedging instruments in hedging relationships that qualify for hedge accounting in accordance with ASC Topic 815 should be recognized currently in earnings and reported consistently as either "Other noninterest income" or "Other noninterest expense" in Schedule RI, item 5.l or item 7.d, respectively.

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

- (1) The change in the fair value of the hedging derivative instrument that is included in the assessment of hedge effectiveness;
- (2) Amounts excluded from the assessment of hedge effectiveness in accordance with the discussion above in this Glossary entry of the treatment of excluded components; and
- (3) For one or more existing hedged layer or layers that are designated under the portfolio layer method in accordance with ASC paragraph 815-20-25-12A, the gain or loss (that is, the change in fair value) on the hedged item attributable to the hedged risk shall not adjust the carrying value of the individual beneficial interest or individual assets in or removed from the closed portfolio. Instead, that amount shall be maintained on a closed portfolio basis and recognized currently in earnings.

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